



ACCOUNTABILITY IN THE PUBLIC SECTOR  
THROUGH QUALITY AUDIT SERVICES

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

**VOLUME 1      AUDIT REPORT ON THE WHOLE OF  
GOVERNMENT FINANCIAL STATEMENTS AND  
ANNUAL APPROPRIATION STATEMENT- 2007**

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GOVERNMENT FINANCIAL STATEMENTS AND  
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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

File: 102

03 November 2008

The Speaker of the House of Representatives  
Parliament House  
**SUVA**

Dear Sir

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**AUDIT REPORT ON THE GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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In accordance with section 167 (7) of the Constitution, I am pleased to transmit to you my audit reports on the Government of the Republic of the Fiji Islands for the year ended 31 December 2007.

Eroni Vatuloka  
**AUDITOR-GENERAL**



## FOREWORD

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This is the report on the audit of the 2007 Accounts and Finance of the Fiji government and its 26 ministries and departments as provided in the Appropriation Promulgation.

The introduction of a new Financial Management Information System (FMIS) in 2004/05 following the second failed attempt by the government in 1999 may have had some government support but was certainly not accompanied by sufficient and competent manpower, support from ministries and departments, and an effective change management agenda. In addition, the 2006 political upheaval resulted in high staff turnover and staff re-shuffles, which contributed to a lot of deficiencies in the preparation of the accounts.

The accounts were prepared under the cash basis of accounting with the use of a FMIS software called SSA Global. The introduction of the FMIS involved the computerization of public expenditure management processes, especially procurement and accounting. The financial statements of government, ministries and departments, which are essential outputs of the system, have not been produced by the system as they had not been included in the original scope of works in the development of the FMIS.

As the Ministry of Finance has decided to include budget formulation and execution and the adoption of the accrual basis of accounting in the FMIS in the future, a process of wide consultations is vital for the system's success. It is essential that the system should serve the needs of key stakeholders, otherwise it is not worth the investment.

The FMIS is not an integrated system as two ministries, the Ministry of Transport, Works and Energy and the Ministry of Health have implemented their own ACCPAC and EPICOR systems respectively. These are necessary because their nature of operations and functional areas require specialized information systems.

All audits were issued qualified audit opinions, with some adverse or disclaimer. The qualifications relate to: consolidation of accounts of ministries and departments, as required under the Appropriation Promulgation; the inability to determine the accuracy of the statements of output costs; the failure to provide for audit statements of losses, and trust account statement of receipts and payments; and the lack of reconciliations. In response, several ministries and departments had mentioned that these were attributed to the lack of coordination and appropriate advice from the Ministry of Finance.

Generally, public expenditure management has not improved with the use of the new FMIS. There remains a lot of work to improve the system to meet the requirements of all stakeholders.

  
Eroni Vatuloka  
Auditor General

3 November 2008



## EXECUTIVE SUMMARY

The Whole of Government financial statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2007 have been audited in accordance with section 167 of the Constitution, sections 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report based on two matters:

- (i) trust monies totaling \$64.4 million have not been banked separately, contrary to section 25 of the Financial Management Act; and
- (ii) Income Tax, VAT and Hotel Turnover Tax totaling \$917.6 million (61% of total revenue) could not be substantiated as the audit was denied access to taxpayers records, contrary to section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act; and

Other matters of concern are as follows:

- (a) a prior year adjustment of \$21.1 million in the Consolidated Fund Statement of Receipts and Payments could not be verified;
- (b) the lack of satisfactory explanations for the increase in unrepresented cheques from \$60.5 million in 2006 to \$73.6 million in 2007;
- (c) an adjustment of \$33.7 million in the general ledger to reduce the domestic bank account balance could not be substantiated;
- (d) the failure to produce necessary reconciliations of various accounts to ensure the accuracy of the financial statements of ministries and departments.

The gross deficit in 2007 was \$334.9 million against a budgeted deficit of \$369.6 million or 9% less than the budget. This was due to the decrease in government expenditures by \$66.8 million or 6% against the revised budget despite the decrease of \$80.4 million in revenue collections during the year. Loans raised in 2007 to finance the budget deficit was \$118.9 million, and this supplemented the \$216 million loan raised in 2006.

The following is a summary of the audit observations.

### **2007 Accounts and Finance**

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

Unrepresented cheques have increased significantly from \$60.5 million in 2006 to \$73.6 million in 2007. The continuing increase in unrepresented cheques at year end is a concern as it indicated that ministries and departments had left a significant amount of their expenditures until late in the year. Such expenditures are usually uneconomical as they have been rushed before the authority to spend lapsed on 31/12/07.

A prior years adjustment of \$21.1 million in the *Consolidated Fund Statement of Receipts and Payments* could not be verified.

### ***Investments***

Government's total investment held in 30 companies in 2007 was \$429.9 million, an increase of \$0.1 million compared to 2006. Only 11 entities remitted dividends to government totaling \$22.0 million in 2007 compared to \$27.6 million in 2006. Four entities with total government investments of \$8.4 million are in-operative.

### ***Trust Fund***

Section 25 of the Financial Management Act (2004) states that trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account. An amount of \$64.4 million in respect of trust moneys shown in *Schedule 1 – Statement of Assets and Expenditure* of the Whole of Government Financial Statements is not kept in a separate bank account.

18 Ministries/Departments had overdrawn their trust fund accounts totalling \$3.0 million as at 31/12/07.

### ***Revenue***

The correctness of Income Tax, VAT and Hotel Turnover Tax of \$917.6 million collected by the Fiji Islands Revenue & Customs Authority on behalf of the State, which represents 61% of Government's total revenue, could not be substantiated as audit was denied access to taxpayer records, contrary to section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act (Cap 70).

The arrears of revenue in 2007 totaled \$172.4 million, a decrease of \$64.9 million or 27.3% over 2006. The high arrears of revenue was due to substantial outstanding tax arrears of \$109.0 million or 63% of total arrears owed to FIRCA and water and sewerage charges of \$29.6 million (17%) due to the Public Works and Infrastructure. Other arrears were due to Judicial Department, Meteorological Services, Agriculture, Multinational Forces Observers (MFO) in Sinai and Crown Land rents.

### ***Expenditure***

Total expenditures for 2007 amounting to \$1,726.2 million had decreased by \$23.3 million or 1.3% from 2006, and incurred an overall savings of \$115 million compared to over-expenditures of \$9.9 million in 2006.

The overall savings arose from savings in operating grants & transfers by \$4.9m or 3%, special expenditures by \$7.8m (15%), capital construction by \$44.2m (32%), capital purchase by \$5.1m (30%), capital grants & transfers by \$31m (26%), pensions & gratuities by \$3m (8%), financing of public debt by \$41.6m (9%) and VAT by \$13.7m (12%).

There were over expenditures in RFMF by 56% of its budget, Legislature 19%, Police 5% and Prisons 0.3%. The reasons for the over-expenditures were the unbudgeted salary and allowance payments and increase in expenditures due to the events of 6 December 2006.

### ***Borrowing***

Public debt in 2007 totaled \$2.7 billion and comprised of domestic loans of \$2.2 billion or 80% of total debt; overseas loans of \$397.1 million or 15%; and Treasury Bills \$141.2 or 5%.

In 2007, Government borrowings totaled \$260 million of which \$100.5 million or 39% was through domestic bonds, \$141.2 million or 54% treasury bills and \$18.3 million or 7% in overseas loans.

Principal repayments for 2007 on government borrowings totaled \$908.2 million whilst interest payments amounted to \$180.7 million.

As the budget increased every year, a greater proportion of the operating expenditures of government have been met by loans. The ratio of loans utilised for operating expenditures decreased from 49% in 2006 to 38% in 2007.

The recurring nature of the operating expenditures fundamentally means the continued reliance of the government on loans to meet its day-to-day operations. This has denied government from investing in capital works which would have contributed to increased employment and economic growth.

### ***Lending***

Loans made by Government and outstanding as at 31/12/07 totalled \$114.1 million, a decrease of \$6.2 million or 5% compared to 2006. Repayments received in 2007 totalled \$6.6 million whilst additional loans granted and interest capitalised in 2007 was \$0.6 million.

Ministries/Departments responsible for administering the Student Loans Scheme, Private Students Loan Scheme and Tertiary Education did not prepare reconciliations as administrators could not reconcile their books with Ministry of Finance records. This was due to changes in personnel over time and the absence of relevant documentary evidences. As a result, there has been unauthorised spending over approved limits by \$1.9 million (130%) for the Students Loan Scheme and \$5.9 million (117%) for the Tertiary Education Loan Scheme.

Parliament had passed resolutions between 1995 and 2004 that approved the conversion of loans owed by the Native Land Development Corporation, the Fijian Affairs Board, and the Fiji Sugar Corporation into grants. These conversions have not been executed to date.

The balance of \$1.4 million from the initial loans totalling \$2.3 million lent to, Native Land Trust Board (in 1979), Timber Exporters (1983) and Production Loan to Farmers (1990) have remained dormant to date. There have been no additional advances made, nor interest capitalised or recoveries made under these accounts. The recovery of these loans have become uncertain due to considerable lapse in time.

The Fiji Sports Council's \$3.0 million loan with the Fiji National Provident Fund in 1995 was guaranteed by Government. The Council's inability to honour its debt obligation had prompted the Fund to invoke the guarantor's clause resulting in Governments taking over of the loan repayments from 2001.

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

Numerous Ministries/Departments failed to submit their Revolving Fund Accounts reconciliations to Treasury. Significant variances were also noted between Ministries/Departments and the Ministry of Finance ledgers.

## **2007 Accounts of Ministries and Departments**

### **Office of the President and Office of the Prime Minister**

- (i) Monthly reconciliations for the Revolving Fund Accounts and Trust Fund Accounts have not been performed since the implementation of the Financial Management Information System of government in 2005.

- (ii) Accountable advances issued in 2005 and 2006 to the Private Secretaries of the deposed Prime Minister have not been cleared.
- (iii) Expenditures not related to community based projects were charged to the Small Grant Scheme allocation, which is funded by the Taiwanese Grant.

### **Public Service Commission**

- (i) The recovery of loans from students and guarantors of the various scholarship schemes under the PSC has been minimal indicating that the loan recovery procedures implemented by the Commission have not been effective.
- (ii) An individual who was initially engaged as an expatriate consultant at the CWM Hospital and became a Fiji citizen thus relinquishing all terms, conditions, rights and privileges under his expatriate employment agreement. The officer is still occupying government quarters without paying any rent although advised by PSC in 2005 to vacate the government quarters. As at 31/12/07, he had accumulated rent arrears totalling \$87,340.

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

- (i) Promulgation 11 of 2007, which provides for the establishment of the Fiji Independent Commission Against Corruption (FICAC), exempted the Commission from public service financial regulations. In the absence of rules and regulations for the administrative and financial operations of the Commission, there is a risk of abuse.
- (ii) As reported in previous years, the requirements of the Public Enterprise Act with regards to submissions of plans and reports to the Minister for Public Enterprise and line Minister have not been complied with by most Government Commercial Companies and Commercial Statutory Authorities

### **Ministry of Provincial Development, Multi Ethnic and Indigenous Affairs**

The Department of Provincial Development is unnecessarily maintaining funds in its Trust Fund Account, and this increases the risk of fraud and misappropriation as proper reconciliations are not carried out on a regular basis. The balance of the trust funds as at 31/12/07 amounted to \$2.02 million and the major component is the one third contributions received from the public for housing assistance under the Rural Housing Scheme. The Ministry was not allocated any funds in 2007 for the scheme.

### **Ministry of Defense and Immigration**

- (i) The Department of Immigration collects substantial revenue from fees for passport, visa and citizenship applications. Inadequate supervisory checks on the receipting and banking of revenue have resulted in a possible fraud and misappropriation of revenue.
- (ii) The Department lacks the capacity to expedite the removal of individuals identified to be staying illegally in the country. As a result, they were able to exploit loop holes in the immigration laws, and continued to reside in the country until they become Fiji citizen by naturalisation.

### **Ministry of Labour**

- (i) The substantial workmen's compensation claims that are still outstanding have provided a challenge for the Ministry. Moreover, the high number of workmen's compensation claims and

payments made to civil servants indicate that most work environment in government ministries and departments may not be OHS compliant.

- (ii) The payments of compensations to military officers for injuries sustained from playing rugby appear to be unrelated to work and an officer who was paid this compensation is still paying rugby for the RFMF and the Suva Rugby Team.

### **Ministry of Foreign Affairs**

Fiji Missions overseas have not always complied with the *Diplomatic and Consular Services Regulations 2005* regarding payments of allowances and other expenditures. A former Consular General that had received fortnightly deductions of FNPF contributions and PAYE amounting to \$54,766 has not remitted the funds to the relevant authorities. The issue was also raised in the 2006 Auditor General's Report.

### **Elections Office**

- (i) Computers and mobile phones purchased for the 2006 general elections have been misplaced.
- (ii) Monthly reconciliations for Revolving Fund Accounts and Trust Fund Accounts have not been performed since the implementation of the Financial Management Information System of government in 2005.

### **Judicial**

- (i) Trust fund reconciliations for Judicial Department have only been updated to July 1999, more than 9 years delay. The delay in updating the reconciliations of the trust fund accounts has been reported to Parliament on a number of occasions. According to the Financial Management Information System of government, the closing balance of the Trust Fund accounts as at 31/12/07 totaled \$6,956,748.
- (ii) The arrears of revenue for the Department as at 31/12/07 totaled \$9,487,238 and have been increasing steadily over the years, indicating that recovery procedures have not been effectively carried out by the relevant authorities. The execution of warrants for court fees and fines is the responsibility of the Police Department, which does not always have the resources to effectively carry out this role.

### **Legislature**

Procedures for purchases and payments have not been complied with resulting in over-expenditures of \$276,259 in 2007. The Department incurred substantial telecommunication expenses, which did not commensurate with the reduced operations in 2007.

### **Office of the Ombudsman**

Monthly reconciliations for Revolving Fund Accounts and Trust Fund Accounts have not been performed since the implementation of the Financial Management Information System of government in 2005.

### **Ministry of Justice and Prisons**

- (i) The Office of the Official Receiver is unnecessarily maintaining funds in its trust fund accounts, which should have been paid out after the liquidation of companies.

- (ii) The current work environment for Prison Officers does not comply with requirements of the Health and Safety at Work Act.

### **Ministry of Information and National Archives**

A senior officer of the Department who resigned in 2007 was overpaid salaries amounting to \$4,129. In addition, the officer owes government \$14,276 for failing to fully serve her bond on returning from a one year study leave.

### **Royal Fiji Military Forces**

- (i) The RFMF continued to ignore policies and procedures in government financial rules and regulations which resulted in the over expenditures of \$45.5 million in 2007. Although Cabinet has approved the over-expenditures, the Minister of Finance failed to validate the over-expenditures, and funds were not deployed to the budgetary allocation for RFMF to off-set the amount that had been overspent.
- (ii) As have been reported in previous audit reports, the RFMF continued to make payments for goods that were not delivered or received. From example, the Force paid \$5.3 million in 2007 to Lotus Garments, Deluxe Footwear, Daewoo Ltd, Lala Bargain and Crown Imports but the items were delivered in 2008.
- (iii) The RFMF continued to purchase fresh vegetables, root crops, and meat from suppliers other than those approved by the Major Tenders Board.
- (iv) The RFMF purchased excessive quantities of vaccines for the George Mate Medical Centre, for which the centre lacks storage facility at its pharmacy. Some drugs have expired their use dates.

### **Police**

- (i) Overall, the Force incurred an over-expenditure of \$3.6 million. The absence of adequate supervisory checks and the lack of communication and coordination between the various Sections and Divisions within the Force have resulted in the numerous overpayments of salaries, wages and allowances to various officers. In addition, the Force has not been stringent in implementing audit recommendations to recover the substantial amounts of overpayments of salaries, wages and allowances identified in previous years' audits.
- (ii) The Force did not provide for audit payment vouchers and supporting documents for expenditures totaling \$3.6 million.
- (iii) As have been reported in previous years, the Force did not always comply with its policies and procedures regarding the administration and maintenance of court exhibits and exhibit records. As a result, issues such as missing exhibits, exhibits not recorded in the Exhibit Register and deteriorating condition of Exhibit Rooms and actual exhibits in various Police Stations have continuously been highlighted in the Auditor General's Report.

### **Ministry of Finance**

- (i) The ministry does not have a formal agreement with the Crown Agents Bank in respect of payments to pensioners who reside in the United Kingdom, United States and Canada. The payments average of \$1.1 million annually.
- (ii) There is no contract agreement between the ministry and grant recipients. No reconciliation was being prepared for centrally managed trust fund, resulting in a variance of \$8.7 million. There

was also a continuous operation of this fund as at 31/12/07, contrary to Finance Circular 21/2006.

- (iii) A variance of \$6,074,783 was noted in the Chinese Government Aid between Prime Minister's records and the general ledgers.
- (iv) An excess expenditure by the RFMF amounting to \$1,109,257 was charged to Head 50 Miscellaneous Services under General Reserve and not reflected in the RFMF's record. An additional Out of Court Settlement totaling \$84,000 was met from Head 50 instead of a RFMF allocation.
- (v) The move of the government's accounting from cash basis towards accrual has not been clearly outlined or planned as the policies and guidelines together with capacity building for accounting staff are still lacking.
- (vi) Considerable length of time was taken to communicate surcharge decisions to the officers concerned. The rate of recovery applied is less than \$50 and the recovery period has exceeded five years.
- (vii) 817 vehicle accident cases, totaling \$1,606,252 are yet to be resolved since the Solicitor General's advice are yet to be received. The Vehicle Control Unit did not consistently follow up on their submissions to the Solicitor General's Office to impose surcharge penalties.

### Ministry of Health

- (i) Wages reconciliations were not submitted by 17 stations of the Ministry. This indicates a lack of internal control on the payment of wages to workers in the districts and which may result in irregular payments.
- (ii) A Senior Assistant Health Inspector went on study leave on full pay from 2003 to 2007 without approval. Total salary overpaid to her amounted to \$65,556 has not been recovered as the officer resigned in February 2008.
- (iii) Public funds totaling \$1,623,657 have been paid between 2002 and 2007 as *negligence* payments. While there is a Code of Conduct for Medical Officers in the service, it is evident that this is not being strictly followed.
- (iv) The Ministry's garage was poorly managed resulting in the following: (i) many of the tools and equipments purchased by the Ministry were missing; (ii) about 80% of repairs of the Ministry's fleet in the central/eastern division were repaired at private garages which over the last 3 years cost the Ministry \$1,119,389; (iii) the Ministry failed to take actions on the head mechanic, in-charge of the Tamavua garage even after complaints had been lodged against him.
- (v) Examination of drug records at the Fiji Pharmaceutical Service revealed that expired drugs to the value of \$671,645 were still held in 2007. This indicates that no control is in place to monitor and coordinate the ordering and distribution of drugs in the country, resulting in substantial losses through expired drugs.
- (vi) Out of the total balance of \$7,481,525 held in the Trust Fund Account, a total of \$6,828,218 or 91% is in respect FNPF contributions. Normal monthly contribution amounts to \$600,000. The difference of \$6.2 million is being investigated.

### **Ministry of Local Government, Urban Development and Public Utilities**

- (i) A laptop issued to the former Minister, Mr Jone Navakamocesa was reported missing when he left Office in February 2008. The theft was not reported to Police.
- (ii) Goods valued at \$114,652 were purchased without Local Purchase Orders.
- (iii) A Director with a vehicle contractor of the Water Department Western Division is employed as a Leading Hand by the Department. There is a conflict of interest and breach of the Public Service Regulations.

### **Ministry of Youth and Sports**

Twelve sporting bodies which received cash grants from the Ministry did not submit acquittals of how the grants were used. In the absence of the acquittals, the Ministry is unable to assess whether the grants were used for the intended purposes.

### **Ministry of Women and Social Welfare**

- (i) A project costing \$78,000 was approved for the poverty alleviation assistance to ex-prisoners out of which \$62,831 was used. The balance of \$15,169 was not accounted for.
- (ii) Some ex-prisoners who received assistance were paid twice in error. These cases arose from the inadequate internal controls in the Department.

### **Ministry of Commerce and Communication**

The Government Handicraft Centre operates a trading and manufacturing account which has been incurring losses over the last 7 years.

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

- (i) The Department made payment to Sky Pacific Limited for the installation of Sky Pacific at the former Interim Minister's Office. Additional payments were also made for the monthly subscription amounting to \$3,025 as at 31/12/07.
- (ii) The Crown Lease Act or the Department's Crown Lease Policy does not permit the charging of retrospective rent to lessees. The Department charged retrospective rents to the lessees due to the late reassessments carried by the Valuation Section or the late updating of the Lands System by the Accounts Section.
- (iii) The Public Service Commission approved the appointment of a mining consultant Mr. Filimoni Raibosa on the condition that an agreement would be signed between the former Interim Minister for Lands and Mineral Resources and the consultant. A sum of \$10,000 was paid to the mining consultant on 23/7/07 without a signed agreement.
- (iv) The Department paid Samabula Auto Traders for outstanding 2004 accounts from the 2007 budget provisions without properly verifying the correct status of the accounts. The local purchase order was issued in December 2007 but the supplier had provided services in 2004.

### **Ministry of Agriculture, Fisheries & Forest**

- (i) The Ministry has not provided a Trust Account Statement of Receipts and Payments contrary to Finance Instructions 82(1). The Financial Management Information System as at 31/12/07 shows an overdrawn balance of \$512,485 in the Operating Trust Fund Account and a balance of \$499,791 in the Main Trust Account.
- (ii) There is a significant variance between the VAT records and the accounts as at 31 December 2007.
- (iii) The opening balances for various accounts in the Trading and Manufacturing activities including opening stock were not transferred to the new chart of accounts of the Finance Management Information System. The stock certificates as at 31/12/07 were not provided for audit.
- (iv) Ms. Mereani Rokotuibau (EDP 61353) is a Technical Assistant with the Ministry of Agriculture and was appointed on a South Pacific Commission project, and to receive supplementary salary of F\$8,283 or \$690.25 per month. Audit was not able to ascertain whether there were any consultations with the Public Service Commission for the additional remuneration received from South Pacific Commission.
- (v) Considerable amount of public funds were incurred on the Land Resettlement scheme for ALTA farmers and these Northern Division lots remained vacant to date. The total cost incurred was \$9,044,665

### **Ministry of Transport, Works & Energy**

- (i) Officers were accommodating paying guests in government quarters at a rate of \$15/day or \$400/month without the approval of Public Service Commission
- (ii) A review of the department's debt recovery procedures indicated that there were no proper recovery measures in place to ensure prompt payments by shipping agents. As at 31 December 2007, arrears of revenue from light dues amounted to \$118,531.
- (iii) The vessel Adi Cagi ni Toba had not been utilised since it was taken over from Ministry of Fisheries and Forest and had been undergoing maintenance since 2002. Audit was not able to provide the cost of repairs and maintenance from 2002 to 2006.
- (iv) The Trading and Manufacturing Account (TMA) business plan for 2007 shows that cash flow forecasts for the year were anticipated to achieve profits of \$14,652 and \$405,684 in the Nasinu Starmix and Nasinu Quarry respectively. The Department failed to meet the set targets, showing poor performance of the TMAs.
- (v) Audit noted that the Lomolomo Crusher in Lautoka was not operational for 3 years, 2005, 2006 and 2007 due to the breakdown of the primary crusher jaw which caused hindrance on the ongoing patching and resealing works on Western Division roads.
- (vi) The Routine Maintenance Grading works for the Nadroga to Nadi area was awarded to National Bulldozing & Transport Co. Ltd for a sum of \$1,017,030 from 2006 to 2008. The company failed to carry out the work in the first cycle of 2006 and also did not carry out any work in the Nadi Depot area to date.
- (vii) Audit scrutiny of the financial performance of the TMAs within the Central/Eastern Division revealed huge losses in their operations in 2007.

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



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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

## **INDEPENDENT AUDIT REPORT**

### **WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF THE REPUBLIC OF THE FIJI ISLANDS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **Scope**

I have audited the Whole of Government financial statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2007 in accordance with section 167 of the Constitution, sections 46 and 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The Whole of Government financial statements comprise the following:

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

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

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

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

#### **Qualifications**

1. An amount of \$64,442,713 in respect of trust moneys shown in *Schedule 1 – Statement of Assets and Liabilities* of the Whole of Government financial statements is not kept in a separate bank account as required by section 25 of the Financial Management Act (2004).
2. The correctness of Income Tax, VAT and Hotel Turnover Tax totaling \$917.6 million collected by the Fiji Islands Revenue & Customs Authority on behalf of the State, which comprised 61% of the Government's total revenue in 2007, could not be substantiated as the audit was denied access to taxpayers records, contrary to section 111 of the Income Tax Act and section 7 (2) (a) of the Audit Act (Cap 70).

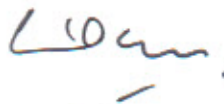
## Qualified Audit Opinion

In my opinion, except for the effects on the Whole of Government financial statements and the Annual Appropriation Statement of the matters referred to in the Qualification paragraphs:

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

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

- an adjustment of \$21.1 million in the Consolidated Fund Statement of Receipts and Payments as a 'prior years' adjustment could not be substantiated;
- the lack of satisfactory explanations for the increase in unpresented cheques from \$60.5 million in 2006 to \$73.6 million in 2007 in Note 2: Cash at Bank of the Whole of Government financial statements;
- an adjustment of \$33.7 million in the general ledger to reduce the domestic bank account balance could not be substantiated;
- the failure to produce necessary reconciliations of various accounts to ensure the accuracy of the financial statements of ministries and departments.



Eroni Vatuloka  
**AUDITOR-GENERAL**

Suva, Republic of the Fiji Islands

3 November 2008





**WHOLE OF GOVERNMENT**

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

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**STATEMENT OF ASSETS & LIABILITIES**  
**AS AT 31 DECEMBER 2007**

Schedule 1

	Notes	31 December 2007 \$	31 December 2006 \$
<b>CURRENT ASSETS</b>			
Cash at Bank	2	42,307,686	269,749,693
Investments	3	429,861,896	429,778,664
<b>TOTAL ASSETS</b>		<u>472,169,582</u>	<u>699,528,357</u>
<b>CURRENT LIABILITIES</b>			
Trust Fund Account	4	64,442,713	68,179,803
<b>TOTAL LIABILITIES</b>		<u>64,442,713</u>	<u>68,179,803</u>
<b>NET ASSETS</b>		<u>407,726,869</u>	<u>631,348,554</u>
<b>CONSOLIDATED FUND</b>	refer Schedule 2	<u>407,726,869</u>	<u>631,348,554</u>

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

Ministry of Finance and National Planning  
 Suva, Fiji  
 31 October 2008

  
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 Peni Sikivou  
 Acting Permanent Secretary for Finance  
 and National Planning

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**CONSOLIDATED FUND**  
**STATEMENT OF RECEIPTS & PAYMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 2

	Notes	31 December 2007 \$	31 December 2006 \$
<b>RECEIPTS</b>			
Operating Revenue	5	925,422,452	928,466,999
Value Added Tax	6	465,831,990	472,639,707
Borrowings	7	118,862,870	633,884,155
Treasury Bills Raised	8	685,889,234	528,715,414
Ways & Means	9	260,200,000	373,200,000
Receipts from Debtors	10	6,628,477	9,239,566
Capital Gain	11	83,232	---
Revolving Fund Account Net Receipts	12	---	15,582,906
<b>TOTAL RECEIPTS</b>		<b>2,462,918,256</b>	<b>2,961,728,746</b>
<b>PAYMENTS</b>			
Operating Expenditure	13	1,023,890,682	1,088,878,569
Capital Expenditure	14	193,683,674	212,641,756
Value Added Tax	15	103,023,281	113,689,054
Repayment of Loans	16	405,592,568	334,260,535
Redemption of Treasury Bills	8	686,040,488	523,422,114
Ways & Means	9	260,200,000	373,200,000
Loans made to Debtors	17	590,967	10,847,659
Revolving Fund Account Net Payments	12	34,651,971	---
Capital Loss	11	---	5,429,553
<b>TOTAL PAYMENTS</b>		<b>2,707,673,631</b>	<b>2,662,369,240</b>
<b>Deficit for the year</b>		<b>(244,755,376)</b>	<b>299,359,506</b>
Correction of Fundamental Errors	18(b)	21,133,691	(59,539,281)
Balance as at 1 January		631,348,554	391,528,329
<b>Balance as at 31 December</b>	refer Schedule 1	<b>407,726,869</b>	<b>631,348,554</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
TRUST FUND  
STATEMENT OF RECEIPTS & PAYMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 3

	Notes	31 December 2007 \$	31 December 2006 \$
<b>RECEIPTS</b>			
Trust Fund Receipts		249,698,190	227,814,527
<b>TOTAL RECEIPTS</b>		<u>249,698,190</u>	<u>227,814,527</u>
<b>PAYMENTS</b>			
Trust Fund Payments		253,435,279	208,059,121
<b>TOTAL PAYMENTS</b>		<u>253,435,279</u>	<u>208,059,121</u>
<b>(Deficit)/Surplus for the year</b>		(3,737,089)	19,755,406
Balance as at 1 January		68,179,803	48,424,397
<b>Balance as at 31 December</b>	4	<u>64,442,713</u>	<u>68,179,803</u>

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Basis of Accounting**

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

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

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

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

b) **Consolidated Fund Account**

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

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

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

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

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

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

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

31 December 2007 \$	31 December 2006 \$
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This report includes a Statement of Receipts and Payments and a Statement of Assets and Liabilities for the Trust Accounts.

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

**c) Scope**

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

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

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

**2. CASH AT BANK**

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

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

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

**Description of Account**

Domestic Account	56,774,511	70,524,396
Overseas Agencies	52,855,117	252,544,849
Trading and Manufacturing Account	6,264,251	7,181,637
Less: Unpresented Cheques	(73,586,193)	(60,501,189)
<b>Net Cash</b>	<b>42,307,686</b>	<b>269,749,693</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

	31 December 2007 \$	31 December 2006 \$
<b>3. INVESTMENTS</b>		
Section 55 of the Financial Management Act 2004 provides the authority for the investment of Government moneys through fixed deposit with any bank, in any securities in which trustees are authorised to invest under the Trustee Act, in any security issued by any statutory body in Fiji and as advances authorised by Finance Act and any other Act or by resolution of the House of Representatives.		
Investments as at year end were as follows:		
<b>Investment Category</b>		
Fully Commercial Co. (Profitable)	334,768,883	334,704,043
Fully Commercial Co. (Non-Profitable)	77,243,721	77,243,721
Semi-Commercial (Agro based)	9,428,606	9,410,214
Dormant Companies	2,000,000	2,000,000
Companies in Liquidation	6,420,686	6,420,686
<b>Total Investments</b>	<b>429,861,896</b>	<b>429,778,664</b>

**4. TRUST FUND ACCOUNT**

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

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

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

<b>Category</b>		
Trust Funds	32,637,944	24,422,016
Trust Funds/Payroll Deductions	34,797,537	45,364,314
Less: Overdrawn Accounts	(2,992,767)	(1,606,527)
<b>Total Trust Fund Account</b>	<b>64,442,713</b>	<b>68,179,803</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

	31 December 2007 \$	31 December 2006 \$
<b>5. OPERATING REVENUE</b>		
Operating Revenue consists of Direct Taxes, Indirect Taxes, Fees Fines & Charges, Grant Aid, Interest & Dividends and Other Receipts.		
Direct Taxes	438,337,401	446,090,420
Indirect Taxes	326,193,975	308,490,646
Fees, Fines & Charges	64,193,858	60,658,241
Operating Revenue - Sales	5,938	26,665
Other Receipts	31,807,970	32,655,762
Reimbursements & Recoveries	17,981,117	2,729,233
Grant Aid	3,518,679	6,399,601
Dividends from Investments	21,971,159	27,619,234
Repayments of Term Loans Receivable	39,121	239,394
Sale of Government Assets	---	28,000,255
Interest from Bank Balances	19,743,155	15,557,550
Return of Surplus Capital from Investment	1,630,080	---
<b>Total Operating Revenue</b>	<u>925,422,452</u>	<u>928,467,001</u>
<b>6. VALUE ADDED TAX RECEIPTS</b>	<u>465,831,990</u>	<u>472,639,707</u>

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

**7. BORROWINGS**

eight new loans were raised during the year locally, with their respective repayment periods ranging from 2008 to 2021 whilst two overseas loans were drawn from loans that had been approved in previous years but were yet to be fully drawn.

<i>Domestic Loans</i>	<u>100,536,321</u>	<u>356,778,570</u>
	<u>100,536,321</u>	<u>356,778,570</u>
<i>Overseas Loans</i>		
ADB Fiji Road Upgrading III	9,289,839	---
ADB Suva/Nausori Water Supply & Sewage Project	9,036,711	15,771,635
ADB Alternative Livelihood Project	---	873,950
Fiji Government Global Borrowing	---	260,460,000
<b>Total Overseas Borrowings</b>	<u>18,326,549</u>	<u>277,105,585</u>
<b>TOTAL BORROWINGS</b>	<u>118,862,870</u>	<u>633,884,155</u>

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

China EximBank - E - Government	---	5,140,575
ADB Alternative Livelihood Project	181,050	72,973
ADB Suva/Nausori Water Supply & Sewage Project	1,348,208	939,627
<b>Total Non-Cash Overseas Borrowings</b>	<u>1,529,258</u>	<u>6,153,175</u>

**8. TREASURY BILLS**

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

Treasury Bills Issues during the year	<u>685,889,234</u>	<u>528,715,414</u>
Treasury Bills Redemptions during the year	<u>686,040,488</u>	<u>523,422,114</u>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

	31 December 2007 \$	31 December 2006 \$
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**9. WAYS AND MEANS**

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

Ways and Means Receipts	260,200,000	373,200,000
Ways and Means Repayments	260,200,000	373,200,000

**10. RECEIPTS FROM DEBTORS**

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

Advances to Public Officers	7,133	144,946
Consumer Co-operative Societies	12,092	10,620
Copra Industry for Stabilisation of Earnings	170,005	24,987
Tertiary Education	4,065,951	1,798,880
Private Students	599,508	5,885,345
Advances to Ministers and Members of Parliament	35,356	732,161
Students Loan Scheme	1,380,997	425,646
Posts and Telecommunications	---	149,754
Viti Corp Limited	---	37,833
Fiji Sports Council	357,435	---
	6,628,477	9,210,172
Interest	39,121	29,394
<b>Total Receipts from Debtors</b>	6,667,598	9,239,566

**11. CAPITAL GAIN/LOSS**

The capital gain resulted from the inclusion of three term deposits with Westpac Banking Corporation, Fiji Development Bank and JR Morgan account (overseas bank account). Also the market value of Government investments in Unit Trust and Pacific Forum Line Limited increased due to the favourable exchange rate fluctuations at year end.

Capital Gain	83,232	---
Capital Loss	---	5,429,553

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

	31 December 2007 \$	31 December 2006 \$
<b>12. REVOLVING FUND ACCOUNT</b>		
<p>Section 57 of the Finance Act allows the Minister to allocate an amount not exceeding \$18,000,000 for the operation of the Revolving Fund Accounts. Ministries/Departments operating Revolving Fund Accounts have to operate within a ceiling set by the Minister. The limit for the Revolving Fund Accounts in 2007 was \$15,322,000.</p> <p>The Revolving Fund Account is made up of the Inter-Departmental Clearance Account (IDC), Imprest, Miscellaneous, Other Administration and the Trading and Manufacturing Accounts. The IDC and Imprest Accounts are cleared to zero at the end of the year. The Trading and Manufacturing Accounts (TMA) are created for the purpose of operating quasi-commercial operations of Ministries and Departments.</p>		
a) <i>Revolving Fund Receipts:</i>		
Revolving Fund Account - Imprests	106,842	129,787
Revolving Fund Account - Other Admin	2,570	12,822
Revolving Fund Account - Miscellaneous	116,721,042	145,111,943
Revolving Fund Account - Inter-Departmental Clearance	2,290,609,455	2,636,428,029
Revolving Fund Account - TMA:		
Fiji Islands Maritime Safety Administration	16,766	23,818
Fiji Military Forces	158,055	215,549
Government Printing & Stationery Department	2,323,859	7,653,929
Government Supplies Department	10,547,331	12,653,126
Ministry of Agriculture & Land Resettlement	460,695	839,073
Ministry of Fisheries and Forests	139,448	103,720
Ministry of Health	282,332	475,071
Ministry of Trade & Commerce	11,380	13,081
Public Works and Infrastructure	16,098,507	15,864,925
<b>Total</b>	<u>2,437,478,282</u>	<u>2,819,524,873</u>
b) <i>Revolving Fund Payments:</i>		
Revolving Fund Account - Imprests	104,419	129,787
Revolving Fund Account - Other Admin	53,511	86,500
Revolving Fund Account - Miscellaneous	148,398,921	157,625,548
Revolving Fund Account - Inter-Departmental Clearance	2,290,609,455	2,636,428,029
Revolving Fund Account - TMA:		
Fiji Islands Maritime Safety Administration	7,791	4,014
Fiji Military Forces	154,200	325,224
Government Printing & Stationery Department	1,444,974	7,102,615
Government Supplies Department	16,349,424	(16,063,954)
Ministry of Agriculture & Land Resettlement	388,180	717,530
Ministry of Fisheries and Forests	58,005	80,236
Ministry of Health	220,857	418,329
Ministry of Trade & Commerce	7,528	6,186
Public Works and Infrastructure	14,332,988	17,081,923
<b>Total</b>	<u>2,472,130,253</u>	<u>2,803,941,967</u>
<b>Revolving Fund Account Net (Payments)/Receipts</b>	<u>(34,651,971)</u>	<u>15,582,906</u>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

	31 December 2007 \$	31 December 2006 \$
<b>13. OPERATING EXPENDITURE</b>		
The operating expenditure of Government includes the following:		
Established Staff	522,911,393	564,497,107
Unestablished Staff	61,737,896	67,030,559
Travel and Communications	19,045,742	20,951,821
Maintenance and Operations	90,094,524	94,550,308
Purchase of Goods and Services	74,508,884	61,337,394
Operating Grants and Transfers	176,984,457	184,326,332
Special Expenditures	43,039,626	59,684,802
Pensions, Gratuities and Compassionate Allowances	35,568,160	36,500,246
<b>Total Operating Expenditure</b>	<u>1,023,890,682</u>	<u>1,088,878,569</u>
<b>14. CAPITAL EXPENDITURE</b>		
Capital Expenditures of Government includes on capital constructions works; purchases of property, plant and equipment and capital grants & transfer payments.		
Capital Construction	95,157,370	128,882,179
Capital Purchase	11,989,440	15,859,409
Capital Grants and Transfers	86,536,864	67,900,168
<b>Total Capital Expenditures</b>	<u>193,683,674</u>	<u>212,641,756</u>
<b>15. VALUE ADDED TAX EXPENDITURE</b>	<u>103,023,281</u>	<u>113,689,054</u>
These are the VAT payments made by Ministries/Departments to the Fiji Islands Revenue & Customs Authority during the year.		
<b>16. REPAYMENTS OF LOANS</b>		
Charges on Account of Public Debt is provided for in the Budget Estimates for the payment of interest on domestic and overseas loans and principal repayments on these loans.		
<i>Interest Payments:</i>		
Overseas Loans	22,201,747	5,737,600
Domestic Loans	148,023,033	129,455,783
Treasury Bills	10,817,012	5,746,278
<i>Total Interest Paid</i>	<u>181,041,792</u>	<u>140,939,661</u>
<i>Principal Repayments:</i>		
Overseas Loans	17,126,498	13,459,979
Domestic Loans	204,992,000	177,500,000
<i>Total Principal Repayments</i>	<u>222,118,498</u>	<u>190,959,979</u>
Others	2,432,279	2,360,894
<b>Total Charges on Account of Public Debt</b>	<u>405,592,568</u>	<u>334,260,534</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 4

	31 December 2007 \$	31 December 2006 \$
<b>17. NEW AND ADDITIONAL LOANS</b>		
Additional loans and new loans that were provided in 2007 from recurrent loan provisions include the following:		
Advances to Public Officers	5,605	97,940
Consumer Co-operative Societies	11,277	8,476
Copra Industry for Stabilisation of Earnings	53,466	876,119
Tertiary Education	17,194	3,318,079
Advances to Ministers and Members of Parliament	-	772,799
Students Loan Scheme	421,855	984,962
Private Students	81,295	2,474,193
Fiji Sports Council	-	415,091
Rewa Rice Limited	-	1,900,000
Fiji Development Bank	275	
<b>Total Loans Given</b>	<b>590,967</b>	<b>10,847,659</b>

**18. ADJUSTMENTS**

<i>Correction of Fundamental Errors</i>	<b>21,133,691</b>	<b>(59,539,279)</b>
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These are unsubstantiated understated expenditures arising from adjustments of the General Ledger for Cash at Bank.

**19. OUTSTANDING DEBT OF GOVERNMENT**

Government borrows monies either domestically or from overseas to finance its Capital Programmes. Total debt of Government outstanding as at 31/12/07 are as follows:

Domestic Loans	2,196,208,150	2,300,672,650
Treasury Bills	141,160,433	141,311,687
Overseas Loans	390,113,454	410,758,267
<b>Total Government Debt</b>	<b>2,727,482,037</b>	<b>2,852,742,604</b>

In addition to the above cash loans, other loan-in-kind are also outstanding as at 31/12/07:

Overseas Loans	<b>6,989,930</b>	<b>5,970,933</b>
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**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 4

	31 December 2007 \$	31 December 2006 \$
<b>20. ARREARS OF REVENUE</b>		
Arrears of revenue for the government comprises of unpaid taxes by individuals and businesses as well as revenue owed to Ministries and Departments in the form of fees, fines, licences and charges.		
The Arrears of Revenue position of Government as at 31/12/07 are as follows:		
Agriculture	4,060,579	4,085,671
Auditor-General	424,929	361,710
Communications	97,918	123,651
Co-operatives	62,304	59,647
Customs and Exercise	3,599,648	3,351,704
Education, Women, Culture, Science and Technology	4,849	4,648
Fiji Islands Maritime Safety Administration	118,531	50,341
Fiji Islands Revenue & Customs Authority	105,407,504	170,440,587
Fijian Affairs, Heritage & Culture and Regional Development	455,065	283,084
Finance	474,063	382,947
Government Printing and Stationery Department	116,519	365,986
Government Supplies Department	423,605	161,784
Health	874,258	651,576
Immigration	12,376	12,489
Information Technology & Computing Services	9,114	---
Judicial	9,487,238	9,093,128
Labour and Industrial Relation	91,185	39,365
Lands Crown Rent	11,164,679	9,065,024
Loans: <i>Rewa Rice Ltd.</i>	225,382	225,382
Meteorological Services	4,297,547	6,197,334
Police	8,131	---
Prisons	912	---
Public Works and Infrastructure	29,636,128	27,844,032
MFO Sinai	1,325,031	4,426,220
<b>Total Arrears of Revenue</b>	<b>172,377,495</b>	<b>237,226,310</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT  
AS AT 31 DECEMBER 2007

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2007	Liability as at 31/12/2007
<b>SECTION A -</b>			<b>\$</b>	<b>\$</b>
<b>Fiji Development Bank</b>	Guarantee of Loans Raised	Approval of House of Representatives 22/02/02; 20/02/03; 30/11/04; 28/11/05; 26/11/06.....	415,168,199	415,168,199
<b>Fiji Electricity Authority</b>	Guarantee of Loans Raised	Approval of House of Representatives Loan Guarantee Decree 1991; IGCP6/02/2001; 16/10/03; 18/08/05.....	230,000,000	156,171,854
<b>Fiji Hardwood Corporation</b>	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 09/08/06.....	12,800,000	12,800,000
<b>Fiji National Provident Fund</b>	Guarantee of Contributors	Act No. 19 of 1966 Section 9.....	2,481,084,497	2,481,084,497
<b>Fiji Pine Limited</b>	Guarantee of Loans Raised	Approval of House of Representatives dated 06/12/1994; 17/08/05.....	15,700,000	11,887,139
<b>Fiji Sports Council</b>	Guarantee of Loans Raised	Approval of House of Representatives dated 18/09/1995.....	2,990,000	1,412,065
<b>Fiji Sugar Corporation</b>	Guarantee of Loans Raised	Approval of House of Representatives 03/03/99, 07/12/01; 25/03/03; 01/04/04; 20/09/04; 17/02/05; 10/08/06.....	126,000,000	32,650,770
<b>Housing Authority</b>	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02; 27/08/03; 29/11/05.....	142,000,000	106,513,525
<b>Fiji Ports Corporation Limited</b>	Guarantee of Loans Raised	Approval of House of Representatives 17/09/79; Decree No. 22 of 04/08/89; Decree No. 41 of 14/10/91; 23/05/02 .....	48,566,570	41,434,008
<b>National Bank of Fiji</b>	Guarantee of Depositors	Act No. 14 of 1996.....	7,159,221	7,159,221
<b>Pacific Fishing Company Limited</b>	Guarantee of Standby Credit Facility	Approval of House of Representatives 02/01/97, 31/08/00	4,109,700	2,436,412
<b>Public Rental Board</b>	Guarantee of Loans Raised	Decree No. 8 of 20/03/90; Decree No. 9 of 20/03/90; House of Representatives 02/12/02 .....	17,000,000	5,961,893
<b>Section A Total.....</b>			<b>3,502,578,188</b>	<b>3,274,679,584</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT  
AS AT 31 DECEMBER 2007

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2007	Liability as at 31/12/2007
<b>SECTION B- International Agencies-</b>			\$	\$
<b>Asian Development Bank</b>	Subscription for Membership	Resolutions of Legislative Council 24/3/70; Act No. 34 of 1974.....	26,626,716	26,626,716
<b>International Bank for Reconstruction &amp; Development</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	24,581,693	24,581,693
<b>International Development Association</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	507,091	507,091
		<b>Section B Total.....</b>	<b>51,715,500</b>	<b>51,715,500</b>

**SUMMARY -**

Section A	3,502,578,188	3,274,679,584
Section B	51,715,500	51,715,500
<b>Total</b>	<b>3,554,293,688</b>	<b>3,326,395,084</b>

**Note:**

In addition to the above Contingent Liabilities, Reported Claims Against Government as at 31 December 2007 was approximately \$17.1 million.

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**BUDGET RESULT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 6

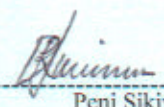
	Estimate 2007 \$	Actual 2007 \$	Increase / (Decrease) \$
<b>REVENUE</b>			
Operating Revenue	1,436,653,921	1,347,870,927	(88,782,994)
Investing Revenue	34,990,400	43,383,515	8,393,115
Public Debt - New Borrowings	371,045,100	118,862,870	(252,182,230)
<b>TOTAL REVENUE</b>	<u>1,842,689,421</u>	<u>1,510,117,312</u>	<u>(332,572,109)</u>
<b>EXPENDITURE</b>			
Operating Expenditure	1,003,383,693	1,023,890,682	20,506,989
Capital Expenditure	273,893,573	193,683,674	(80,209,899)
Value Added Tax	116,700,134	103,023,281	(13,676,853)
Public Debt Repayments	447,219,200	405,592,568	(41,626,632)
<b>TOTAL EXPENDITURE</b>	<u>1,841,196,600</u>	<u>1,726,190,206</u>	<u>(115,006,394)</u>
<b>BUDGET RESULT</b>	<u>1,492,821</u>	<u>(216,072,893)</u>	<u>(217,565,714)</u>

**Note:**

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

- Capital Expenditure includes SEGs 8 - 10.

Ministry of Finance and National Planning  
 Suva, Fiji  
 31 October 2008

  
 Peni Sikivou  
 Acting Permanent Secretary for Finance  
 and National Planning

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 7

Heads of Revenue	Estimate	Actual Revenue 2007	Increase	Decrease
	\$	\$	\$	\$
<b>OPERATING REVENUE</b>				
21 Direct Taxes.....	430,558,500	438,337,401	7,778,901	---
22 Indirect Taxes.....	879,788,221	792,025,964	---	87,762,257
23 Fees, Fines & Charges.....	70,567,800	64,193,858	---	6,373,942
24 Operating Revenue - Sales.....	---	5,938	5,938	---
27 Other Receipts.....	31,395,000	31,807,970	412,970	---
28 Reimbursements & Recoveries.....	10,967,000	17,981,117	7,014,117	---
29 Grant Aid.....	13,377,400	3,518,679	---	9,858,721
<b>Operating Revenue Total.....</b>	<b>1,436,653,921</b>	<b>1,347,870,927</b>	<b>15,211,926</b>	<b>103,994,920</b>
<b>INVESTING REVENUE</b>				
31 Repayments of Term Loans Receivable.....	160,800	39,121	---	121,679
32 Sale of Government Assets.....	6,000,000	---	---	6,000,000
33 Dividends from Investments.....	28,829,600	21,971,159	---	6,858,441
34 Interest from Bank Balances.....	---	19,743,155	19,743,155	---
35 Return of Surplus Capital from Investment.....	---	1,630,080	1,630,080	---
<b>Investing Revenue Total.....</b>	<b>34,990,400</b>	<b>43,383,515</b>	<b>21,373,235</b>	<b>12,980,121</b>
<b>LOAN PROCEEDS</b>				
15. Overseas Loans.....	289,886,800	18,326,549	---	271,560,251
16. Domestic Loans.....	81,158,300	100,536,321	19,378,021	---
<b>Loans Revenue Total.....</b>	<b>371,045,100</b>	<b>118,862,870</b>	<b>19,378,021</b>	<b>271,560,251</b>
<b>Total Revenue.....</b>	<b>1,842,689,421</b>	<b>1,510,117,312</b>	<b>55,963,182</b>	<b>388,535,291</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2007	Increase	Decrease
	\$	\$	\$	\$
<b>OPERATING REVENUE</b>				
<b>21 - DIRECT TAXES</b>				
<b>1. Income Tax</b>				
01. Income Tax.....	430,558,500	438,337,401.44	7,778,901.44	---
<b>2. Estate and Gift Duty</b>				
01. Estate and Gift Duty.....	---	---	---	---
Total.....	430,558,500	438,337,401.44	7,778,901.44	---
<i>Net Increase</i> .....			7,778,901.44	---
<b>22 - INDIRECT TAXES</b>				
<b>1. Value Added Tax</b>				
01. Value Added Tax.....	517,890,800	465,831,989.71	---	52,058,810.29
<b>2. Fiscal Duty</b>				
01. Fiscal Duty.....	230,951,644	201,670,705.84	---	29,280,938.16
<b>3. Excise Dues</b>				
01. Excise Dues.....	84,946,996	84,297,801.73	---	649,194.27
<b>4. Export Duty</b>				
01. Export Duty.....	6,474,000	8,266,215.57	1,792,215.57	---
<b>5. Import Duty</b>				
01. Import Duty.....	19,305,908	15,691,415.11	---	3,614,492.89
<b>6. Hotel Turnover Tax</b>				
01. Hotel Turnover Tax.....	16,780,800	13,381,357.73	---	3,399,442.27
<b>99. Miscellaneous Fees and Receipts</b>				
01. Miscellaneous Fees and Receipts.....	3,438,073	2,886,478.64	---	551,594.36
Total.....	879,788,221	792,025,964.33	1,792,215.57	89,554,472.24
<i>Net Decrease</i> .....			---	87,762,256.67
<b>23 - FEES, FINES &amp; CHARGES</b>				
<b>01. Dues</b>				
01. Light Due - Port & Harbour.....	393,800	394,519.63	719.63	---
<b>02. Stamp Duty</b>				
01. Stamp Duty.....	20,408,700	14,141,488.09	---	6,267,211.91
<b>03. Fees</b>				
01. Produce and Inspection.....	486,700	1,060,119.85	573,419.85	---
02. Native Timber Measurement.....	853,700	478,987.84	---	374,712.16
03. Land and Survey Fees.....	359,000	297,741.66	---	61,258.34
04. Mining Fees.....	2,400	76,792.79	74,392.79	---
06. Passports.....	7,208,900	6,571,772.88	---	637,127.12
07. Town Planning Fees.....	321,700	222,034.03	---	99,665.97
08. Examination Fees.....	---	26,157.50	26,157.50	---
09. Government Day Schools-Fees.....	822,800	645,003.00	---	177,797.00
10. Government Boarding Schools-Fees.....	486,700	466,694.81	---	20,005.19
11. Health Fumigation and Quarantine.....	503,600	166,047.67	---	337,552.33
12. Hospital.....	995,400	1,018,025.33	22,625.33	---
13. Fiji School of Nursing.....	244,600	222,121.75	---	22,478.25
14. Cemetery Fees.....	40,700	37,345.52	---	3,354.48
15. Air Licensing Fees.....	9,000	8,662.50	---	337.50
16. Departure Tax.....	7,888,300	9,397,340.26	1,509,040.26	---
17. Audit Fees.....	506,400	438,444.22	---	67,955.78
18. Court Fees.....	1,198,000	1,208,928.12	10,928.12	---
19. Registration.....	594,500	454,268.63	---	140,231.37
20. Management Fee.....	167,700	162,908.18	---	4,791.82
21. LTA Fee.....	---	2,890,348.94	2,890,348.94	---
99. Miscellaneous Fees.....	1,436,200	1,488,039.01	51,839.01	---
<b>04. Licenses</b>				
01. Arms.....	112,100	26,079.04	---	86,020.96
03. Coasting.....	9,800	6,741.48	---	3,058.52

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2007	Increase	Decrease
	\$	\$	\$	\$
05. Liquor.....	230,500	425,927.76	195,427.76	---
06. Trading.....	201,900	179,937.30	---	21,962.70
07. Dogs.....	9,700	12,142.68	2,442.68	---
09. Money Lenders.....	27,700	29,979.26	2,279.26	---
10. Hotels and Guest Houses.....	5,100	137,270.00	132,170.00	---
12. Telecommunications and Television.....	3,302,800	1,853,003.90	---	1,449,796.10
14. Fishing.....	679,900	185,139.43	---	494,760.57
99. Other.....	278,500	35,168.06	---	243,331.94
<b>05. Rates - Public Works</b>				
01. Water & Sewerage Rates and Charges.....	19,501,800	16,841,086.20	---	2,660,713.80
02. Sewerage Charges.....	2,200	105,930.00	103,730.00	---
<b>06. Fees Royalties</b>				
01. Royalties Timber.....	600	408.84	---	191.16
03. Royalties - Sand, Coral, Metal, etc.....	137,300	29,083.62	---	108,216.38
<b>07. Fines</b>				
01. Fines.....	1,110,700	2,437,924.15	1,327,224.15	---
<b>08. Administrative Fines and Penalty</b>				
01. Overdue, lost & damaged library books.....	1,700	1,202.04	---	497.96
02. Administrative Fines and Forfeitures.....	26,700	13,041.69	---	13,658.31
<b>Total.....</b>	<b>70,567,800</b>	<b>64,193,857.66</b>	<b>6,922,745.28</b>	<b>13,296,687.62</b>
<i>Net Increase .....</i>			---	6,373,942.34
<b>24 - OPERATING REVENUE - SALES</b>				
01. RBF Revaluation Reserve Account.....	---	5,329.21	5,329.21	---
02. Ports Authority of Fiji.....	---	608.80	608.80	---
<b>Total.....</b>	<b>---</b>	<b>5,938.01</b>	<b>5,938.01</b>	<b>---</b>
<i>Net Increase .....</i>			5,938.01	---
<b>27 - OTHER REVENUE AND SURPLUSES</b>				
<b>01. Surplus/Deficit from Agency</b>				
01. RBF Revaluation Reserve Account.....	7,000,000	4,151,589.00	---	2,848,411.00
04. Fumigation.....	---	7,289.75	7,289.75	---
06. Woodwork and Materials.....	100	43.20	---	56.80
07. NBF Profits.....	---	2,000,000.00	2,000,000.00	---
<b>02. Rent and Hire of Government Property</b>				
01. Land.....	8,127,500	9,033,691.17	906,191.17	---
02. Official Quarters.....	1,496,200	1,423,630.34	---	72,569.66
03. Building.....	91,300	122,485.92	31,185.92	---
04. Hire of Plant and Vehicles.....	32,400	9,822.13	---	22,577.87
05. Hire of Vessels and Punts.....	---	---	---	---
06. Revenue from Rest Houses.....	2,300	2,659.33	359.33	---
07. Crown Schedule 'A' Land Rents.....	300	10,878.68	10,578.68	---
<b>03. Commission Revenue</b>				
01. Commission.....	1,143,400	1,035,872.45	---	107,527.55
<b>99. Other Revenue</b>				
01. Photographs.....	300	90.31	---	209.69
02. Sales of Publications.....	208,500	166,230.68	---	42,269.32
03. Revenue from Production of Films.....	29,100	18,143.00	---	10,957.00
04. Survey & Sales of Navigation Publications.....	905,200	282,232.50	---	622,967.50
05. Meat Inspection.....	12,200	34,463.53	22,263.53	---
06. Veterinary and Animal Quarantine.....	48,600	20,889.20	---	27,710.80
07. Freight and Charter Receipts.....	128,500	146,502.99	18,002.99	---
08. Chemical Analysis.....	7,100	10,591.10	3,491.10	---
09. Valuation Fees.....	8,300	9,669.32	1,369.32	---
10. Produce-Agricultural Experimental Stations.....	56,100	39,440.31	---	16,659.69
11. Sale of Surplus Farm Produce.....	16,400	15,964.77	---	435.23
12. Agricultural Commercial Undertakings.....	4,200	335.37	---	3,864.63

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2007	Increase	Decrease
	\$	\$	\$	\$
13. Sale of Fish and Ice.....	307,100	233,717.87	---	73,382.13
14. Sale of Sheep and Wool.....	41,800	30,115.26	---	11,684.74
16. Fiji College of Agriculture.....	31,200	22,686.03	---	8,513.97
17. Agricultural Landlord and Tenant Tribunal.....	1,000	1,335.35	335.35	---
20. Board Members Fees.....	---	29,759.49	29,759.49	---
99. Miscellaneous.....	11,695,900	12,947,840.46	1,251,940.46	---
Total.....	31,395,000	31,807,969.51	4,282,767.09	3,869,797.58
Net Increase .....			412,969.51	---
<b>28 - REIMBURSEMENT AND RECOVERIES</b>				
<b>11. Reimbursement of Services</b>				
01. Reimbursement for Meteorological Services.....	191,700	3,415,670.72	3,223,970.72	---
02. Reimbursement of Services.....	25,000	11,139.57	---	13,860.43
03. Reimbursement of Debt Servicing.....	373,600	447,767.25	74,167.25	---
<b>12. Refund of Payments</b>				
01. Training & Productivity Authority of Fiji.....	---	---	9,466.74	---
02. Government Employees' Provident Fund.....	200	30.00	---	170.00
03. Recoveries of Overpayments in Previous Years.....	3,054,000	1,559,166.49	---	1,494,833.51
<b>22. Contributions for Capital Projects</b>				
01. Village Water Supplies.....	322,000	55,665.30	---	266,334.70
02. Rural Electrification.....	500	101.43	---	398.57
03. 1/3 Contribution.....	---	30,726.94	30,726.94	---
<b>23. Contributions for Overseas Peace-Keeping</b>				
02. Multinational Force and Observers.....	7,000,000	12,451,382.46	5,451,382.46	---
Total.....	10,967,000	17,981,116.90	8,789,714.11	1,775,597.21
Net Increase .....			7,014,116.90	---
<b>29 - GRANTS IN AID</b>				
01. Australian Development Grants.....	110,900	30,967.16	---	79,932.84
02. New Zealand Bilateral Aid Programme.....	1,217,300	2,163,000.00	945,700.00	---
03. United Nations Development Programme.....	802,700	154,620.58	---	648,079.42
04. European Union.....	9,000,000	---	---	9,000,000.00
05. Japan Government Grants.....	---	24,960.00	24,960.00	---
99. Other Grant Aid.....	2,246,500	1,145,131.39	---	1,101,368.61
Total.....	13,377,400	3,518,679.13	970,660.00	10,829,380.87
Net Increase .....			---	9,858,720.87
<b>Total Operating Revenue.....</b>	<b>1,436,653,921</b>	<b>1,347,870,926.98</b>	<b>15,211,925.86</b>	<b>103,994,919.88</b>
<b>INVESTING REVENUE</b>				
<b>31 - REPAYMENTS OF TERM LOANS RECEIVABLE</b>				
01. Repayment of Loans.....	160,800	844.69	---	159,955.31
02. Interest.....	---	38,276.12	38,276.12	---
Total.....	160,800	39,120.81	38,276.12	159,955.31
Net Increase .....			---	121,679.19
<b>32 - SALE OF GOVERNMENT ASSETS</b>				
02. Disposal of Investments in Infrastr. Services.....	6,000,000	---	---	6,000,000.00
03. Proceeds from Sale of Fixed Assets.....	---	---	---	---
Total.....	6,000,000	---	---	6,000,000.00
Net Increase .....			---	6,000,000.00

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2007

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2007	Increase	Decrease
	\$	\$	\$	\$
<b>33 - DIVIDENDS FROM INVESTMENTS</b>				
01. Investments in Social Services.....	3,151,600	526,948.00	---	2,624,652.00
02. Investments in Economic Services.....	9,943,000	2,824,298.15	---	7,118,701.85
03. Investments in Infrastructure Services.....	15,735,000	18,619,912.46	2,884,912.46	---
Total.....	28,829,600	21,971,158.61	2,884,912.46	9,743,353.85
Net Increase .....			---	6,858,441.39
<b>34 - INTEREST FROM BANK BALANCES</b>				
01. Interest from Local Bank Balances.....	---	6,773,680.53	6,773,680.53	---
02. Interest from Local Banks.....	---	10,760,574.57	10,760,574.57	---
03. Interest from T/D with Local Banks .....	---	2,208,900.26	2,208,900.26	---
Total.....	---	19,743,155.36	19,743,155.36	---
Net Increase .....			19,743,155.36	---
<b>35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS</b>				
74. Return of Surplus Capital from TMA Operations.....	---	1,630,080.00	1,630,080.00	---
Total.....	---	1,630,080.00	1,630,080.00	---
Net Increase .....			1,630,080.00	---
<b>Total Investing Revenue.....</b>	<b>34,990,400</b>	<b>43,383,514.78</b>	<b>21,373,235.36</b>	<b>12,980,120.58</b>
<b>41 - OVERSEAS LOANS</b>				
<b>1. International Development Bank Loans</b>				
01. ADB Loan No. 1530 Fiji Road Upgrading Project (FRUP III).....	8,400,000	9,289,838.56	889,838.56	---
02. ADB Loan Suva/Nausori Water Supply.....	22,000,000	9,036,710.75	---	12,963,289.25
03. Internatnl cap.....	---	---	---	---
04. ADB Alternative Livelihood Program.....	---	---	---	---
05. International Bond Market Issuarance.....	259,486,800	---	---	259,486,800.00
Total.....	289,886,800	18,326,549.31	889,838.56	272,450,089.25
Net Increase .....			---	271,560,250.69
<b>42 - DOMESTIC LOANS</b>				
01. Development and Conversion Loans.....	81,158,300	100,536,321.00	19,378,021.00	---
Total.....	81,158,300	100,536,321.00	19,378,021.00	---
Net Increase .....			19,378,021.00	---
<b>Total Borrowing Proceeds.....</b>	<b>371,045,100</b>	<b>118,862,870.31</b>	<b>20,267,859.56</b>	<b>272,450,089.25</b>
<b>Grand Total.....</b>	<b>1,842,689,421</b>	<b>1,510,117,312.07</b>	<b>75,107,225.00</b>	<b>407,679,333.93</b>
Net Increase .....			---	332,572,108.93
<b>SUMMARY OF REVENUE</b>				
Operating Revenue.....	1,436,653,921	1,347,870,926.98	15,211,925.86	103,994,919.88
Investing/Loans Revenue.....	406,035,500	162,246,385.09	41,641,094.92	285,430,209.83
<b>Grand Totals.....</b>	<b>1,842,689,421</b>	<b>1,510,117,312.07</b>	<b>56,853,020.78</b>	<b>389,425,129.71</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 9

<b>Heads of Appropriation</b>	<b>Original Budget</b>	<b>Redeployment</b>	<b>Supplementary Appropriation</b>	<b>Virement</b>	<b>Revised Estimate</b>	<b>Actual Expenditure 2007</b>	<b>(Over) / Under Expenditure</b>
<b>GENERAL ADMINISTRATION</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>
Office of the President	1,662,300	---	---	---	1,662,300	1,533,061	129,239
Office of the Prime Minister	5,643,800	---	---	---	5,643,800	3,365,548	2,278,252
Public Service Commission	12,197,400	---	---	---	12,197,400	10,829,114	1,368,286
Office of the Attorney-General and Ministry for Justice	6,422,900	---	---	---	6,422,900	5,927,408	495,492
Ministry of Finance, National Planning, Public Enterprise and Sugar Industry	105,959,100	---	---	30,000	105,989,100	90,115,142	15,873,958
Ministry of Foreign Affairs, Culture Heritage, Provincial Development and Multi Ethnic Affairs	54,656,400	---	---	---	54,656,400	37,715,998	16,940,402
Department of Defence	5,402,200	---	---	---	5,402,200	3,746,198	1,656,002
Ministry of Labour, Industrial Relations, Tourism and Environment	23,683,700	---	---	---	23,683,700	19,821,196	3,862,504
Ministry of Foreign Affairs and External Trade	16,947,200	---	---	---	16,947,200	15,322,445	1,624,755
Office of the Auditor-General	2,815,600	---	---	---	2,815,600	2,775,508	40,092
Elections Office	707,500	---	---	---	707,500	504,073	203,428
Judiciary	12,119,700	---	---	---	12,119,700	11,574,189	545,511
Legislature	1,485,100	---	---	---	1,485,100	1,761,386	(276,286)
Office of the Ombudsman	1,421,600	---	---	---	1,421,600	1,386,668	34,932
Office of the Director of Public Prosecutions	3,896,600	---	---	---	3,896,600	3,721,728	174,872
Department of Justice, Prisons	15,664,400	---	---	100	15,664,500	15,686,319	(21,819)
Department of Information	6,464,800	---	---	---	6,464,800	5,526,126	938,674
Fiji Military Forces	80,739,600	---	---	---	80,739,600	126,285,114	(45,545,514)
Fiji Police Force	69,945,300	---	---	---	69,945,300	73,589,795	(3,644,495)
<b>Total for General Administration</b>	<b>427,835,200</b>	<b>---</b>	<b>---</b>	<b>30,100</b>	<b>427,865,300</b>	<b>431,187,016</b>	<b>(3,321,716)</b>
<b>SOCIAL SERVICES</b>							
Ministry of Education	320,678,500	---	---	---	320,678,500	310,924,706	9,753,794
Ministry of Health	150,808,500	---	---	---	150,808,500	150,797,123	11,377
Ministry of Local Government, Urban Development and Public Utilities	118,771,500	---	---	---	118,771,500	77,127,436	41,644,064
Ministry of Women, Social Welfare and Housing	29,281,900	---	---	---	29,281,900	26,568,649	2,713,251
Ministry of Youth, Sports, Employment Opportunities and Productivity	7,732,400	---	---	---	7,732,400	6,303,962	1,428,438
<b>Total for Social Services</b>	<b>627,272,800</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>627,272,800</b>	<b>571,721,877</b>	<b>55,550,923</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 9

<b>Heads of Appropriation</b>	<b>Original Budget</b>	<b>Redeployment</b>	<b>Supplementary Appropriation</b>	<b>Virement</b>	<b>Revised Estimate</b>	<b>Actual Expenditure 2007</b>	<b>(Over) / Under Expenditure</b>
	\$	\$	\$		\$	\$	\$
<b>ECONOMIC SERVICES</b>							
Ministry of Agriculture, Fisheries and Forests	62,036,000	---	---	---	62,036,000	53,148,099	8,887,901
Ministry of Lands and Mineral Resources	43,810,100	---	---	---	43,810,100	42,399,999	1,410,101
Ministry of Commerce, Industry, Investment and Communications	16,639,100	---	---	---	16,639,100	13,333,530	3,305,570
<b>Total for Economic Services</b>	<b>122,485,200</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>122,485,200</b>	<b>108,881,628</b>	<b>13,603,572</b>
<b>INFRASTRUCTURE SERVICES</b>							
Ministry of Transport, Works and Energy	118,635,400	---	---	---	118,635,400	114,430,091	4,205,309
<b>Total for Economic Services</b>	<b>118,635,400</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>118,635,400</b>	<b>114,430,091</b>	<b>4,205,309</b>
<b>UNALLOCABLE</b>							
Miscellaneous Services	60,620,500	---	---	(1,530,000)	59,090,500	58,808,866	281,634
Pensions, Gratuities and Compassionate Allowances	38,628,200	---	---	---	38,628,200	35,568,160	3,060,040
Charges on Account of Public Debt	447,219,200	---	---	---	447,219,200	405,592,568	41,626,632
<b>Total for Unallocable Services</b>	<b>546,467,900</b>	<b>---</b>	<b>---</b>	<b>(1,530,000)</b>	<b>544,937,900</b>	<b>499,969,594</b>	<b>44,968,306</b>
<b>GRAND TOTALS</b>	<b>1,842,696,500</b>	<b>---</b>	<b>---</b>	<b>(1,499,900)</b>	<b>1,841,196,600</b>	<b>1,726,190,206</b>	<b>115,006,394</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

Schedule 10

<b>Heads of Appropriation</b>	<b>Original Budget</b>	<b>Redeployment</b>	<b>Supplementary Appropriation</b>	<b>Virements</b>	<b>Revised Estimate</b>	<b>Actual Expenditure 2007</b>	<b>(Over) / Under Expenditure</b>
<b>SUMMARY BY SEGS</b>							
1. Established Staff	509,100,300	---	---	1,145,405	510,245,705	522,911,393	(12,665,688)
2. Unestablished Staff	60,812,800	---	---	392,719	61,205,519	61,737,896	(532,377)
3. Travel and Communications	17,841,200	---	---	1,130,004	18,971,204	19,045,742	(74,538)
4. Maintenance and Operations	87,645,600	---	---	1,216,753	88,862,353	90,094,524	(1,232,171)
5. Purchase of Goods and Services	52,646,200	---	---	129,777	52,775,977	74,508,884	(21,732,907)
6. Operating Grants and Transfers	185,420,700	---	---	(3,550,163)	181,870,537	176,984,457	4,886,080
7. Special Expenditures	49,263,800	---	---	1,560,398	50,824,198	43,039,626	7,784,572
8. Capital Construction	140,704,100	---	---	(1,371,999)	139,332,101	95,157,370	44,174,731
9. Capital Purchase	17,510,400	---	---	(463,508)	17,046,892	11,989,440	5,057,452
10. Capital Grants and Transfers	119,217,700	---	---	(1,703,120)	117,514,580	86,536,864	30,977,716
11. Pensions, Gratuities and Compassionate Allowances	38,628,200	---	---	---	38,628,200	35,568,160	3,060,040
12. Charges on Account of Public Debt	176,899,700	---	---	270,319,500	447,219,200	405,592,568	41,626,632
13. Value Added Tax	116,679,300	---	---	20,834	116,700,134	103,023,281	13,676,853
<b>Grand Total</b>	<b>1,572,370,000</b>	<b>---</b>	<b>---</b>	<b>268,826,600</b>	<b>1,841,196,600</b>	<b>1,726,190,206</b>	<b>115,006,394</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
BUDGET RESULT, ESTIMATE AND PROJECTIONS  
FOR THE PERIOD 2005 - 2009

Schedule 11

	Actual 2005 \$	Actual 2006 \$	Estimate 2007 \$	Projected 2008 \$	Projected 2009 \$
<b>REVENUE</b>					
Operating Revenue	1,184,095,981	1,329,907,255	1,436,653,921	1,509,454,200	1,588,618,700
Investing Revenue	37,785,575	71,416,432	34,990,400	160,800	160,800
Public Debt - New Borrowings	328,608,272	633,884,155	371,045,100	284,539,100	323,647,000
<b>TOTAL REVENUE</b>	<u>1,550,489,828</u>	<u>2,035,207,842</u>	<u>1,842,689,421</u>	<u>1,794,154,100</u>	<u>1,912,426,500</u>
<b>EXPENDITURE</b>					
Operating Expenditure	945,337,583	1,088,878,569	1,003,383,693	1,164,920,400	1,164,934,800
Capital Expenditure	213,508,584	212,641,756	273,893,573	192,374,500	143,165,400
Value Added Tax	100,826,374	113,689,054	116,700,134	112,113,500	105,962,200
Public Debt Repayments	328,543,045	334,260,535	447,219,200	384,787,100	453,325,600
<b>TOTAL EXPENDITURE</b>	<u>1,588,215,585</u>	<u>1,749,469,914</u>	<u>1,841,196,600</u>	<u>1,854,195,500</u>	<u>1,867,388,000</u>
<b>BUDGET RESULT</b>	<u>(37,725,758)</u>	<u>285,737,928</u>	<u>1,492,821</u>	<u>(60,041,400)</u>	<u>45,038,500</u>

**Note:**

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

- Capital Expenditure includes SEGs 8 - 10.

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE  
FOR THE PERIOD 2005 - 2009

Schedule 12

	Actual 2005 \$	Actual 2006 \$	Estimate 2007 \$	Projected 2008 \$	Projected 2009 \$
<b>REVENUE</b>					
<b>Operating Revenue</b>					
Direct Receipts (Income Tax)	352,498,201	446,090,420	430,558,500	460,821,300	488,129,300
Indirect Revenue					
Customs	298,194,304	301,600,437	345,116,621	382,060,600	401,841,800
Hotel Turnover Tax		6,890,209	16,780,800		
VAT	415,116,437	472,639,707	517,890,800	523,529,300	551,923,600
Fees, Fines, Charges and Penalties	58,145,930	60,658,241	70,567,800	71,016,900	73,817,200
Other Revenue and Surpluses	45,588,705	32,682,426	31,395,000	32,248,800	33,006,300
Reimbursement and Recoveries	10,173,133	2,946,214	10,967,000	11,105,700	11,228,900
Grant in Aid	4,379,271	6,399,601	13,377,400	---	---
<b>Total Operating Revenue</b>	<b>1,184,095,981</b>	<b>1,329,907,255</b>	<b>1,436,653,921</b>	<b>1,480,782,600</b>	<b>1,559,947,100</b>
<b>Investing Revenue</b>					
Repayment of Term Loans Receivable	70,577	239,394	160,800	160,800	160,800
Sale of Government Assets	691	28,000,255	6,000,000	---	---
Dividends from Investment	23,701,130	27,619,234	28,829,600	28,671,600	28,671,600
Interest from Bank Balance	14,013,177	15,557,550	---	---	---
Return of Surplus Capital from Investment	---	---	---	---	---
<b>Total Investing Revenue</b>	<b>37,785,575</b>	<b>71,416,432</b>	<b>34,990,400</b>	<b>28,832,400</b>	<b>28,832,400</b>
<b>TOTAL REVENUE</b>	<b>1,221,881,556</b>	<b>1,401,323,687</b>	<b>1,471,644,321</b>	<b>1,509,615,000</b>	<b>1,588,779,500</b>
<b>EXPENDITURE</b>					
<b>General Administration Services</b>					
Operating Expenditure	299,136,064	354,649,569	316,150,557	307,016,800	307,031,200
Capital Expenditure	41,902,840	35,968,232	79,033,543	41,862,200	41,862,200
<b>Total General Administration</b>	<b>341,038,904</b>	<b>390,617,801</b>	<b>395,184,100</b>	<b>348,879,000</b>	<b>348,893,400</b>
<b>Social Services</b>					
Operating Expenditure	411,555,102	442,912,444	480,788,367	478,626,800	478,626,800
Capital Expenditure	21,208,078	21,000,331	88,079,033	80,895,000	46,995,000
<b>Total Social Services</b>	<b>432,763,180</b>	<b>463,912,775</b>	<b>568,867,400</b>	<b>559,521,800</b>	<b>525,621,800</b>
<b>Economic Services</b>					
Operating Expenditure	73,145,498	82,880,881	88,511,449	79,421,400	79,421,400
Capital Expenditure	48,770,717	48,383,188	22,017,517	8,978,200	8,428,200
<b>Total Economic Services</b>	<b>121,916,215</b>	<b>131,264,069</b>	<b>110,528,966</b>	<b>88,399,600</b>	<b>87,849,600</b>
<b>Infrastructure Services</b>					
Operating Expenditure	83,621,140	102,417,092	55,976,800	55,865,800	55,865,800
Capital Expenditure	92,400,724	98,813,745	50,783,300	52,347,000	37,587,000
<b>Total Infrastructure Services</b>	<b>176,021,864</b>	<b>201,230,837</b>	<b>106,760,100</b>	<b>108,212,800</b>	<b>93,452,800</b>
<b>Miscellaneous Services</b>					
Operating Expenditure	40,675,373	69,518,337	23,328,320	22,911,000	22,911,000
Capital Expenditure	9,226,225	8,476,259	33,980,180	8,292,000	8,292,000
<b>Total Miscellaneous Services</b>	<b>49,901,598</b>	<b>77,994,596</b>	<b>57,308,500</b>	<b>31,203,000</b>	<b>31,203,000</b>
Pensions, Gratuities and Compassionate Allowance	37,204,406	36,500,246	38,628,200	38,628,200	38,628,200
Value Added Tax	100,826,374	113,689,054	116,700,134	111,891,000	105,739,700
Finance Charges on Public Debt	130,763,632	143,300,555	176,899,700	180,677,200	180,677,200
<b>TOTAL EXPENDITURE</b>	<b>1,390,436,173</b>	<b>1,558,509,933</b>	<b>1,570,877,100</b>	<b>1,467,412,600</b>	<b>1,412,065,700</b>
<b>NET DEFICIT</b>	<b>(168,554,617)</b>	<b>(157,186,246)</b>	<b>(99,232,779)</b>	<b>42,202,400</b>	<b>176,713,800</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**ESTIMATE AND ACTUAL BUDGET RESULT**  
**FOR THE PERIOD 2005 - 2007**

Schedule 13

	Actual 2005 \$	Actual 2006 \$	Estimate 2007 \$	Actual 2007 \$
<b>REVENUE</b>				
Operating Revenue	1,184,095,981	1,329,907,255	1,436,653,921	1,347,870,927
Investing Revenue	37,785,575	71,416,432	34,990,400	43,383,515
Public Debt - New Borrowings	328,608,272	633,884,155	371,045,100	118,862,870
<b>TOTAL REVENUE</b>	<u>1,550,489,828</u>	<u>2,035,207,842</u>	<u>1,842,689,421</u>	<u>1,510,117,312</u>
<b>EXPENDITURE</b>				
Operating Expenditure	945,337,583	1,088,878,569	1,003,383,693	1,023,890,682
Capital Expenditure	213,508,584	212,641,756	273,893,573	193,683,674
Value Added Tax	100,826,374	113,689,054	116,700,134	103,023,281
Public Debt Repayments	328,543,045	334,260,535	447,219,200	405,592,568
<b>TOTAL EXPENDITURE</b>	<u>1,588,215,586</u>	<u>1,749,469,914</u>	<u>1,841,196,600</u>	<u>1,726,190,206</u>
<b>BUDGET RESULT</b>	<u>(37,725,758)</u>	<u>285,737,928</u>	<u>1,492,821</u>	<u>(216,072,893)</u>

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

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## 1.0 FINANCIAL POSITION OF GOVERNMENT

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

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

### 1.1 Financial Performance 2007

The financial performance of the Fiji Government for the year 2007 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2007

	Original Budget 2007 (\$'000)	Revised Budget 2007 (\$'000)	Actual Results 2007 (\$'000)	Variance 2007 (\$'000)	Variance %
<b>REVENUE</b>					
Direct Taxes	430,558.5	430,558.5	438,337.4	(7,778.9)	(1.8)
Indirect Taxes	879,788.3	879,788.2	792,026.0	87,762.3	10.0
Others	155,136.7	155,136.8	139,478.7	15,658.0	10.1
Total Operating Receipts	1,465,483.4	1,465,483.4	1,369,842.1	95,641.3	6.5
Total Investing Receipts	6,160.8	6,160.8	21,412.4	(15,251.6)	(247.6)
<b>TOTAL REVENUE</b>	<b>1,471,644.3</b>	<b>1,471,644.3</b>	<b>1,391,254.5</b>	<b>80,389.8</b>	<b>5.8</b>
<b>EXPENDITURE</b>					
Operating	1,178,258.5	1,174,974.2	1,194,115.0	(19,140.8)	(1.6)
Capital	277,432.2	279,202.8	206,933.0	72,269.8	25.9
Value Added Tax	116,679.3	116,700.1	103,023.3	13,676.8	1.7
<b>TOTAL EXPENDITURE</b>	<b>1,572,369.9</b>	<b>1,570,877.1</b>	<b>1,504,071.3</b>	<b>66,805.8</b>	<b>4.3</b>
Net Deficit	100,725.6	99,232.8	112,816.8	(13,584.0)	(13.7)
Debt Repayment	270,319.5	270,319.5	222,119.0	48,200.5	17.8
Gross Deficit	371,045.1	369,552.3	334,935.8	34,616.5	9.4
Net Deficit As A Percent of GDP	2.0%	2.0%	2.1%	(0.1%)	
Nominal GDP	5,079,139	5,079,139	5,431,720*		

\* Provisional Estimate  
Source: Reserve Bank of Fiji

The gross deficit for the year was \$334.9 million which was \$34.6m or 9% less than the 2007 revised forecast of \$369.6m. This was due to the decrease in expenditures by \$115 million or 6% against the revised budget,<sup>1</sup> despite the decrease in revenue of \$80.4 million or 5% during the year.

The loans raised in 2007 to finance the budget deficit was \$118.9 million, with \$216 million from the global borrowing raised in 2006. In addition, Treasury Bills were also raised in 2007 to meet short term financing shortfalls. This is discussed in 1.3.

<sup>1</sup> The operating and capital expenditures decreased by \$66.8 million or 6% and debt repayments by \$48.2 million or 18% against the revised budgets in 2007.

## 1.2 Appropriation (2007 Revised Budget) Promulgation 2007

Following the revision of the 2007 Budget, the interim government reduced the appropriation heads to 26 with the merging of several ministries and departments, as detailed in Schedule 1 of the Appropriation Promulgation. Schedule 2 of the Promulgation also provides for the re-current and non-recurrent loans. The expenditures under the various heads and their variances are detailed in Appendix 1.1(a) and (b).

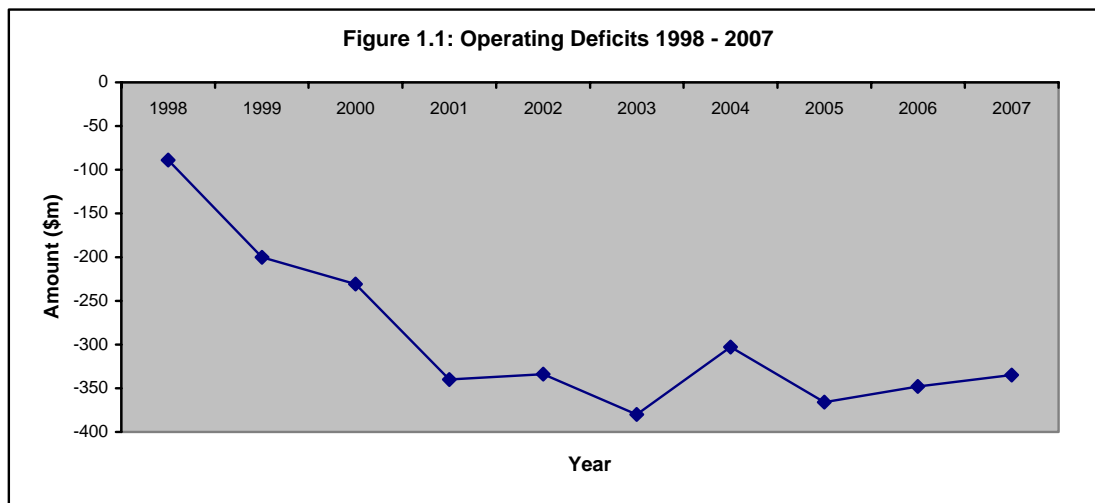
Against a revised budget of \$1.571 billion, the government spent \$1.504 billion resulting in a savings of \$66.8 million. However, 4 agencies over-spent their budgets and they include the Royal Fiji Military Forces (56%), Legislature (19%), Police (5%) and Justice (0.1%).

Under the Lending Fund appropriation of \$23.9 million, there was an outstanding balance of \$31.8 million at the beginning of 2007. This was reduced considerably by the end of 2007 with the recovery \$6.6 million during the year from students of tertiary institutions (\$4.1 million), students under the loan scheme (\$1.4m), private students (\$0.6m) and the Fiji Sports Council (\$0.4m). The government approved new loans totalling \$591,000 during the year.

## 1.3 Operating Result

In view of the reduction in revenue in 2007, the government had tightened budget management considerably resulting in the net deficit of \$112.8 million against a budgeted deficit of \$99.2 million.

The budget deficits as a percentage of GDP over the last 10 years is illustrated in Figure 1.1.

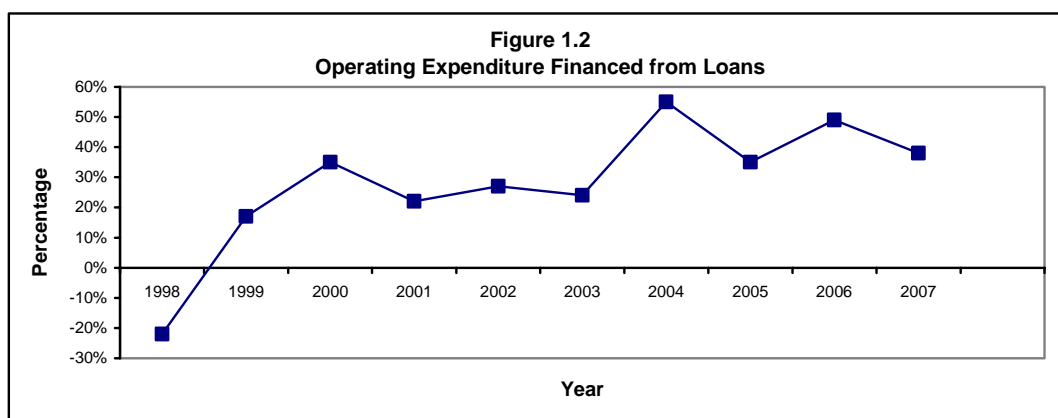


The operating deficit in 2007 was less than the 2006 deficit by \$13.2 million or 3.8%. This improvement was attributed to the net decrease of \$34.6 million in government expenditures. The net deficit for 2007 as a percentage of GDP was 2.1%, an increase of 0.1% above the budget.

## 1.4 Financing of Operating Expenditures

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

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



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

TABLE 1.2: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	1998 (\$'000)	1999 (\$'000)	2000 (\$'000)	2001 (\$'000)	2002 (\$'000)	2003 (\$'000)	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)
Total Loans (Domestic & Overseas)	116,511	192,175	225,000	239,248	325,197	319,738	458,468	328,608	417,810	334,937
Less Capital Expenditures	142,687	159,990	146,157	186,749	238,639	243,692	205,609	213,509	212,642	206,933
Balance for Operating Expenditures	(26,176)	32,185	78,843	52,499	86,558	76,046	252,859	115,099	205,168	128,004
% Loans Utilized for Operating Expenditures	(22%)	17%	35%	22%	27%	24%	55%	35%	49%	38%

The percentage of loans which financed operating expenditures varied over the past 10 years. The ratio of loans utilised for operating expenditures decreased from 49% in 2006 to 38% in 2007.

Although the above analysis shows that there was a decrease in the ratio in 2007, the continued utilization of loan funds for operating expenditures reflects constant reliance by government on its financiers for its day to day operations. This has denied government from investing in capital works which would have contributed to increased employment and economic growth.

## 1.5 Treasury Bills

As government had raised domestic loans in accordance with the approved budgets over the years, the excess has been in the form of Treasury Bills. As at 31/12/07, outstanding Treasury Bills amounted to \$114,160,433.

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

TABLE 1.3: BUDGET DEFICIT VS. LOANS RAISED

Details	1998 \$	1999 \$	2000 \$	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$
Gross Deficit	89,079,211	199,550,066	230,607,446	339,658,246	334,367,718	380,275,486	302,912,124	366,334,030	394,450,200	369,552,279
Domestic Loans	105,700,500	186,000,000	210,000,000	229,000,000	299,000,000	291,000,000	449,200,000	319,965,000	356,778,570	100,536,321
Overseas Loans	14,117,641	6,171,541	14,997,639	10,247,023	26,196,743	28,745,347	9,267,717	8,641,300	61,031,585	234,400,549
Treasury Bills	43,790,072	117,231,671	72,449,838	176,604,613	196,432,453	276,925,838	126,987,822	136,018,387	141,311,687	141,160,433
Loans	160,300,782	309,406,830	297,449,846	415,852,569	521,629,196	596,664,155	585,455,539	464,626,659	559,121,842	476,097,303
Deficit %	54%	64%	78%	82%	64%	64%	52%	79%	71%	78%
Excessive Borrowings %	46%	36%	22%	18%	36%	36%	48%	21%	29%	22%

There has been an increase in the financing of budget deficits as 78% of the loans raised was sufficient to cover the 2007 budget deficit compared to 71% in 2006, in other words, there is a decrease in excessive borrowings from 29% in 2006 to 22% in 2007. Nevertheless, cash management still needs significant improvement.

## 1.6 Agency Financial Statements

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

All ministries and departments submitted their 2007 accounts for audit but only a few met the due date. Most submitted their accounts in April and May 2008 but a lot of these were returned because of deficiencies in the accounts or the Financial Management Information System (FMIS) of the Ministry of Finance had taken a while to close the general ledgers and finalise the expenditures to be taken into each agency's books. There was also lack of understanding of the new FMIS, and the failure of departments to prepare necessary reconciliations of accounts, or to prepare them correctly. These are detailed in Appendices 1.2 and 1.3. In addition, certain audit adjustments to the accounts that were recommended were not taken on board immediately or not at all by the Ministry of Finance.

The Office of the Auditor General had planned to audit 26 accounts of Ministries and Departments, of which 10 of them were required to be consolidated. Only 6 consolidated accounts were submitted of which a few were allowed time to consolidate their accounts. Nevertheless, the OAG audited all the accounts that were submitted, whether or not they were consolidated. A total of 31 financial statements were therefore audited, and 22 were issued adverse/disclaimer opinions and 9 qualified or "except for" opinions. The audit opinions issued to ministries and departments are detailed in Appendix 1.4.

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

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

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

A total of 17 ministries and departments did not submit the complete set of financial statements in accordance with Finance Instructions 82(1). These include the statement of output costs, appropriation statements, statement of losses and trust accounts statements. The details of these are shown in Appendix 1.5.

## 2.0 CASH AT BANK

All Government Ministries/Departments use several bank accounts called Drawings Accounts and these are cleared on daily basis through a Consolidated Bank Account.<sup>2</sup>

The Cash at Bank balance declined significantly from \$269,749,693 in 2006 to \$42,307,686 or 84% in 2007. This decline was due to a significant reduction in Overseas Bank Balance with the drawdown from the JP Morgan cash account. In addition there was a 20% decrease in domestic bank balance, 13% decrease in the Trading and Manufacturing Accounts and 22% increase in unrepresented cheques. Refer to Table 2.1 for details.

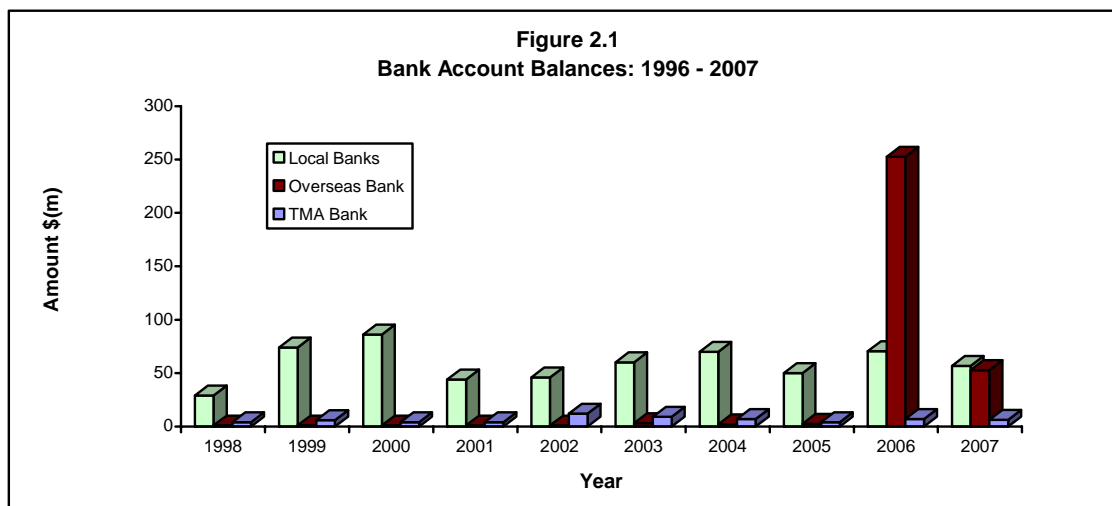
TABLE 2.1: CASH AT BANK BALANCE AS AT 31/12/07

Account	2006 Balance \$	2007 Balances \$	Variance	% Change
Domestic Account	70,524,396	56,774,511	(13,749,885)	20
Fiji Overseas Agents	252,544,849	52,855,117	(199,689,732)	79
Trading & Manufacturing Accounts (TMA)	7,181,637	6,264,251	(917,386)	13
Unrepresented Cheques	(60,501,189)	(73,586,193)	(13,085,004)	22
Net Cash	269,749,693	(42,307,686)	(227,442,007)	84

The increased amount in unrepresented cheques is attributed to delegation of procurement authority to accounting heads under the new Financial Management Reform and lack of monitoring by the accounting heads.

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

<sup>2</sup> Finance Instruction 88



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

## 2.1 Overseas Cash Balance not Supported by Cash

The Cash at Bank balance should reflect all balances of bank accounts operated by Ministries/Departments as at 31/12/07.

A total of \$1,042,573 in Statement of Cash and Bank Balances with Overseas Agencies is not supported by cash.

This was due to the non closure of the general ledger accounts of cash balances for Foreign Agents under the Ministry of Finance. These cash balances were carried forward from previous years after the accounts were transferred to the Ministry of Foreign Affairs.

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

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

Account	Description	Balance \$
10410204202510102	Sydney Trade Commission	28,231
10410204202510105	FMF-Bank account in Darwin	5,091
10410204202510106	Fiji Trade Commission Sydney	(325,064)
10410204202510107	Fiji High Commission - Canberra	(163,006)
10810381001510201	Crown Agents - London	293,420
10410204202510202	Fiji High Commission - London	(55,869)
10410204202510401	Fiji Embassy Tokyo Dominion Cash	477,073
10410204202510502	Fiji High Commission - Wellington	5,317
10410204202510503	Fiji Trade Commission Los Angeles	109,736
10410204202510504	Fiji High Commission - Beijing	53,741
10410204202510601	Fiji Mission Brussels	1,147
10410204202510701	Sinai	21,956
10410204202510801	Fiji High Commission – United Nation	259,703
10410204202510802	Washington	101,919

Account	Description	Balance \$
10410204202510901	Bank in Kular Lumpur	112,443
10410204202510902	Closing Balance for PNG	931
10410204202510903	Fiji High Commission – New Delhi	115,806
Total		1,042,573

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

As such, the Overseas Cash Balance stated in the Statement of Cash and Bank Balance – Accounts and Finance is overstated by \$1,042,573.

### **Recommendations**

- The Ministry of Finance should ensure that amounts in the general ledger are supported by actual cash.
- The Ministry of Finance should close all dormant accounts for which balances do not exist or have been transferred.

### **Ministry's Comments**

*Comments not received*

## **2.2 Drawings Accounts**

### **2.2.1 Drawings Account Variances**

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

Variances in the drawings reconciliations for some departments had not been updated into the Financial Management Information System (FMIS) in 2007.

Table 2.3 highlights Ministries/Departments that had variances between their Drawings Accounts reconciliations and the Ministry of Finance General Ledger (GL) balances as at 31/12/07.

TABLE 2.3: BALANCES IN MINISTRIES/DEPARTMENTS

Department	Unpresented Cheques \$	GL Balance \$	Difference \$	GL Overstated/ Understated
OAG	73,593.30	65,963.60	(7,629.90)	Understated
Cabinet	624,232.77	522,106.51	(102,126.26)	Understated
Foreign Affairs	938,205.28	925,492.67	(12,712.61)	Understated
ITC	56,222.96	41,043.96	(15,179.00)	Understated
Information	202,894.37	179,518.73	(23,375.64)	Understated
National Planning Office	124,550.75	124,673.28	122.53	Overstated
Prisons	372,800.80	1,104,558.60	731,757.80	Overstated

<sup>3</sup> Ministry of Finance, Finance Manual - Section 17.3.1

Department	Unpresented Cheques \$	GL Balance \$	Difference \$	GL Overstated/ Understated
Public Enterprise	118,781.29	28,593.91	(90,187.38)	Understated
Salaries	73,037.67	71,961.44	(1,076.23)	Understated
Treasury (#149268)	5,501,730.83	5,498,837.88	(2,892.95)	Understated
Treasury (#108651)	9,166,462.22	9,167,317.22	855.00	Overstated
Youth Employment & Sports	297,486.42	330,920.71	33,434.29	Overstated
Total			510,989.85	Overstated

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

The major contributing factors for the variances were:

- delays and incorrect bank reconciliations;
- lack of monitoring by Ministry of Finance;
- lack of understanding of the new Financial Management Information System;
- deficiency in the Finance Manual in that it does not specify the process to be taken by the ministries/departments after carrying out their drawings account reconciliation;
- no documented work procedure for the receiving officer of drawings reconciliation at the Ministry of Finance.

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

### **Recommendations**

- **Ministries/Departments should ensure that the differences in the drawings reconciliation are updated into the Financial Management Information System before the closure of the accounts.**
- **The Ministry of Finance should closely monitor month end drawings reconciliation**
- **Finance Manual should be reviewed by the Ministry of Finance to specify procedures to be followed by ministries/departments following the preparation of the drawings reconciliation;**
- **The Ministry of Finance should draw up a procedural work manual for the receiving officer of the drawings reconciliation.**

### **Ministry's Comments**

*The Ministry of Finance have been monitoring the reconciliations submitted and can only go as far to advise Departments to submit their reconciliations. The delays and error as identified when reconciliations are returned is the responsibility of the various Ministry/Departments. On going training has been conducted to address the above mentioned problems since the delays and problems are coming from the Ministries and Departments. The Finance Ministry merely receives and analyses reconciliations and advises Ministries and Departments of any irregularities in the submitted reconciliations.*

### **2.2.2 Reconciliations**

A total of 8 Ministries/Departments failed to provide their Drawings Account reconciliations as at 31 December 2007 to support the bank balances disclosed in the 2007 Whole of Government Financial Statements. Refer to Table 2.4 for details.

TABLE 2.4: BANK BALANCES NOT SUPPORTED WITH RECONCILIATIONS

Ministry/Department	GL Balance As at 31/12/07 \$
Agricultural Tribunal	248
Agriculture	2,464,756
Energy	835,017
Forestry	414,484
Lands	3,565,258
Mineral Resources	79,991
Social Welfare	2,158,300
Women & culture	60,735

The accuracy of these balances therefore could not be established.

### **Recommendation**

**The Ministry of Finance should be more vigilant when checking reconciliations and to ensure that ministries/departments submit their drawings reconciliations promptly.**

### **Ministry's Comments**

*The Ministry of Finance have been monitoring the reconciliations submitted and can only go as far to advise Departments to submit their reconciliations. The delays and error as identified when reconciliations are returned is the responsibility of the various Ministry/Departments. On going training has been conducted to address the above mentioned problems since the delays and problems are coming from the Ministries and Departments. The Finance Ministry merely receives and analyses reconciliations and advises Ministries and Departments of any irregularities in the submitted reconciliations*

## **2.2.3 General Ledger Accounts for Drawings under Head 4**

For Ministry of Finance, a total of \$2,256,917 was unaccounted for in the Statement of Cash in the Accounts and Finances, as the amount reflected is \$19,853,099 against the general ledger figure of \$21,110,017.

Refer to Table 2.5 for details.

TABLE 2.5: MINISTRY OF FINANCE DRAWINGS BALANCES

Items in Appendix 3	Amount \$
Customs	2,112,578.69
Inland Revenue Services	(7,157,224.37)
Public Enterprise	(28,593.91)
Treasury	(5,498,847.88)
Salaries	(9,239,278.66)
Pensions	(41,733.28)
Appendix Total	(19,853,099.41)
GL Total	(22,110,016.79)
Difference	2,256,917.38

The Ministry of Finance revealed that the Customs does not have a drawings account with Government even though an item in the Statement of Cash balances shows a debit balance of \$2,112,579.

The accuracy of the general ledger Drawings balances for the Ministry of Finance cannot therefore be substantiated.

### **Recommendations**

- **The Ministry of Finance should carry out reconciliations of their drawings accounts against all drawings account in the general ledger and rectify the anomalies.**
- **The Ministry should verify all drawings accounts in the general ledger and remove those that are dormant.**

### **Ministry's Comments**

*Comments not received*

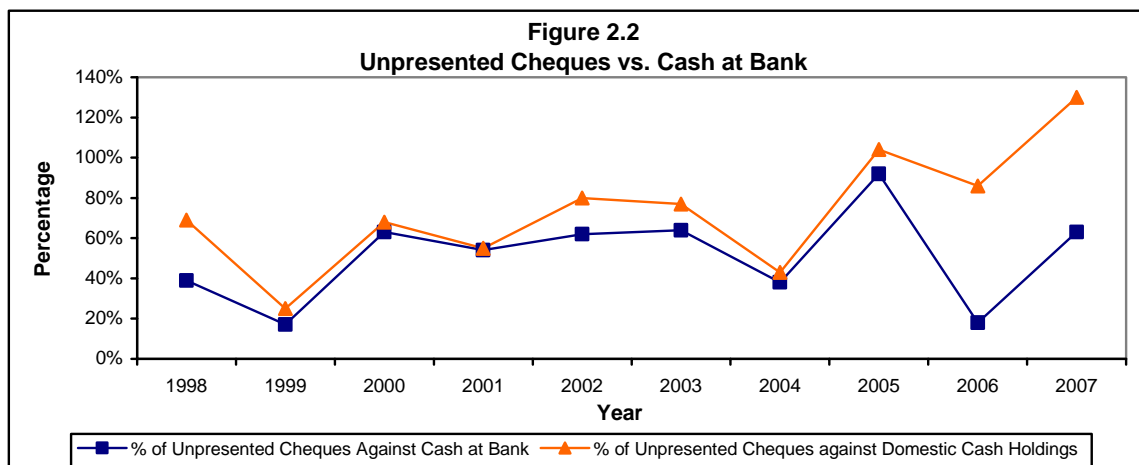
## **2.3 Unpresented Cheques**

The drawings accounts balances (credits) for Ministries/Departments represent the total value of cheques that were issued but were not presented to the banks as at 31/12/07.

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

TABLE 2.6: UNPRESENTED CHEQUES

Year	Unpresented Cheques \$	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding \$	% of Unpresented Cheques against Domestic
1998	20,009,268	51,915,161	39	29,206,513	69
1999	18,373,689	106,620,136	17	74,419,280	25
2000	58,202,508	92,150,492	63	85,718,633	68
2001	24,031,011	44,104,751	54	43,855,695	55
2002	36,272,562	58,749,914	62	45,525,054	80
2003	45,687,430	70,886,542	64	59,566,056	77
2004	29,749,633	79,080,721	38	69,771,759	43
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	115,893,879	63	56,774,511	130



Unpresented cheques have increased significantly by \$13,085,004 or 22% from \$60,501,189 in 2006 to \$73,586,193 in 2007. Table 2.7 shows details of Ministries/Departments which had significant unpresented cheques balances.

TABLE 2.7: MINISTRIES/DEPARTMENTS WITH SIGNIFICANT UNPRESENTED CHEQUE BALANCES

Ministry/Department	Amount \$	% of Total
Education	5,414,993	7
FMF	4,613,715	6
Health	6,942,406	9
Inland Revenue	7,157,224	10
Lands	3,565,258	5
Salaries	9,239,279	13
Treasury	5,498,848	8
Others	31,154,470	42
Total	73,586,193	100

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

### **Recommendations**

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

### **Ministry's Comments**

*Comments not received*

## **2.4 Chinese Grant not recorded in the General Ledger**

The Cash at Bank balance should reflect all balances of bank accounts operated by Ministries/Departments as at 31/12/07.

In 2007, Ministry of Finance gave approval to the Prime Minister's Office to open a bank account for the Chinese Government Grant, with the provision of a general ledger to this trust account. On 27 June 2007, a sum of US\$5 million was received by the Prime Minister's office.

No corresponding general ledger account for cash was provided to record the cash received for this grant. As at 31/12/07 the cash at bank balance for this account was \$6,881,198.

The above indicates the lack of understanding on the accounting treatment for this transaction and a total disregard for the double entry rule. The general ledger has yet to record the grant received, resulting in the understatement of the cash account.

### **Recommendation**

**The Ministry should ensure that proper accounting procedure is followed in accounting for cash and other transactions.**

### **Ministry's Comments**

*Comments not received*

## **2.5 Unreconciled TMA Balances for Ministries/Departments**

The Accounting Heads are responsible for submitting, their monthly reconciliation statements within the stipulated time frame to the Ministry of Finance.<sup>4</sup>

Details of Ministries/Departments with unreconciled TMA balances as at 31/12/07 are provided in Table 2.8.

TABLE 2.8: VARIANCES IN TMA BALANCES

Ministry/Department	Ministry/Department's Reconciliation at 31/12/07 \$	General Ledger Records as at 31/12/07 \$	Variance \$
Agriculture	No Bank Reconciliation	508,522	508,522
Forestry	No Bank Reconciliation	66,656	66,656
Public Works and Infrastructure (DECE)	892,424	87,138	(26,217)
Public Works and Infrastructure (Labasa)	(524,911)	(254,588)	(779,069)
Public Works and Infrastructure (Lautoka)	408,402	730,837	322,435
Public Works and Infrastructure (Mechanical)	41,942	42,226	284

Ministries/Departments failed to provide satisfactory explanations for the variances in the TMA account balances as at 31 December 2007.

Moreover, Agriculture and Forestry failed to submit their TMA reconciliations.

In addition, 3 items under Domestic Bank balances (refer to Table 2.9) could not be verified with actual cash balances.

<sup>4</sup> Ministry of Finance, Finance Manual - Section 17.3.1

TABLE 2.9: DOMESTIC BANK BALANCE NOT VERIFIED

Account	Balance
Remittance Between Chests – RBC General	5,458
Remittance Between Chests – PWD Western	25,130
PWD Northern	(16)
<b>Total</b>	<b>30,572</b>

Furthermore, the Alternative Livelihood Project cash balance with Westpac was overstated by \$645,072 when compared with the confirmation from the Bank. Refer to Table 2.10 below:

TABLE 2.10: ALTERNATIVE LIVELIHOOD PROJECT CASH WITH WESTPAC

Detail	Balance
General Ledger	873,950
Bank Confirmation	228,878
<b>Overstatement</b>	<b>645,072</b>

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

### **Recommendations**

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

### **Ministry's Comments**

*Ministries/Departments have been advised to clear the RBC balances. Recommendation duly noted*

## **2.6 CFA Reconciliation**

The Accounting Heads are responsible for submitting Ministry's monthly drawings reconciliation statements within the stipulated time to the Ministry of Finance.<sup>5</sup>

The Ministry of Finance were reluctant to pass audit adjustments affecting cash, with the reason that the consolidated fund account had reconciled with balances at the banks. However, after 2 audit adjustments were passed, the Ministry of Finance passed 2 additional adjustments that effectively reversed the initial one that had affected cash, leaving cash balance in the general ledger unchanged.

Also an adjustment of \$33.7 million was passed by the Ministry to the Consolidated Fund Account. This was made to balance the Customs Lodgement cash account to the general ledger. Details of this adjustment could not be provided as no reconciliations were prepared during the year.

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

<sup>5</sup> Ministry of Finance, Finance Manual – Section 17.3.1

As such, transactions and adjustments such as batch numbers 04A822 (with a total value of \$195,130), 04A813 (\$33,684,356) and 04A814 (\$505,435) passed by the Ministry affecting cash account could not be substantiated.

### **Recommendation**

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

### **Ministry's Comments**

*Comments not received*

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

The Cash at Bank balance of \$42,307,686 as at 31/12/07 has been misstated in view of the following errors and omissions:

TABLE 2.11: ERRORS AND OMISSIONS IN STATEMENT OF CASH AT BANK

Errors and Omissions	Amount \$
Overstatement of Cash Balance with Overseas Agencies	1,042,537
Variance between Drawings Account of Ministries/Departments and Ministry of Finance	34,289
Variance between TMA balances of Ministries/Departments and Ministry of Finance	92,611
Bank Balance not supported with Reconciliation	2,207,026
Understatement of Head 4 Drawings in Appendix 3	2,256,917
Chinese Grant (cash) not reflected in the general ledger	6,881,198
Domestic Bank Balance not verified	30,572
Overstatement in ALP Westpac account	645,072

The net impact on Cash at Bank of the errors and omissions in the 2007 accounts is substantial and reflects the existence of weak internal controls in cash management.

### **Recommendation**

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

### **Ministry's Comments**

*Comments not received*

## **3.0 INVESTMENT**

Section 55(1) (b) of the Finance Management Act 2004 empowers the Minister to invest public money in securities issued by a statutory authority. In 2007, Government's investments were held in 30 companies, 2 local term deposits and one offshore bank account. Government investments totalling \$429,861,896 increased by \$83,231 or 0.02% compared to 2006. Table 3.1 shows the list of the entities in which investment increased in 2007.

TABLE 3.1: CHANGES IN SHARE CAPITAL

Entity	Capital 2007 \$	Capital 2006 \$	Variance \$
Pacific Forum Line Limited	3,171,701	3,121,822	49,879
Unit Trust Of Fiji (Trustee) Ltd	654,820	649,860	4,960
Fiji Shipping Corporation Limited	10,000	---	10,000
Rewa Co-operative Dairy Company Limited	42,854	24,462	18,392
Total Increase	3,879,375	3,796,144	83,231

The increase in total investment is largely attributed to the increase in the interest rate for Unit Trust of Fiji (Trustee Ltd), the exchange rate (conversion to Fiji dollars) for the Pacific Forum Line Limited, share equalisation of Rewa Dairy and the inclusion of Fiji Shipping Corporation Limited as government investments.

### 3.1 Analysis of Dividends

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

- a) approve the recommendation;
- b) direct the payment of a specified dividend having regard to the adequacy of the capital in relation to the size and nature of its business and the maximum amount that may be declared under the Companies Act.<sup>6</sup>

11 of the 30 entities which Government had investments remitted dividends to the government totalling \$21,971,159 in 2007 compared to \$27,619,234 in 2006 and \$23,701,130 in 2005. Table 3.2 shows the dividends received from the entities in the three years.

TABLE 3.2: DIVIDEND ANALYSIS FOR LAST THREE YEARS

Entity	2005 \$	2006 \$	2007 \$
Fiji International Telecommunications Limited	9,779,328	7,055,594	6,924,636
Yaqara Pastoral Company Limited	68,779	245,122	385,013
Amalgamated Telecom Holding Limited	6,004,071	8,755,933	8,755,933
Air Pacific Limited	3,725,981	2,262,203	1,996,061
Fiji Television Limited	259,560	259,560	259,560
Land Transport Authority	2,500,000	4,000,000	---
Fiji Reinsurance Corp. Limited	190,000	137,354	---
Fiji Ports Corporation Limited	---	1,609,352	2,010,746
Pacific Fishing Company Limited	---	443,224	443,224
Airports (Fiji) Limited	---	2,759,005	315,780

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

Entity	2005 \$	2006 \$	2007 \$
Fiji Broadcasting Corporation Limited	---	26,387	---
Unit Trust of Fiji Limited	---	65,500	69,800
Post Fiji Limited	634,978	---	457,148
Pacific Forum Line Limited	538,433	---	353,258
Daily Post	---	---	---
Colonial National Bank	---	---	---
Fiji Hardwood Corporation	---	---	---
Shipbuilding (Fiji) Limited	---	---	---
Air Fiji Limited	---	---	---
Equity Investment Management Company Limited	---	---	---
Fiji Pine Limited	---	---	---
Fiji Sugar Corporation Limited	---	---	---
National Trading Corp. Limited	---	---	---
Rewa Co-operative Dairy Company Limited	---	---	---
Rewa Rice Limited	---	---	---
Viti Corps Company Limited	---	---	---
Fiji Sugar Marketing Company Limited	---	---	---
International Hotels of Fiji Limited	---	---	---
Fiji Ships and Heavy Industries Limited	---	---	---
Ports Terminal Limited	---	---	---
<b>Total</b>	<b>23,701,130</b>	<b>27,619,234</b>	<b>21,971,159</b>

Table 3.3 shows the dividend and investment analysis for 2006 and 2007.

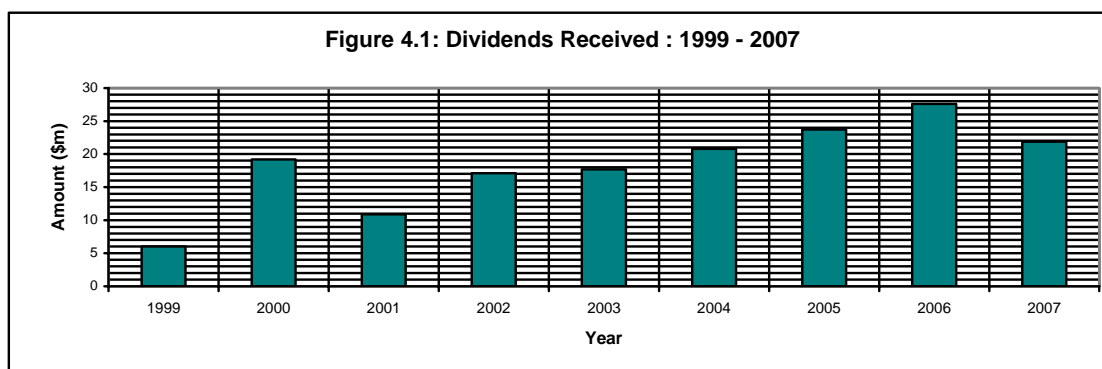
TABLE 3.3: DIVIDEND AND INVESTMENT ANALYSIS

Entity	Investment \$	Dividends		Variances \$
		2007 \$	2006 \$	
Amalgamated Telecom Holding Limited	36,483,052	8,755,933	8,755,933	---
Fiji International Telecommunications Limited	3,569,990	6,924,636	7,055,594	(130,958)
Land Transport Authority	---	---	4,000,000	(4,000,000)
Airports (Fiji) Limited	81,849,908	315,780	2,759,005	(2,443,225)
Fiji Ports Corporation Limited	73,154,852	2,010,746	1,609,352	401,394
Pacific Fishing Company Limited	14,728,956	443,224	443,224	---
Yaqara Pastoral Company Limited	1,191,846	385,013	245,122	139,891
Unit Trust of Fiji (Management) Limited	50,000	69,800	65,500	4,300
Fiji Broadcasting Corporation Limited	2	---	26,387	(26,387)
Air Pacific Limited	13,307,075	1,996,061	2,262,203	(266,142)
Fiji Television Limited	1,442,000	259,560	259,560	---
Fiji Reinsurance Corp. Limited	---	---	137,354	(137,354)
<b>Total</b>	<b>225,777,681</b>	<b>21,160,753</b>	<b>27,619,234</b>	<b>(6,458,481)</b>

Entity	Investment \$	Dividends		Variances \$
		2007 \$	2006 \$	
Post Fiji Limited	5,600,000	457,148	---	457,148
Pacific Forum Line Limited	3,171,702	353,258	---	353,258
<b>Total</b>	<b>8,771,702</b>	<b>810,406</b>	<b>---</b>	<b>810,406</b>
Daily Post	950,220	---	---	---
Fiji Hardwood Corporation	90,000,000	---	---	---
Air Fiji Limited	171,804	---	---	---
Fiji Pine Limited	61,002,064	---	---	---
Fiji Sugar Corporation Limited	15,119,580	---	---	---
Rewa Co-operative Dairy Company Limited	42,854	---	---	---
Fiji Shipping Cooperation Ltd	10,000	---	---	---
Rewa Rice Limited	1,506,224	---	---	---
Fiji Sugar Marketing Company Limited	2	---	---	---
Viti Corps Company Limited	6,000,000	---	---	---
Fiji Ships and Heavy Industries Limited	7,662,228	---	---	---
Ports Terminal Limited	3,084,300	---	---	---
Unit Trust of Fiji (Trustee) Limited	654,820	---	---	---
Food Processor Fiji Limited	687,680	---	---	---
<b>Total</b>	<b>186,891,776</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>In-Operative Entities</b>				
Equity Investment Management Company Limited	51	---	---	---
National Trading Corp. Limited	3,358,186	---	---	---
Shipbuilding (Fiji) Limited	3,062,500	---	---	---
International Hotels of Fiji Limited	2,000,000	---	---	---
<b>Total</b>	<b>8,420,737</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Total Investment</b>	<b>429,861,896</b>	<b>21,971,159</b>	<b>27,619,234</b>	<b>(5,648,075)</b>

The following were noted:

- 11 entities paid dividends totalling \$21,971,159 in 2007, a decrease of 5,648,075 compared to 2006;
- 14 entities in which Government has investment totalling \$186,9891,776 did not pay any dividends for the past two years;
- 2 entities paid dividend in 2007 amounting to \$810,406 but had not paid dividend in 2006;
- 3 entities that paid dividends in 2006 amounting to \$4,163,741 did not pay dividends in 2007;
- 4 entities with total investments of \$8,420,737, have been in-operative for over two years.



The dividend revenue has decreased by \$5,648,075 due to fewer companies paying dividends and comparatively less than dividends paid in 2006.

### 3.2 Non Submission of Annual Reports and the Audited Accounts

Within 5 months after the end of the financial year, the Board of the Government Commercial Company or Commercial Statutory Authority, shall give to the Public Enterprise Minister, its relevant Minister and the Minister for Finance its annual report and the audited consolidated financial statements accompanied by the auditor's report.<sup>7</sup>

Only 7 of the 30 companies in which Government held investments submitted their 2007 audited annual accounts. These include:

- Amalgamated Telecom Holdings (ATH)
- Fiji Television Limited
- Air Pacific Limited
- Unit Trust of Fiji Limited (Trustee & Management)
- Fiji Ports Cooperation Limited
- Yaqara Pastoral Company Limited
- Fiji Sugar Marketing Company Limited.

The Ministry of Finance had not taken adequate actions to ensure that audited annual accounts are submitted as required. As at the date of the audit,<sup>8</sup> the latest annual reports that were received by the Ministry of Finance are as follows.

TABLE 3.4: LATEST ANNUAL REPORT

Entities	Latest Annual Report
Airports Fiji Limited	2006
Fiji Ships & Heavy Industries Limited	2006
Post Fiji Limited	2006
Fiji Broadcasting Corporation Limited	2006
Rewa Rice Limited	2005
Fiji Hardwood Corporation Limited	2004
Food Processors Fiji Limited	2004

<sup>7</sup> Part 5, Division 4. Section 103(a-c) of the Public Enterprise Act of 1996 and the Public Enterprise (Amendment) Act 28 of 2002

<sup>8</sup> 10 June 2008

Entities	Latest Annual Report
Ports Terminal Limited	2004
Viti Corporation Company Limited *	2002
Fiji Shipping Corporation Limited	**
Public Rental Board	2006
Housing Authority	2006
Fiji Electricity Authority	2006
Fiji Meats Industry Board*	1992
Fiji Sugar Corporation Limited	2006
PAFCO	2006
Fiji Pine Limited *	2005
Rewa Co-op Dairy Company Limited	2004
Air Fiji Limited	2005
Pacific Forum Line Limited	2005
Daily Post	1999

The Fiji Meats Industry Board, Viti Corporations Company Ltd, and Fiji Pine Ltd have not been submitting their annual reports since 1992, 2002, and 2005 respectively. The Fiji Shipping Corporation Limited has not submitted its annual report since its incorporation in 2004.

The audit could not confirm whether Equity Investment Company Limited had submitted any annual reports.

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

### **Recommendations**

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

### **Ministry's Comments**

*Whilst the comments by OAG is noted, AMU however totally disagrees to the findings that MOF "had not taken adequate action to ensure that audited annual accounts are submitted as required". On the contrary officers responsible had time and time again written to these entities and while some have had the courtesy to reply others do not bother at all. Copies of these correspondences were shown to the officers conducting the audit.*

*It must be also noted that GCC and CSA falls under the ambit of the Public Enterprises Act 1996 and perhaps this issue of non submission should be directed at the Department of Public Enterprises. One good example is Airports Fiji Limited wherein MOF had reminded them of the deadline is submitting their audited accounts for 2007. Their response of April 26 2008 stated that the Ministry of Public Enterprises via their circular of 19th February 2008 had extended the time frame of submission of accounts for 2007. This was also shown to the officer conducting the audit. The above situation is indicative of the minor role MOF plays in regards to submission of annual accounts of GCC and CSA under the PE Act 1996. Furthermore, s53 FMA 2004 explicitly states that the division governing submission of annual accounts "does not apply to GCC and CSA", hence MOF cannot exercise the powers bestowed upon it by the FMA Act 2004.*

*Fiji Meats Industry Board was only declared a CSA in 2006 and prior to that their annual accounts and annual reports are submitted to the Minister of Agriculture in accordance with S.11 & S.12 of the Meat Industry Act 1970. Their reason for non submission in 1993 should be directed to the Ministry responsible. Viti Corp is currently managed by the Ministry of Public Enterprises and as such their reason for non submission for 2003 should be directed to them while non submission of Fiji Shipping Corporation Limited's should be directed to Ministry of Transport. It must be emphasized that MOF's role in terms of monitoring GCC and CSA are limited to one of consultative only. Apart from the PE Act 1996 these entities are also accountable to their line Ministries by the individual legislations that governed them. Fiji Pine however has submitted their 2005 annual accounts. Both Equity Investment Company Limited and Fiji Sugar Marketing Company Limited are not GCC nor are they CSA, hence are not obligated to submit their annual accounts to MOF.*

*MOF have been promptly seeking annual reports from entities as indicated to officers conducting the audit but perhaps OAG can suggest other options that can be pursued by this Ministry as judging from their findings the current avenue pursued by this Ministry is not acceptable to them.*

*We totally disagree with the recommendation to take the officer responsible to tasks because the officer and so as the Unit responsible have taken all measures to ensure this is adhered to but to no avail. As mentioned above our role is secondary in as far as this is concerned as there are other considerations that have to be taken into account and a good example is mentioned above – the case of Airports Fiji Limited.*

*Government holds 51 \$1 units in the defunct Equity Investment Company Limited and 2 \$1 shares in Fiji Sugar Marketing Company Limited. As such neither GCC or CSA and are not obligated to submit annual accounts to MOF therefore this Ministry's database cannot include their annual accounts as recommended.*

### 3.3 Financial Analysis of Companies Not Prepared

Performance will be monitored by government against performance targets specified in the statement of corporate intent.<sup>9</sup>

Out of the 30 companies, only 2 companies have had their financial (ratio) and non-financial analysis completed from information in the annual reports for 2007, namely FINTEL and Fiji TV. For some entities, financial analysis had not been carried out since 2002. Table 3.5 shows the list of entities whose financial analysis were conducted by the Assets Management Unit of the Ministry of Finance.

TABLE 3.5: ENTITIES FINANCIAL ANALYSIS

Government-owned Entities	Annual Report Submitted 2007	Latest Annual Report	Remarks
Airports Fiji Limited	×	2006	Annual Report to be published prior to 30 June 2008
Fiji Hardwood Corporation Limited	×	2004	
Food Processors Fiji Limited	×	2004	FPL awaiting 2006 audited accounts pending clarification on restructure by MOF
Fiji Ships & Heavy Industries	×	2006	
Yaqara Pastoral Company Limited	×	2006	2007 accounts finalized and audit will commence from 1st wk of June. Final audited accounts to be released by end of June 2008
Post Fiji Limited	×	2006	
Viti Corporation Limited	×	2002	

<sup>9</sup> Schedule 1 sec10 (Part B) Principle 3 of the Public Enterprise Act 1996

Government-owned Entities	Annual Report Submitted 2007	Latest Annual Report	Remarks
Fiji Broadcasting Corporation Limited	x	2006	
Fiji Ports Corporation Limited	x	2006	2007 accounts finalized but not finally reported and given to OAG. Awaiting Approval from MPE to publish 2007 AR. Not able to give a timeline.
Rewa Rice Limited	x	2005	
Unit Trust of Fiji Ltd	✓	2007	Analysis in progress
Fiji Public Trustee			2006 accounts completed but yet to presented to OAG. may finalize AR by 30/06
Public Rental Board	x	2006	Audit report to be out by June 2008
Housing Authority	x	2006	
Fiji Electricity Authority	x	2006	
Fiji Meats Industry Board*	x	1992	
Fiji Pine Limited	x	2005	2006 and 2007 audits yet to be completed.
Fiji Sugar Corporation	x	2006	
PAFCO	x	2006	
Air Pacific Limited	✓	2007	Analysis in progress
FINTEL	✓	2007	Analysis completed
Rewa Dairy Co-op Limited	x	2004	
Air Fiji Limited	x	2005	
Pacific Forum Line Limited	✓	2007	Analysis in progress
Amalgamated Telecom Holding Limited	✓	2007	
Fiji Television Limited	✓	2007	Analysis completed
Daily Post	x	1999	

The unavailability of annual reports has created the backlog in carrying out the financial analysis of the above entities.

Without a timely and an updated financial analysis, the actual performance of the companies would not be determined for the management team to make appropriate decisions on government's current investments.

### **Recommendation**

**The Ministry should ensure that annual reports are received on a timely basis and appropriate financial analyses are made without delay.**

### **Ministry's Comments**

*Comments not received*

## **3.4 Misplaced Share Certificates**

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

- (a) on deposit with a bank;
- (b) in securities issued by a statutory authority;
- (c) by way of advances authorised by an Act or by resolution of the House of Representatives;
- (d) in any way in which trustees are authorised to invest money under the Trustee Act;
- (e) in any way in which the particular money may be invested under the authority of another Act<sup>10</sup>.

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

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

### **Recommendations**

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

### **Ministry's Comments**

*The comments by OAG is noted but it must be emphasized that issuance of share certificates is the sole responsibility of the firm concerned.*

*PAFCO in their letter of 25<sup>th</sup> July 2006 had confirmed that the \$10m financial assistance by Government was converted into ordinary share capital and the accounting firm of Price Waterhouse Coopers was assigned to register the increase in authorized share capital and the issue of share certificates accordingly. This was done but they are yet to locate the actual share certificate. The letter in question was also shown to the officer conducting the audit.*

*However, MOF is vigorously following up with PAFCO on issuance of new share certificates should they still fail to locate the original ones.*

## **3.5 Debt Converted to Equity**

Loans granted by Government to various entities are converted to equity or grants on the express approval of the Parliament.

Disclosed as a footnote to the Statement of Investments (Appendix 9) made by Government as at 31/12/07 are 4 entities whose initial indebtedness to Government was authorized by Parliament to be converted to equity. Refer Table 3.6 for details.

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<sup>10</sup> Financial Management Act 2004, Section 55(1)

TABLE 3.6: ENTITIES DEBT CONVERTED TO EQUITY

Entity	Year of Conversion	Amount \$
Fiji Electricity Authority	1990	5,500,000
Fiji Pine Limited	1992	49,610,129
Public Rental Board	1999	695,811
Housing Authority of Fiji	2002	41,772,000
Total		97,577,940

It cannot be confirmed as to whether share certificates which were received from Fiji Pine Limited and shareholdings in it are being fully reflected in the Statement of Investments as no response has been received from the Company. Also the Ministry of Finance could not confirm if any share certificate was issued when the debt was converted to equity.

Rewa Rice Limited received an advance of \$4.6 million from Government. Following a Cabinet Decision of 7th September 2004 it was decided to convert the advance into a grant. However, Rewa Rice has proposed that the advance be converted to equity as a grant would require a VAT payment which the company could not afford.

These issue's have been highlighted in previous years audit report but no action has yet been taken by the Ministry.

### **Recommendation**

**The Ministry should determine the status of these debt converted equities or grants in the entities above and take necessary actions to rectify them to ensure that all investments are properly accounted for.**

### **Ministry's Comments**

*Comments not received*

## **3.6 Inoperative Entities**

Reflected in the Statement of Investments (Appendix 9) as at 31/12/07, are some entities that are dormant, in liquidation or have ceased operations. Refer Table 3.7 for details.

TABLE 3.7: INOPERATIVE ENTITIES

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

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

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

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

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

### **Recommendation**

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

### **Ministry's Comments**

*Comments not received*

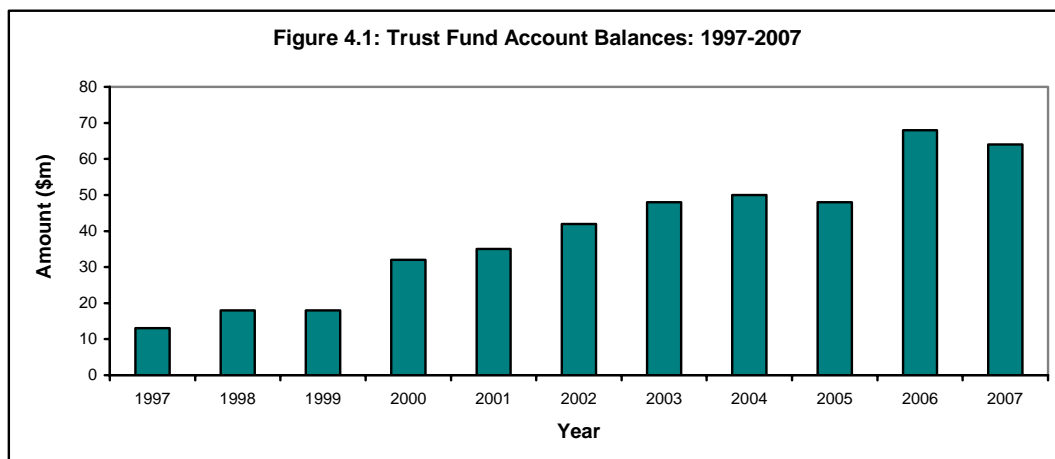
## **4.0 TRUST FUND ACCOUNT**

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

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

The balance in the Trust Fund Account was \$64,442,713 as at 31/12/07, a decrease of \$3,737,089 or 5.5% from 2006. This is mainly due to a significant decrease of 27% in the Operating Trust Fund in 2007 compared to 2006. A graphical analysis of the Trust Fund Account maintained by Ministries and Departments is shown below.

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



The Main Trust Fund Accounts of 18 Ministries/Department comprise 50% or \$32.1 million of the total trust monies of \$64.4 million as at 31/12/07. The balance relate to the Operating Trust Fund Accounts of 50 ministries/departments. Refer to *Appendix 2* for details.

TABLE 4.1: SUMMARY OF TRUST FUND ACCOUNT

Title	Amount \$
Main Trust Fund	32,637,943.89
Operating Trust Fund	34,797,537.00
	67,435,480.89
Overdrawn Account	
Main Trust Fund	(509,261.39)
Operating Trust Fund	(2,483,506.02)
	(2,992,767.41)
<b>Total Trust Fund</b>	<b>64,442,713.48</b>

Although actual monies held in Trust Fund Account as at 31/12/07 was \$67,435,480.89, the Statement of Trust Fund reflects the net balance of \$64,442,713.48, the difference of \$2,992,767.41 being the overdrawn trust accounts. These overdrawn accounts are discussed in paragraph 4.4.

#### 4.1 No Movement in Trust Fund

The Accounts Officer shall properly file correspondences, reports, trust agreements and other relevant trust documents and each trust account shall have its own file.<sup>11</sup>

There was no movement in the true trust fund accounts held by the following departments for the past three years. Main or True Trust refers to an obligation enforceable in equity which rests on a person (the trustee) as owner of some specific property (the trust property) to deal with that property for the benefit of another person (the beneficiary) or for the advancement of certain purposes.<sup>12</sup> Operating Trust Fund Accounts facilitate transactions relating to the Department's administrative role as an employer.

<sup>11</sup> Section 15.3.1 - Finance Manual 2005.

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

TABLE 4.2: TRUE TRUST ACCOUNTS WITH NO MOVEMENTS

Ministry/Department	Opening Balance 01/01/07 \$	Receipts 2007 \$	Payments 2007 \$	Ending Balance 31/12/07 \$
Ministry of Local Government	36,920.70	---	---	36,920.70
Attorney - General	(412.16)	---	---	(412.16)
Ministry of Commerce	(24,374.28)	---	---	(24,374.28)

The above outstanding balances had been in the Main Trust Fund account of the respective Departments from 2005 during the implementation of the FMIS General Ledger.

The Departments could not provide details of the amounts in the trust funds.

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

### **Recommendation**

**The Ministries/Departments mentioned should close these accounts and transfer the money to Consolidated Revenue Account.**

### **Ministry's Comments**

*The Ministry agrees with the recommendation that the ministries/departments mentioned who have not had any transaction in their trust accounts as mentioned should have these balances transferred to revenue. However, this would have to be done after the agency has verified its records. Similar to 4.0 above, it has to be first established whether balances need to be net off in the case of misposting of same charges.*

## **4.2 Opening of a Separate Trust Fund Bank Accounts**

Trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account pending its withdrawal.<sup>13</sup>

The total trust fund of \$64.4 million is not kept in a separate bank account and is still kept in the Consolidated Fund Account of government together with other funds.

The Ministry of Finance is currently in the initial process of opening 11 different bank accounts for the following trust accounts:

TABLE 4.3: OPENING OF BANK ACCOUNTS FOR TRUE TRUST

Agency	Title of Account	2007 Balance \$	Comments
Immigration	Immigration Department Trust Account	9,404,238.96	• Bank Account Opened (Account # 9801907123)
Provincial Development	Ministry of Provincial Development	2,027,318.77	• Processing opening of bank account
Energy	Department of Energy	1,239,201.72	• Processing opening of bank account

<sup>13</sup> Section 25, Financial Management Act (2004)

Agency	Title of Account	2007 Balance \$	Comments
Fisheries & Forestry	Ministry of Fisheries and Forests	27,731.16	• Bank Account Opened (Account # 9801916447)
DPP	DPP Trust Account	1,041.39	• Processing opening of bank account
Prisons	Prisons Department	0.00	• Bank Account Opened (Account # 9801916413)
Judicial	Judicial Department	6,956,748.73	• Processing opening of bank account
Labour	Ministry Labour Trust Account	397,261.55	• Bank Account Opened (Account # 9801916389)
Mineral Resources	Mineral Resources Trust Account	719,090.23	• Processing opening of bank account
Agriculture	Ministry of Agriculture Trust Account	499,790.46	• Processing opening of bank account
Commerce	Ministry of Commerce Trust Account	(24,374.28)	• Processing opening of bank account

No funds have been transferred from the Consolidated Fund to the bank accounts for the True Trust. As at 31/12/07, the total true trust amounts to \$32.6 million against the net cash balance of \$42.3 million.

### **Recommendation**

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

### **Ministry's Comment**

*A number of separate bank accounts have been opened so that trust monies could be deposited into them as required under the Financial Management Act (2004) and also in line with Auditor Generals recommendation in past years audits.*

*In its attempt to have this matter addressed, the Ministry has been putting aside funds at the Bank of Baroda (BOB) to fund the deposits. The balance at BOB is sufficient to accommodate all main trust deposits, which we anticipate to lodge by the end of this year.*

*Operating trust monies will continue to be paid from the Consolidated Fund Account.*

## **4.3 FMIS Trust Fund System Record**

Each month, the trust account shall be balanced and reconciled with the trust bank account. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items should be investigated and resolved promptly.<sup>14</sup>

Details of balances must be attached to the reconciliation statement.<sup>15</sup>

The Trust Fund Account is classified in the FMIS as Standard Liability Groups (SLG) 86 and 89. SLG 86 refers to salary deductions, deposits and retention monies whilst SLG 89 generally provides details of the Bonds, Aid Monies from Overseas donors, etc.

A scrutiny of Fund 1 SLG 89 system balances noted that most Ministries and Departments could not substantiate the balances in SLG 89 of their Operating Trust Fund account. Most of these items are referred to as 'Miscellaneous Open Item' in the system, with no details provided. Refer to Table 4.4 for details.

<sup>14</sup> Finance Instruction 2005 - Section 69 (3)

<sup>15</sup> Proforma Finance Manual

TABLE 4.4: UNSUBSTANTIATED FIGURES IN OPERATING TRUST FUND

Department	Account	Amount in GL Balance Not Substantiated \$	FMIS GL Balance \$	% of Unsubstantiated Amount
Home Affairs	10610106101899988	59,761.87	89,823.78	66.53%
Prisons	11520171999899988	147,290.82	418,563.73	35.18%
Information	11610116999899988	4,725.13	(5,752.40)	82.14%
Foreign Affairs	10810108101890111	(462.22)	2,587,603.39	0.01%
	10810108101899988	(35,046.26)	2,587,603.39	1.35%
	10810380101899988	(5,338.23)	2,587,603.39	0.20%
	10810380701899988	(12,082.02)	2,587,603.39	0.46%
Judicial	11110111999899999	(165.00)	(1,036,390.95)	0.02%
Ministry of Commerce	13410134101899988	(6,143.35)	23,915.03	25.68%

The Departments could not verify with their records the amounts in the FMIS general ledger. These balances have been appearing in their accounts for some time.

Only the unsubstantiated balance of \$147,290.82 representing 35% of the Department of Prison's Operating Trust Fund has been transferred to the Consolidated Revenue in 2008.

The above is the result of the Department's not preparing their reconciliations to reconcile their balances to the General Ledger.

### **Recommendation**

**The Ministries/Departments mentioned should prepare their reconciliations and take effective actions as required by Finance Instruction 69. Unreconciled items should be investigated and resolved promptly.**

### **Ministry's Comment**

*We fully agree with the recommendation that it is the departments function to prepare monthly reconciliations. We have been sending reminders and these issues have also been raised at every monthly accounting heads meeting.*

## **4.4 Non Submission of Reconciliations**

Section 15.4 of the Finance Manual states that within 5 days after the end of each month, the Accounting Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total, and must submit the trust reconciliation to the Chief Accountant (Treasury) within 10 days of the end of the month.<sup>16</sup>

Contrary to the above regulation, some Ministries/Departments failed to submit their 2007 Trust Fund reconciliations to the Ministry while others who submitted did not prepare reconciliations for all their trust accounts.

Despite the Ministry sending numerous requests to the Ministries/Departments, the reconciliations had still not been submitted. Refer to **Appendix 3** for the update on the reconciliation status of the Ministries/Departments.

<sup>16</sup> Finance Manual 2005 – Section 15.4

It is noted from the Appendix 4.2 that 95% of the Ministry/Department having true trust fund account, did not submit their reconciliations as required.

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

### **Recommendations**

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

### **Ministry's Comments**

*The Ministry has been consistently following up with the agencies for the submission of reconciliations. As mentioned at 4.3 above, accounting heads present at the monthly meetings are again reminded about the importance of preparing their reconciliations. Sad to say, it is not only trust accounts that lag behind in submission of reconciliations. On the recommendation of discipline action against the accounting head, the Permanent Secretary should initiate the charges by referring the matter to the Public Service Commission. The MOF role would be to substantiate the status of the reconciliations.*

## **4.5 Overdrawn Trust Accounts**

Trust money is to be accounted for separately from public money and other money,<sup>17</sup> and by convention should always have credit balances. Thus, the trust fund accounts should not at any time be overdrawn.<sup>18</sup>

The following Trust Fund Accounts were overdrawn as at 31 December 2007.

TABLE 4.5: OVERDRAWN TRUST FUND

Title of Account	Balance 31/12/07 \$
<b>Main Trust Fund</b>	
Attorney-General	(412.16)
Ministry of Commerce	(24,374.28)
Department of Works	(484,474.95)
<b>Operating Trust Fund</b>	
Agriculture	(512,485.18)
Cabinet	(40,138.46)
Elections Office	(507,283.93)
Forestry	(51,385.13)
Government Printing & Stationery	(20,468.52)
Information	(5,752.40)
Judicial	(1,036,390.95)
Labour & Industrial Relations	(46,668.73)
Meteorological Services	(46,447.90)
Ministry of Finance	(93,361.32)

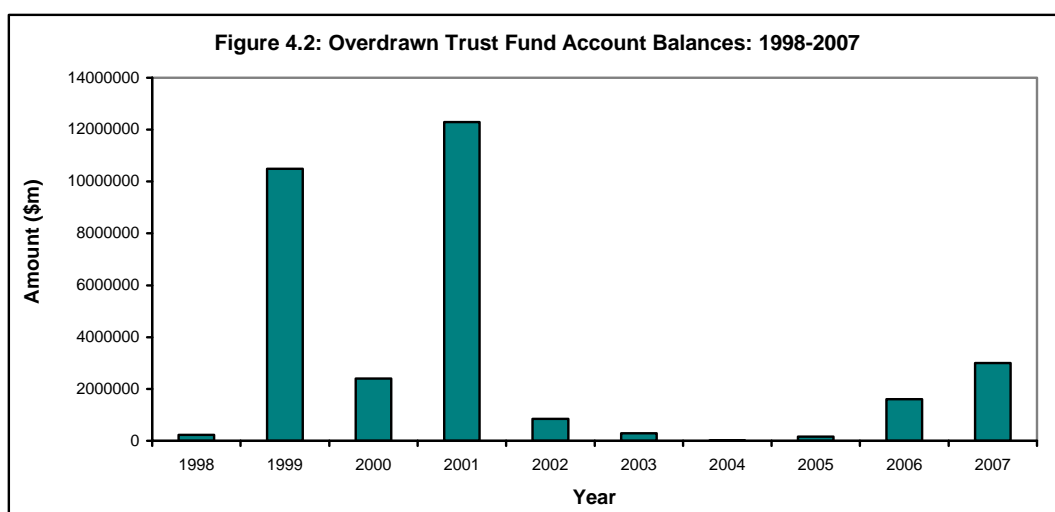
<sup>17</sup> Section 25(1) of the Financial Management Act

<sup>18</sup> Finance Circular No. 4/98 of 30/03/98

Title of Account	Balance 31/12/07 \$
Multi-Ethnic affairs	(2,218.22)
Presidents Office	(1,142.83)
Public Enterprise	(85,731.62)
Social Welfare	(23,155.35)
Womens Affairs	(10,875.48)
<b>Total</b>	<b>(2,992,767.41)</b>

It was noted that 18 Ministries/Departments had overdrawn the trust fund accounts totalling \$2,992,767 as at 31/12/07 contrary to Finance Circular 4/98. Ministries/Departments could not explain why these accounts were overdrawn.

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



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

### **Recommendation**

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

### **Ministry's Comments**

*The overdrawn balances may have been the result of misposting by departments. However, it is only until the departments reconcile the accounts that we would be able to ascertain the exact status of the account. Also, the debit balances were also the result of the mapping exercise during the migration to the new chart of accounts. Officers who have failed to prepare reconciliations should be disciplined as recommended for their failure to comply with regulations. Their failure in adjusting the overdrawn charges has reflected in an untrue status of the trust account.*

## 5.0 REVENUE

### 5.1 Tax Revenue

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

The tax revenue ledgers maintained by the Ministry of Finance for 2007 does not reconcile with the amounts in FIRCA’s audited financial statements.

Table 5.1 shows the details of the differences between the two records

TABLE 5.1: FIRCA VS. MINISTRY OF FINANCE RECORDS

Tax Revenue	Ministry of Finance \$	FIRCA \$	Variance \$
Customs	326,193,974	315,136,267	11,057,707
Income Tax	438,337,401	455,145,861	(16,808,460)
VAT	465,831,990	464,170,288	1,661,702
Total	1,230,363,365	1,234,452,416	(4,089,051)

The following are the reasons for the variances:

- timing difference in lodgements
- effects of refunds, that is, FIRCA records refunds at the time the cheque is released while the Ministry records refunds when the cheque is presented; and
- the effect of dishonoured cheques which is reflected in the Ministry’s books and then later in FIRCA’s books.

Since the revenue collections disclosed by FIRCA in its financial statements were obtained from records that were maintained on a cash basis of accounting, any variances arising should have been verifiable. However, no such verification or reconciliation has taken place and despite it being highlighted in the previous audit memorandum, the Ministry is yet to reconcile its books with FIRCA’s.

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

#### **Recommendation**

**The Ministry of Finance should obtain monthly revenue reports from FIRCA and reconcile these with entries by Ministries and Departments.**

#### **Ministry’s Comments**

*Firstly, the above table needs to be corrected. It should have been demarcated by following items with correct amounts:*

## 5.2 Budget Forecasts

On or before 30<sup>th</sup> November in each financial year, the Minister must table in the House of Representatives and the Senate budget papers for an annual budget for the next financial year.<sup>19</sup>

Section 13(3) of the Financial Management Act states that the Budget Estimates and budget statements should be prepared as far as practicable in accordance with internationally accepted standards.

The actual revenue collected for the period 2007 has surpassed the estimated revenue to be collected. Also there were significant variances between the budgeted and actual revenue collected. Refer to *Appendix 4* for details.

The above is an indication of poor and unrealistic budgeted revenue forecasts, which could impact the budgetary allocation of funds to government programmes.

### **Recommendation**

**The budgetary forecast needs to be reviewed as it has not been adequate for the past two years.**

### **Ministry's Comments**

*Agency officials are in a better position than the Ministry of Finance to determine their own revenue forecasts as they are well versed with the various variables and factors affecting their revenue items. Given the limited information, the Ministry of Finance has continued to adopt a conservative approach by ensuring that forecasts provided by agencies are consistent with past trends. It is also suggested that perhaps more training should be conducted within Ministries and Departments to ensure that officials responsible for forecasting their non-tax revenues are capable of providing reliable and accurate estimates on collections for the following year.*

## 5.3 Unbudgeted Revenue

Within one week of the end of each month, the Chief Accountant shall submit to the Deputy CEO (Administration), Financial Asset Management and Budget a financial performance report providing an analysis of the financial and budget position of the agency.<sup>20</sup>

The financial performance report shall include the following information:

- (i) actual revenue collected against forecast;
- (ii) actual expenditure to date against budget for each activity/output and each SEG;
- (iii) actual expenditure to date and commitments against budget for each output/activity and each SEG.<sup>21</sup>

The following is an example of how revenue performance may be reported in the financial performance report.<sup>22</sup>

<sup>19</sup> Financial Management Act 2004, Part 4, 13(1)

<sup>20</sup> Finance Manual 2005 – Section 17.1.5

<sup>21</sup> Finance Manual 2005 – Section 17.1.6

<sup>22</sup> Finance Manual 2005, Schedule 1

**Revenue Performance for the Month of**

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

Government collected 15 classes of revenues totalling \$26,436,160 that were not budgeted in 2007. These are detailed in Table 5.2 below:

TABLE 5.2: COLLECTIONS OF UNBUDGETED REVENUES

Revenue	Estimated Revenue \$	Actual Revenue \$
Examination fees	Nil	26,158
LTA Fee	Nil	2,890,349
Sale of Government Department	Nil	5,329
Sales of Companies	Nil	609
Fumigation	Nil	7,290
NBF Profits	Nil	2,000,000
Board Member fees	Nil	29,759
Training & Productivity Authority of Fiji	Nil	9,467
Capital Projects – 1/3 Contributions	Nil	30,727
Japan Government Grants	Nil	24,960
Term Loans Receivable - Interest	Nil	38,276
Interest from Overseas Banks	Nil	6,773,681
Interest from Local Banks	Nil	10,760,575
Interest from T/D with Local Banks	Nil	2,208,900
Return of Surplus Capital from TMA Operations	Nil	1,630,080
<b>Total</b>		<b>26,436,160</b>

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

Also no revenue was collected for three revenue allocations forecasted to collect \$274,486,800 in 2007, as illustrated in Table 5.3 below:

TABLE 5.3: NIL COLLECTIONS ON BUDGETED REVENUES

Revenue	Estimated Revenue \$	Actual Revenue \$
European Union	9,000,000	Nil
Disposal of Investment in Infrastructure Services	6,000,000	Nil
International Bond Market Issuance	259,486,800	Nil
<b>Total</b>	<b>274,486,800</b>	

The effect of the *nil collections where there were budgets and collections on un-budgeted revenue* is that government had to increase its borrowings by a sum of \$248.1 million.

**Recommendation**

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

**Ministry's Comments**

*Comments similar to 5.2 above. Unreliable revenue predictions identified in 5.4 (collection of unbudgeted revenues & nil collections in budgeted revenues) is mainly attributed to the failure of line Ministries and Departments to provide accurate estimates on proceeds earned from their respective revenue generating activities.*

**5.4 Unidentified Revenue Transactions**

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

The advice form will outline:

- (i) receipt numbers, date of receipt and amounts collected;
- (ii) type of revenue that was collected.<sup>23</sup>

The advice form together with the journal vouchers should be verified and signed by the Accounts Officer (AO) Main Accounts. Immediately after signing the advice form, the AO Main Accounts must forward it to the agency concerned.<sup>24</sup>

Audit found non-compliance with the Finance Manual. Ministries/Departments were posting revenue collections that are not in conformance with their operations. For example, the Income Tax allocation was found to be used by other Ministry's/Departments other than FIRCA, as follows:

TABLE 5.4: MIN/DEPT POSTING TO INCOME TAX ALLOCATION

Ministry/Department	Account Name	Amount \$
Health	Income tax	347,269.02
Women	Income tax	(46.54)
Energy	Income tax	3,108.54
Commerce	Income tax	(7,519.08)
Energy	Income tax	(2,481.09)
Agriculture	Grants in Aid	(7268.02)

There is no restriction in the Financial Management Information System (FMIS) to capture only revenues for the particular Ministry/Department user. This has resulted in unidentified revenue entries in the ledgers.

**Recommendations**

- **Ministry's/Departments should strictly comply with the Finance Manual when collecting revenues for other departments.**

<sup>23</sup> Finance Manual 2005 – Section 5.5.8

<sup>24</sup> Finance Manual 2005 – Section 5.5.9

- **The Financial Management Information System (FMIS) should have facilities to restrict revenue collections to those authorized to collect.**

### **Ministry's Comments**

*All Ministries and Departments were issued with Chart of Account for revenue by Main Accounts section of Ministry of Finance. Chart of Account were also distributed in Accounting Heads meeting. The chart of Account is also provided on the FMIS- System; hence the Ministries and Departments should be able to use the correct allocations for postings. Some ministries did not understand the new chart of accounts structure thus causing them to post to other accounts without recognizing them.*

## **5.5 Payments Charged to VAT Revenue**

Section 177 of the Constitution states that money must not be withdrawn from the Consolidated Fund except under an appropriation made by law.<sup>25</sup> Each accounting Head shall ensure that:

- revenue is recorded against the correct account;
- the recording of revenue is reconciled monthly with the Ministry of Finance;
- the Ministry of Finance is advised of any error or discrepancies within 10 working days after the end of each month; and,
- VAT is correctly accounted for and remitted as required.<sup>26</sup>

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

Audit noted that the Judicial Department when making VAT payments to FIRCA, were debiting the VAT revenue allocation. As a result, VAT revenue for the department is understated by \$158,453.85. Refer to Table 5.5 for details.

TABLE 5.5: VAT PAYMENTS TO FIRCA

Date	Voucher Number	Transaction Month	Amount \$
08/01/07	014711	December 2006	11,019.54
12/02/07	016123	January	15,288.79
07/03/07	016963	February	9,941.58
13/04/07	018451	March	15,245.39
15/05/07	019724	April	10,991.53
11/06/07	070829	May	13,380.69
05/07/07	022131	June	13,225.22
15/08/07	023660	July	14,331.55
10/09/07	024643	August	13,026.54
09/10/07	031760	September	16,412.67
14/11/07	033442	October	11,546.02
11/12/07	034612	November	14,044.33
<b>Total</b>			<b>158,453.85</b>

The above indicates the laxity of the Accounting Heads in not carefully scrutinizing the reconciliation, resulting in the anomaly.

<sup>25</sup> Financial Management Act 2004 Clause 11 (1)

<sup>26</sup> Finance Instructions 2005 Section 30 (1) (a), (b) (c) & (d)

## **Recommendation**

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

## **Ministry's Comments**

*Comments not received*

## **5.6 Arrears of Revenue**

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

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

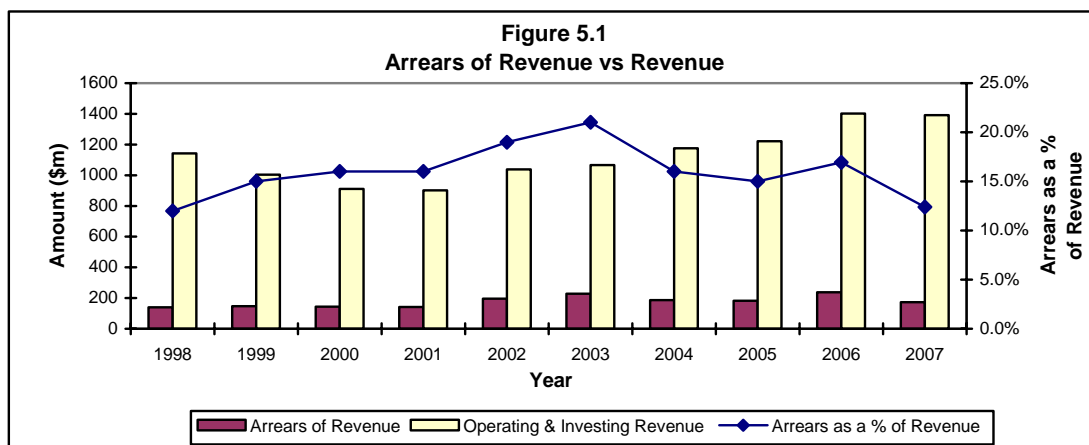
Arrears of revenue for the government comprise of unpaid taxes by individuals and businesses, as well as revenue owed to Ministries and Departments in the form of fees, fines, licences and charges.

### **5.6.1 Fluctuating Trend of Arrears for the last 10 Years**

The arrears of revenue in 2007 totalled \$172.4 million, a decrease of \$64.9 million or 27.3% over 2006 arrears of \$237.2 million.

The arrears of revenue as a percentage of total operating and investing revenue remained above 12% for the last 10 years, averaging at 16%. This is attributed to the weak revenue collection procedures employed by Ministries and Departments.

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



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

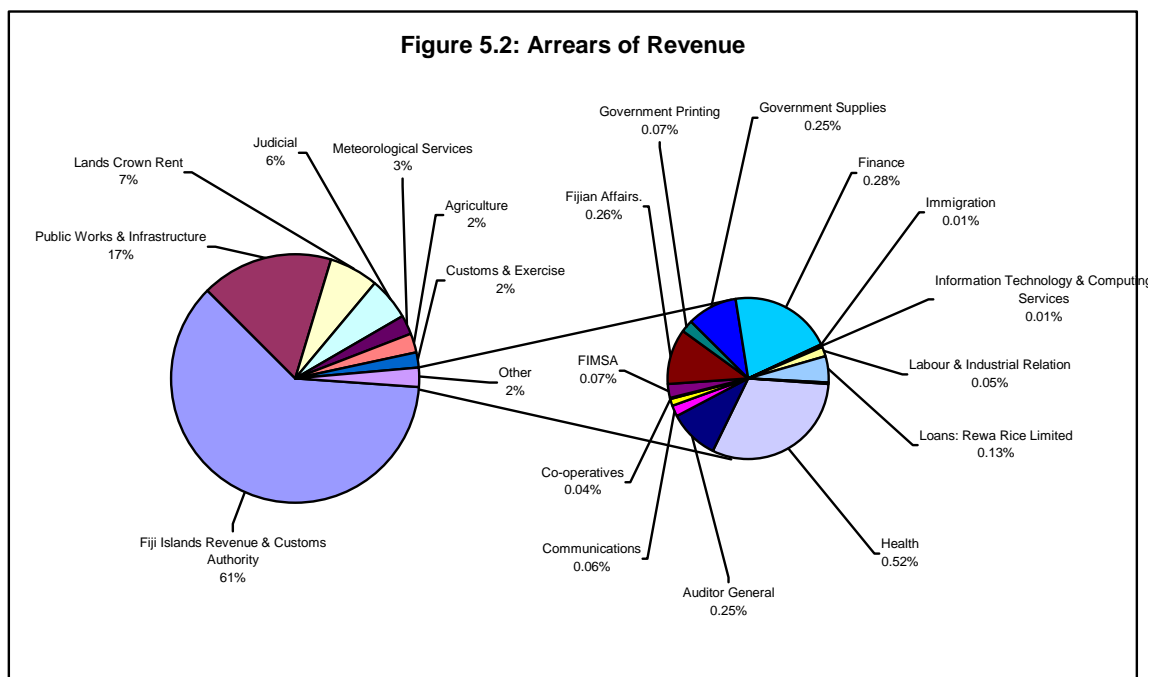
### 5.6.2 Significant Balances of Arrears of Revenue by Departments

The arrears of revenue outstanding as at 31 December 2007 totalled \$172,377,495.

Table 5.6 and Figure 5.2 show debts owed to Ministries and Departments.

TABLE 5.6: ARREARS OF REVENUE

Ministry/Department	2007 Arrears of Revenue \$	% of Total Arrears of Revenue %
Fiji Islands Revenue & Customs Authority	105,407,504	61.1%
Public Works and Infrastructure	29,636,128	17.2%
Lands Crown Rent	11,164,679	6.5%
Judicial	9,487,238	5.5%
Meteorological Services	4,297,547	2.5%
Agriculture	4,060,579	2.3%
Customs and Exercise	3,599,648	2.1%
MFO Sinai	1,325,031	0.8%
Others	3,399,141	2.0%
<b>Total</b>	<b>172,377,495</b>	<b>100.0%</b>



A sum of \$105.4 million or 61% of total debt comprising income tax, VAT and customs duties was owed to the Fiji Islands Revenue and Customs Authority. The other significant debt was water and sewerage arrears totalling \$29.6 million or 17.2% of total debt owed to the Ministry of Public Works and Infrastructure.

### 5.6.3 Increases in Arrears of Revenue by Departments

Significant increases in the arrears of revenue for Government were noted in some Ministries and Departments as shown in Table 5.7.

TABLE 5.7: SIGNIFICANT INCREASES IN ARREARS OF REVENUE

Ministry/Department	2006 \$	2007 \$	Increase	
			\$	%
Office of the Auditor General	361,710	424,929	63,219	17.5
Co-operatives	59,647	62,304	2,657	4.5
Customs and Exercise	3,351,704	3,599,648	247,944	7.4
Fiji Islands Maritime Safety Administration	50,341	118,531	68,190	135.5
Fijian Affairs, Heritage & Culture and Regional Dev.	283,084	455,065	171,981	60.8
Finance	382,947	474,063	91,116	23.8
Government Supplies	161,784	423,605	261,821	161.8
Health	651,576	874,258	222,682	34.2
Judicial	9,093,128	9,487,238	394,110	4.3
Labour and Industrial Relation	39,365	91,185	51,820	131.6
Lands Crown Rent	9,065,024	11,164,679	2,099,655	23.2
Public Works	27,844,032	29,636,128	1,792,096	6.4

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

- Office of the Auditor General – The outstanding audit fees relate to 2007 and previous years. These are dues from government commercial companies, commercial statutory authorities, statutory bodies, municipal and provincial councils.
- Co-operatives – 99% of arrears in the Department of Co-operatives relate to debts of cooperatives that are over 5 years old and have been liquidated.
- FIMSA - Due to irregularities in updating the Light Dues registers, some paid light dues are appearing as arrears. A follow up with the owing agencies result in conflicts since paid receipt copies have already been sent to the department.
- Fiji Islands Revenue & Customs Authority – A significant amount of the arrears were cleared during the tax amnesty period. However, some arrears remained outstanding because of objections and some have been referred to the courts, which normally takes time.
- Health – The increase in arrears of revenue is attributed to the Fiji School of Nursing (FSN), Bulk Purchase Scheme and Ba Mission Hospital. FSN arrears are mainly school fees paid from the Fiji National Provident Fund (FNPF) but not yet cleared by the management due to delay in update from the Ministry of Health Headquarters. Bulk Purchase Scheme arrears are due to the long outstanding arrears of its debtors which includes governments in the South Pacific, private

pharmacies, Suva Private Hospital, etc.; and Ba Mission Hospital arrears are amount owed by the Methodist Church of Fiji for its contribution to the operational costs of the Hospital.

- Supplies – The arrears relate to credit sales made to firms, private bookshops, training institutions, schools and Supplies Co-operatives.
- Judicial – The arrears of revenue increased due to outstanding court fees and fines which were not paid to the Department within the period specified by the courts. The reasons for the non-collection of debt are as follows:
  - resource constraints limiting the Police department to enforce warrants resulting in substantial increase in arrears for the department;
  - inadequate resources/funds to assign officers/vehicles for debt collection.
- Labour & Industrial Relation– increase in arrears is due to departments failing to pay OHS service fees.
- Lands Crown Rent – arrears increased due to:
  - inadequate follow up by the Dept;
  - increase in the number of incoming tenants and delaying settlements of lease arrangements;
  - interests & penalties charged on overdue accounts;
  - appreciation of land value on re-assessment.
- Public Works – outstanding arrears include water and sewerage rates.
- MFO - relate to reimbursement for expenses of troops serving in Sinai.
- Fijian Affairs - outstanding arrears includes registration fees VKB (Vola-ni-Kawa Bula), liquor license and business (trading) license.

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

### **Recommendations**

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

### **Ministry's Comments**

*The Ministries of Finance fully agrees with the recommendation and Ministries and Departments have been discouraged to provide goods on credit. With continuous monitoring by MOF many have strengthened their recovery policies that have resulted in a significant decline of \$64.9m or 27.3% in arrears in 2007.*

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

The Fiji Islands Revenue Customs Authority (FIRCA) collects tax revenue for the Government. The tax revenue excluding customs duties, due to be collected by the Authority comprised of \$105.4 million or 61% of the total arrears of revenue owed to Government as at 31/12/07. This represents a decrease of \$65,033,083 or 38.2% over the 2006 arrears.

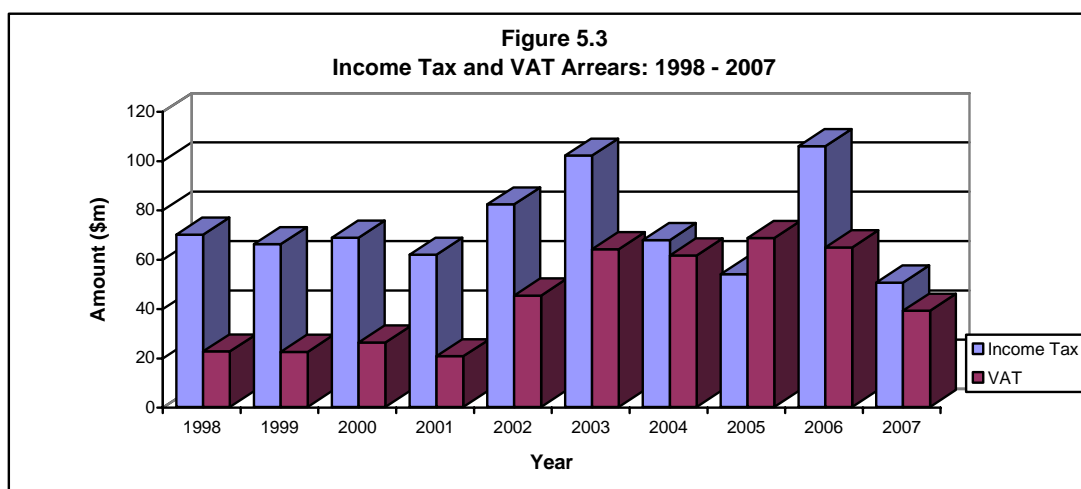
### **Accounting for Arrears of Income Tax and VAT**

Arrears of income tax and VAT are brought into account after assessments have been carried out by the Fiji Islands Revenue and Customs Authority on the amount of taxes due and payable to government.

However, the assessments are subject to objections from taxpayers and may lead to reviews or reassessments thus altering the tax payable amounts. The audit of FIRCA therefore cannot effectively confirm whether the arrears in question are correct.

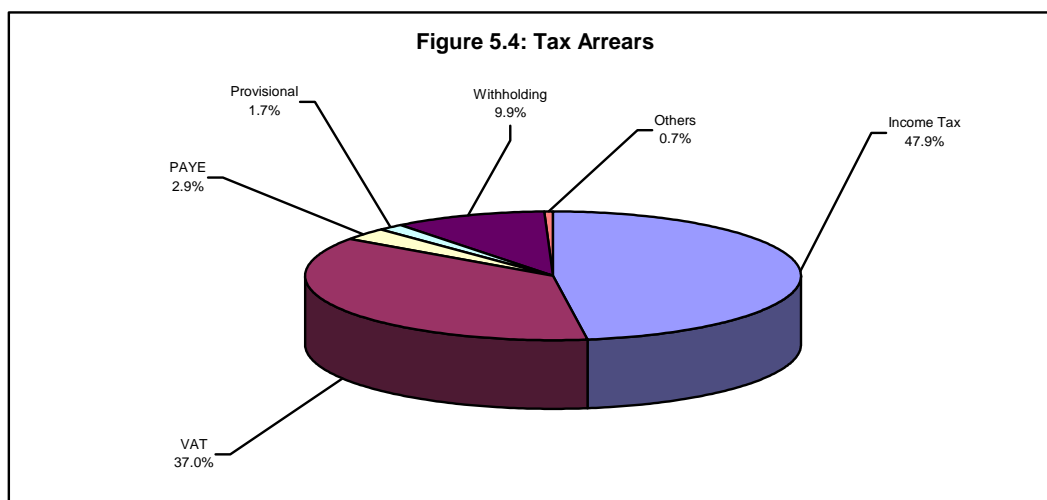
### **Trend of Income Tax and VAT Arrears for the last 10 years**

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



### **Composition of Tax Arrears**

Income tax and VAT arrears each constitute 48% and 37% respectively of the total tax arrears. PAYE constitutes 3% while Withholding, Land Sales and Resident Interest Withholding taxes make up the remaining 12%.



Income tax arrears are owed by individuals on personal income and businesses on their profits. VAT arrears are mainly owed by business entities and VAT registered organisations, including Government Ministries and Departments. Of the total VAT arrears, only 0.2% or \$86,119 of VAT arrears is owed by Government Ministries/Departments as most of the debts were cleared during the tax amnesty period, from 15/10/07 to 31/12/07.

The arrears include Late Lodgement Penalties (LLP) and Late Payment Penalties (LPP). For effective disclosure, penalties and tax arrears should be reflected separately.

### **Recommendations**

- **A review on the effectiveness and relevance of FIRCA's debt policies and recovery measures is essential to managing the substantial arrears of income tax and VAT.**
- **The Authority should design policies and procedures so that all amounts due and payable to the government are correctly identified and recorded.**
- **Administrative fines, late lodgement and late payment penalties should be disclosed separately to avoid inflating the true tax arrears owed to the State.**

### **Ministry's Comments**

*The Ministries of Finance fully agrees with the recommendation and FIRCA would be consulted on the need to disclose Fees and penalties separately from taxes.*

### **5.6.5 Recovery of Debt Over 1 Year Old**

The longer the arrears of revenue owed to government, the more costly and difficult it becomes for Government to recover them. Debts aged over one year totalled \$144 million or 84% of Government's total arrears as at 31/12/07.

Table 5.8 shows debts that have been outstanding for more than one year as at 31 December 2007.

TABLE 5.8: ARREARS OF REVENUE OVER 5 YEARS

Ministry/Department	Total Arrears \$	Arrears 1 Year & over \$	Arrears 2 - 5 Years \$	Arrears Over 5 Years \$	% of Dept Arrears (5 years & over)
Agriculture	4,060,579	31,934	174,444	3,815,781	94
Auditor-General	424,929	60,450	73,870	96,109	23
Communications	97,918	3,136	---	---	---
Customs and Excise	3,599,648	43,436	2,995,249	---	---
Co-operatives	62,304	---	463	61,841	99
Fiji Islands Maritime Safety Administration	118,531	26,505	13,542	1,105	19
Fiji Islands Revenue & Customs Authority	105,407,504	42,021,310	23,152,246	23,049,096	22
Fijian Affairs, Culture & Heritage and Regional Development	455,065	164,126	200,649	82,797	18
Finance	474,063	81,326	231,540	---	---
Government Printing and Stationery Dept.	116,519	37,751	0	---	---
Government Supplies Department	423,605	121,826	11,533	402	0.1
Health	874,258	94,002	75,007	529,079	61
Immigration	12,376	2,015	2,359	8,003	65

Ministry/Department	Total Arrears \$	Arrears 1 Year & over \$	Arrears 2 - 5 Years \$	Arrears Over 5 Years \$	% of Dept Arrears (5 years & over)
Judicial	9,487,238	775,639	4,006,932	4,562,309	48
Labor and Industrial Relation	91,185	---	19,950	6,213	7
Lands and Survey Department	11,164,679	2,274,242	3,892,242	1,052,326	9
Loans: Rewa Rice Ltd	225,382	---	---	225,382	100
Meteorological Services	4,297,547	340,437	2,418,017	1,434,502	33
Police	8,131	1,274	3,258	3,565	44
Public Works and Infrastructure	29,636,128	2,915,999	4,908,285	17,917,073	60

The following were noted.

- 100% of the arrears of revenue for the Rewa Rice Ltd are over 5 years old with Government making no effort to recover this loan. The Ministry of Finance failed to charge interest on the outstanding amount and the arrears has therefore remained the same.
- 99% of the arrears of Revenue for the Co-operatives were over 5 years old. The Ministry of Finance is yet to make an assessment on a submission made by the Department to write – off arrears over 5 years.
- 94% of the arrears of revenue for the Ministry of Agriculture were over 5 years old. For some arrears, submission has been made to the Ministry of Finance for the write-off whilst for the others, the solicitors advice is being sought for recovery by legal action.
- 33% of arrears of revenue for the Department of Meteorology are over 5 years due to non-compliance of the Cabinet decision by AFL to reimburse the Department of Meteorology for meteorological services.

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

### **Recommendations**

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

### **Ministry's Comments**

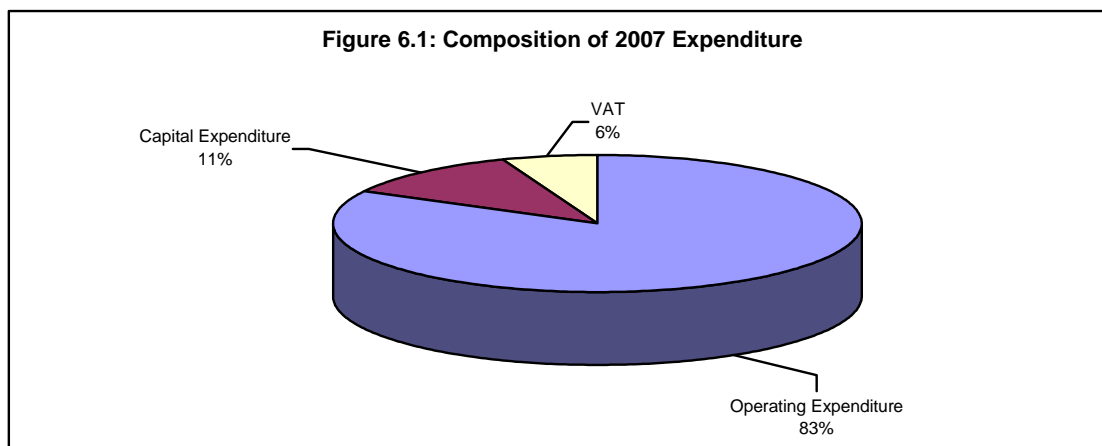
*Consultations were done in the first quarter of 2008 and as a result Ministries and Department are progressing towards identifying debts which are irrecoverable and which may be considered for write off.*

## 6.0 EXPENDITURE

### 6.1 Composition of Total Expenditure in 2006

The expenditure mix for 2007 was targeted at 16% and 84% for capital and operating expenditures respectively.<sup>27</sup>

Total operating expenditures amounted to \$1,429,483,249.90 or 83%, capital expenditures totalled \$193,683,674.43 or 11% and VAT totalled \$ 103,023,281.20 or 6%.



When compared to 2006, total operating expenditure increased by \$6.3 million or 0.4% in 2007 whilst capital expenditure decreased by \$18.9 million or 8.9 %. Also in 2007, total VAT expenditure decreased by \$10.7 million or 9.4% from \$113.7 million to \$103.0 million.

Total expenditures for 2007 amounting to \$1,726.2 million had decreased by \$23.3 million or 1.3% from 2006, and incurred an overall savings of \$115 million compared to over-expenditures of \$9.9 million in 2006.

TABLE 6.1: BUDGET AND EXPENDITURES AT SEG LEVEL FOR 2005-2007

SEG	2007			2006			2005		
	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m
1	510.25	522.91	12.7	531.2	564.5	33.3	467.9	467.4	(0.4)
2	61.21	61.74	0.5	58.6	67.0	8.5	57.6	57.8	0.2
3	18.97	19.05	0.1	21.5	21.0	(0.6)	20.9	20.7	(0.3)
4	88.86	90.09	1.2	88.1	94.6	6.4	76.4	77.6	1.3
5	52.78	74.51	21.7	55.8	61.3	5.6	53.5	52.9	(0.6)
6	181.87	176.98	(4.9)	189.5	184.3	(5.2)	187.9	182.2	(5.8)
7	50.82	43.04	(7.8)	65.5	59.7	(5.8)	53.8	49.5	(4.3)
8	139.33	95.16	(44.2)	141.0	128.9	(12.1)	123.8	120.9	(2.9)
9	17.05	11.99	(5.1)	24.0	15.9	(8.1)	28.5	24.1	(4.4)
10	117.51	86.54	(31.0)	71.8	67.9	(3.9)	79.1	68.5	(10.6)
11	38.63	35.57	(3.0)	37.6	36.5	(1.1)	37.6	37.2	(0.4)
12	447.22	405.59	(41.6)	332.9	334.3	1.4	338.1	328.5	(9.5)

<sup>27</sup> Budget Speech and Budget Supplement 2007 as approved by Parliament

SEG	2007			2006			2005		
	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m
13	116.70	103.02	(13.7)	122.1	113.7	(8.4)	110.8	100.8	9.9
Total	1,841.20	1,726.19	(115.0)	1,739.6	1,749.5	9.9	1,635.9	1,588.2	(47.7)

The savings arose from savings in operating grants & transfers by \$4.9m or 3%, special expenditures by \$7.8m (15%), capital construction by \$44.2m (32%), capital purchase by \$5.1m (30%), capital grants & transfers by \$31m (26%), pensions & gratuities by \$3m (8%), financing of public debt by \$41.6m (9%) and VAT by \$13.7m (12%).

A summary of operating and capital expenditures is shown below.

TABLE 6.2: SUMMARY OF OPERATING AND CAPITAL EXPENDITURES FOR 2005-2007

	2007			2006			2005		
	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m
Operating	1,554.5	1,524.4	(30.1)	1,488.0	1,524.9	36.9	1,391.0	1,362.9	(28.1)
Capital	286.7	201.8	(84.9)	251.6	224.6	(27.0)	244.9	225.3	(19.6)
Total	1,841.2	1,726.2	(115.0)	1,739.6	1,749.5	9.9	1,635.9	1,588.2	(47.7)

## 6.2 Over-Expenditures

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

The Departments that overspent their revised budgets as at 31/12/07 and had not obtained prior approval of the Ministry of Finance are listed in Table 6.3:

TABLE 6.3: EXCESS EXPENDITURE

Ministry/Department	Original Budget \$	Virement \$	Revised Budget \$	Actual Expenditure \$	Over Expenditure \$	% Over-Expenditure
Legislature	1,485,100	---	1,485,100	1,761,386	276,286	18.6
Fiji Police Force	69,945,300	---	69,945,300	73,589,795	3,644,495	5.2
Fiji Military Forces	80,739,600	---	80,739,600	126,285,114	45,545,514	56.4
Prisons	13,544,100	---	13,544,300	13,589,442	45,142	0.3

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

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

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

***Legislature***

The over-expenditure resulted from salary payments to Parliament staffs who remained in Parliament in the first quarter of 2007. This was not budgeted for.

***Fiji Police Force***

The establishment of the PL08 salary scale resulted in the over-expenditure. PSC approved the establishment in 2007 but the Ministry of Finance had not provided any budget for this.

***Fiji Military Forces***

The RFMF claimed that due to the events of 5 December 2006, lot of expenditures were incurred.

***Prisons Department***

The over-expenditure resulted from allowance payment to the Officers due to the nature of their operation.

### **6.3 Coordination between FMIS and Budget Section**

Requests for Virements are forwarded to the Budget Division for processing.<sup>30</sup> Once approved, the virement forms are sent to the FMIS Section for relevant shifting of funds within the financial system.<sup>31</sup>

There were cases where approved virements from the Budget Section have been cancelled at FMIS and not updated into the system. Details are shown in Table 6.4 below:

TABLE 6.4 VIREMENTS NOT PROCESSED AT FMIS

Virement Not Processed at FMIS		
Virement No.	Amount \$	Reasons
V04/041	2,000	Virement quoting the wrong account number
V08/005	20,000	Duplicate of V08/001
V08/006	4,000	Duplicate of V08/002
V08/007	10,000	Duplicate of V08/003
V08/008	30,000	Duplicate of V08/004

Cancelled virement was either a duplicate of an earlier virement that has already been posted or a wrong account number has been quoted in the virement form.

The above indicates lack of coordination between the Ministry of Finance's Budget Section and the FMIS Section in the monitoring and posting of virements. It also shows the laxity of officers at the Budget Section to verify details in the virement forms such as account numbers.

Lack of coordination has resulted in differences in revised budget provisions, between the FMIS, Budget and as well as in Ministries/Departments.

**Recommendations**

- **Budget Section should liaise closely with FMIS Section on any variation made to the initial budget provisions.**

<sup>30</sup> 2.1 Circular No: 05/2007 of 15<sup>th</sup> of February 2007 - Amendment to the guide to preparing Virements

<sup>31</sup> 2.2 Circular No: 05/2007 of 15<sup>th</sup> of February 2007 - Amendment to the guide to preparing Virements

- **Budget should periodically reconcile the revised budget provisions in its records and the Financial Management Information System. Any discrepancies should be adjusted immediately.**

### **Ministry's Comments**

*The FMIS Unit and Budget Section have already discussed these issues regarding Virement for them to return back virement to respective agencies if virement are not fully completed (allocation) should be given in full 17 digits, wrong account number with wrong description given and also some allocations without any budget.*

*The FMIS Units have always informed Budget of any changes regarding virement.*

*Agencies should have checked the system to follow up on their approved virement.*

*The Office of the Auditor General should not rely entirely on FMIS on all information regarding virement. They should update their register daily and also collect virement daily rather than waiting till the end of the year and causing delay on reconciling with FMIS and also missing out on some virement which we've agreed should be cancelled or returned to the respective agencies.*

## **6.4 Drawbacks of the FMIS System**

Reconciliation of the expenditures of the government has highlighted the following issues in the Financial Management Information System (FMIS).

### **(1) Virements not clearly identified in the System**

Journal ID's are used for virement postings into the System. Some virements were posted into the system using the alphabets (eg X, Q, SS, HA1 etc) as their journal ID's whilst others were posted using a number assigned by the Budget Division.

Also some virement postings had only one entry and its corresponding entry was not updated into the system. As a result, reconciling the expenditures to the system was difficult and time consuming.

### **(2) Negative and Non-Budgeted Expenditures.**

For some Ministries/Departments the FMIS General Ledger reflected negative expenditures in 2007. Furthermore, there were instances where expenditures were incurred, for which no budget allocations was provided.

The Ministry of Finance revealed that the Accounting Heads of various Ministries/Departments were not vigilant in checking and updating their monthly reconciliations promptly and identify and rectify the any discrepancies.

The FMIS is not able to stop the postings that resulted in negative expenditures and allowing expenditures which does not have a budget allocation.

### **(3) Batch Hitting the General Ledger Late**

A Batch 416378 which was scheduled by Ministry of Works on 19 January 2008, was not reflected into the general Ledger until 25 September 2008, after the audit checks of the Ministries expenditure to the General Ledger. The total value of the Batch was \$330,028.

The FMIS Section could not provide explanations as to why Batch 416378 was not reflected immediately in the General Ledger after its scheduling. Refer *Appendix 5* for details.

### **Recommendations:**

- The FMIS Section should check that the system is capable of preventing postings of non budgeted expenses and negative expenditures as and when it arises.
- The Ministries/Departments Accounting Heads should reconcile their accounts monthly and rectify any anomalies promptly.

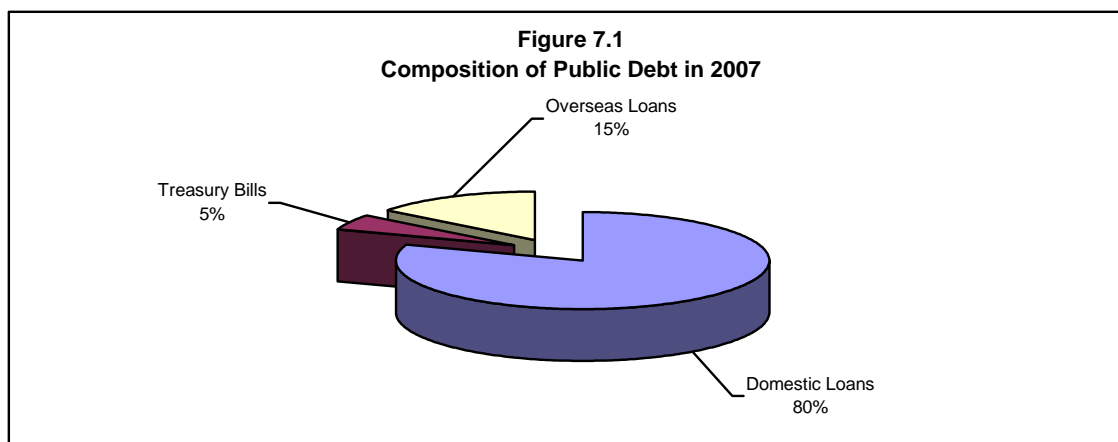
### **Ministry's Comments**

*There are 2 types of posting into the GL Systems. One is by using SMARTLINK where we upload the virement by using numbers assigned by the Budget Division and another one by using GL system (GL220) where one can manually insert number (eg a,b) as long as one knows what to schedule in the system.*

## **7.0 BORROWING FUND**

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

Public debt in 2007 totalled \$2,734,471,967 and comprised of domestic loans of \$2,196,208,150 or 80% of total debt; overseas loans of \$397,103,384 or 15%; and Treasury Bills \$141,160,433 or 5%. These are illustrated in Figure 7.1.



The government also receives short term advances from the Reserve Bank of Fiji (RBF) referred to as Ways and Means. The advances are raised to meet immediate cash needs of government and are cleared within a day. During the year, government borrowed a sum of \$260,200,000 from RBF through this facility and all were cleared within the year.

## 7.1 Trends in Government Borrowing by Category

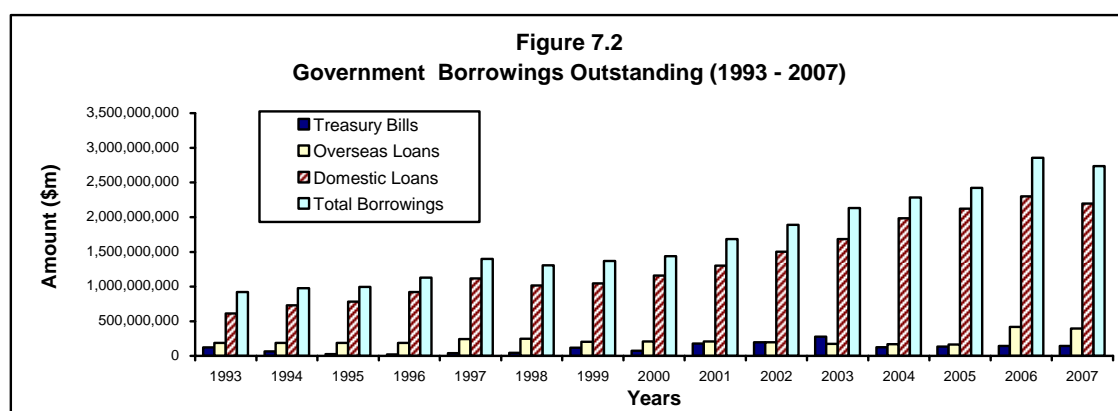
The total Government borrowings outstanding at the end of the year and the composition over the last 15 years is summarised in Table 7.1.

TABLE 7.1: GOVERNMENT OUTSTANDING BORROWINGS (1993 – 2007)

Year	Domestic Bond \$	% of Total Borrowing	Treasury Bills \$	% of Total	Overseas Loan \$	% of Total Borrowing	Total \$
1993	610,589,127	66	122,286,006	13	188,807,050	21	921,682,183
1994	728,312,887	74	63,674,429	7	187,132,643	19	979,119,959
1995	780,223,793	78	27,018,653	3	188,292,993	19	995,535,439
1996	922,468,507	81	20,232,908	2	187,526,025	17	1,130,227,440
1997	1,115,092,450	80	40,527,802	3	243,748,816	17	1,399,369,068
1998	1,016,273,250	78	43,790,072	3	245,557,713	19	1,305,621,035
1999	1,046,595,650	76	117,231,671	9	206,036,450	15	1,369,863,771
2000	1,158,595,650	81	72,449,838	5	207,697,167	14	1,438,742,655
2001	1,302,595,650	77	176,604,613	10	206,889,315	12	1,686,089,578
2002	1,501,095,650	80	196,432,453	10	193,505,879	10	1,891,033,982
2003	1,682,718,650	79	276,925,838	13	174,125,752	8	2,133,770,240
2004	1,986,515,650	87	126,987,822	6	168,665,379	7	2,282,168,851
2005	2,121,422,650	87	136,018,387	6	164,050,924	7	2,421,491,962
2006	2,300,672,650	80	141,311,687	5	416,729,200	15	2,858,713,537
2007	2,196,208,150	80	141,160,433	5	397,103,384	15	2,734,471,967

Government bonds mature between 3 to 20 years whilst the term of Treasury Bills ranges between 14 days to 182 days.

Over the last 15 years overseas loans constituted on average 14% of the borrowings. A graphical representation of the outstanding Government borrowings position is provided in Figure 7.2.



Government borrowings decreased by 4% in 2007 compared to 2006 because sufficient borrowing funds were raised in 2006, to cover the 2007 budget deficit.

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

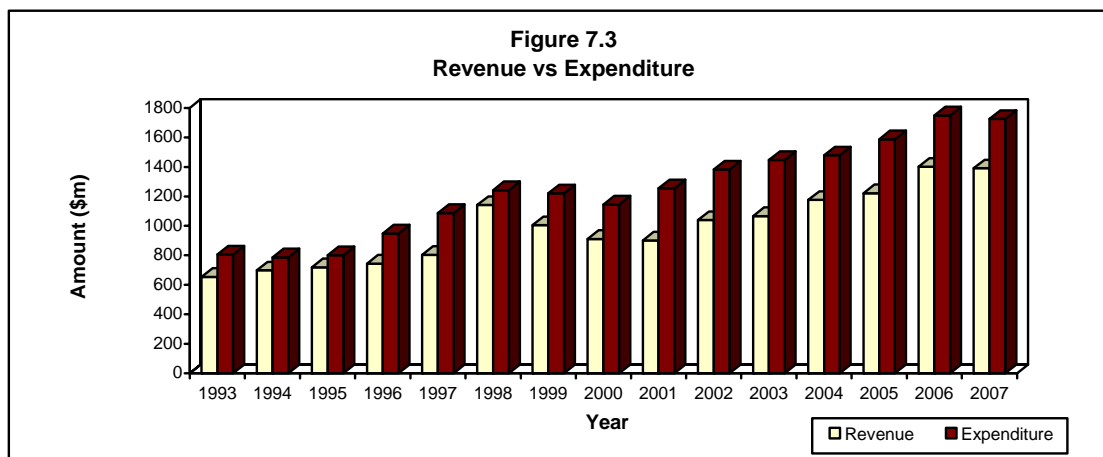
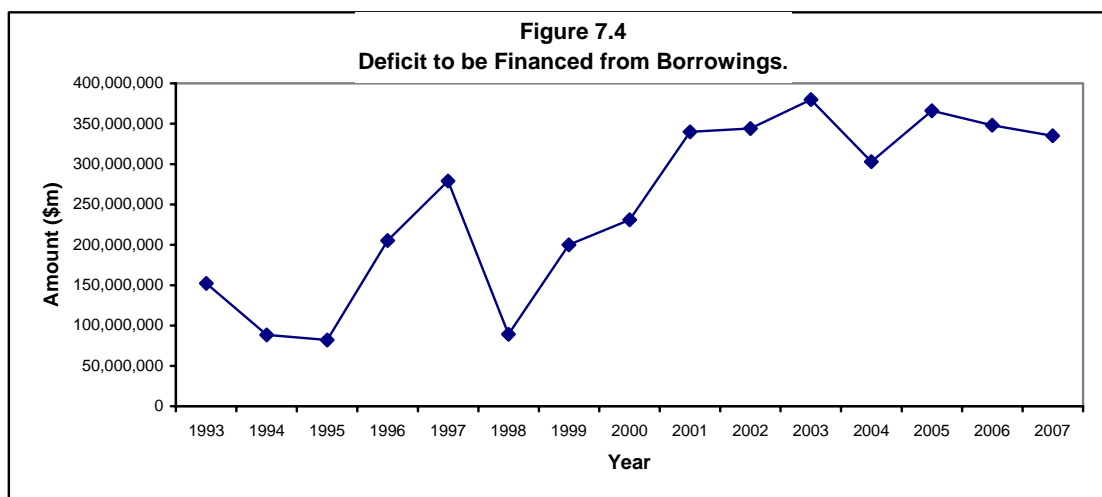


Figure 7.3 reveals that government expenditure has exceeded revenue over the last 15 years. The excess of government expenditure over revenue is reflected in Figure 7.4.<sup>32</sup>



Government has not been successful in increasing its revenues while at the same time reduce its expenditures. As a result it has to rely on borrowings to deliver services to the public. There is a need for the Government to achieve high levels of growth without heavy reliance on borrowings and this may be achieved by:

- increasing exports (or decreasing import);
- encouraging domestic savings to finance investments; or
- implementing cost cutting measures to reduce operating expenditures.

## 7.2 Borrowings over the 15 Year Period

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

<sup>32</sup> The significant reduction in government deficit in 1998 was due to the sale of some investments in companies..

TABLE 7.2: ADDITIONAL BORROWINGS PER YEAR 1993 – 2007

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
1993	95,500.0	54	13,014.6	1	122,286.0	83	230,800.6	63
1994	165,560.2	73	31,789.5	144	63,674.4	(48)	261,024.1	(13)
1995	101,000.0	(39)	22,084.8	(31)	27,018.7	(58)	150,103.5	(42)
1996	193,000.0	91	17,531.3	(21)	20,232.9	(25)	230,764.2	54
1997	262,303.0	36	9,140.9	(48)	40,527.8	100	311,971.7	35
1998	105,700.5	(60)	14,117.6	54	43,790.1	8	163,608.2	(48)
1999	186,000.0	76	6,171.5	(56)	117,231.7	168	309,403.2	89
2000	210,002.4	13	14,997.6	143	72,449.8	(38)	297,449.8	(4)
2001	229,000.9	9	10,247.0	(32)	176,604.6	144	415,852.5	40
2002	299,000.0	31	26,196.7	156	196,432.5	11	521,629.2	25
2003	291,000.0	(3)	28,745.3	10	276,925.8	41	596,671.1	14
2004	449,200.0	54	9,267.7	(68)	126,987.8	(54)	585,455.5	(2)
2005	319,965.0	(29)	8,641.3	(7)	136,018.4	7	464,624.7	(21)
2006	356,750.0	11	283,258.7	3178	141,311.7	4	781,320.4	68
2007	100,527.5	(72)	18,326.5	(94)	141,160.4	(0.1)	260,014.4	(67)

The Government's financing needs were largely met from domestic borrowings. Government borrowings in 2007 totalled \$260,014,482 of which \$100,527,500 or 39% was through domestic bonds, \$141,160,433 or 54% treasury bills and \$18,326,549 or 7% in overseas loans.

### 7.3 Loan Repayments

There is an annual obligation for the Government of Fiji to redeem the loans which become due for payment. The terms and conditions of the loans are stipulated in the loan agreements between the Government of Fiji and the lending agencies.

The repayment of the loans of the Government of Fiji over the past 15 years is presented in Table 7.3:

TABLE 7.3: REPAYMENT OF LOANS PER YEAR 1993 – 2007

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal \$	Interest \$	Principal \$	Interest \$	Principal \$	Interest \$
1993	53,575,989	57,308,828	23,822,557	14,044,643	377,674,007	3,626,493
1994	44,336,189	59,902,846	22,841,404	13,344,881	359,394,407	4,065,592
1995	47,684,523	68,931,138	26,166,844	13,582,512	189,642,084	1,757,916
1996	43,453,857	72,909,133	19,669,542	11,170,572	113,737,876	1,462,124
1997	61,307,457	87,911,269	15,760,301	10,184,128	86,666,545	1,233,455
1998	225,991,847	99,232,714	24,273,114	12,209,299	397,939,413	2,163,843
1999	152,913,211	82,728,811	36,130,378	12,958,164	280,400,000	1,440,656
2000	84,500,000	81,846,108	33,342,934	11,404,967	173,910,978	2,505,365
2001	87,000,000	88,493,634	20,294,173	9,755,046	320,504,093	2,207,889
2002	100,500,000	95,284,124	20,772,240	9,297,644	417,637,927	2,362,073
2003	109,377,000	101,997,794	16,265,941	7,150,813	500,141,175	2,597,656
2004	145,403,000	108,597,234	11,173,546	6,114,485	339,194,733	4,310,352
2005	185,058,000	120,220,533	12,721,412	5,473,517	317,920,558	2,392,788
2006	177,500,000	129,455,783	13,459,979	5,737,600	523,422,114	5,746,278
2007	204,992,000	148,023,033	17,126,498	22,201,747	686,040,488	10,514,012

Principal payments for 2006 on government borrowings totalled \$908,158,986 whilst interest payments amounted to \$180,738,792.

TABLE 7.4: LOANS AND INTEREST REPAYMENTS IN 2007

Description	Principal Repayment \$	Interest Repayment \$
Domestic Bonds	204,992,000	148,023,033
Overseas Loans	17,126,498	22,201,747
Treasury Bills	686,040,488	10,514,012
Total	908,158,986	180,738,792

The interest on domestic loans for 2007 was \$148,023,033 compared to \$22,201,747 for overseas loans and \$10,514,012 for treasury bills. The interest rate on domestic borrowings ranged from 2% to 13.6% whilst interest rates for overseas loans ranged from 1% to 10.3% with some overseas loans being interest free.

## 7.4 Domestic Loans

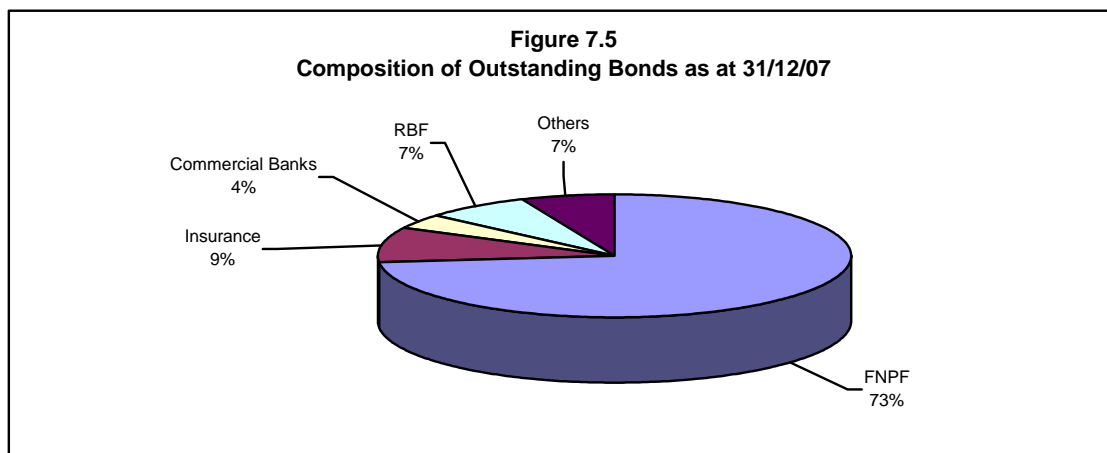
The total domestic loans as at 31/12/07 stood at \$2,196,208,150 and this accounts for 80% of the total Government borrowings. Table 7.5 shows the amounts that are owed by the government of Fiji to bond holders.

TABLE 7.5: COMPOSITION OF OUTSTANDING GOVERNMENT BONDS

Bond Holder	Amount \$	% of Outstanding Debt
FNPF	1,607,812,300	73.0
Insurance	201,400,200	9.0
Commercial Banks	87,552,000	4.0
RBF	162,116,900	7.0
Trust Fund	34,074,200	2.0
Unit Trust of Fiji	28,122,400	1.3
Credit Corporation	2,400,000	0.1
Home Finance	10,950,000	0.5
Merchant Finance & Investment Ltd	3,000,000	0.1
Others	58,780,150	3.0
Total	2,196,208,150	100

Fiji National Provident Fund held 73% of the bonds totalling \$1,607,812,300 as at 31/12/07; Insurance Companies 9%; Commercial Banks 4%; RBF 7%; the remaining 7% of the bonds are held by the Unit Trust of Fiji, Merchant Bank of Fiji, Credit Corporation and Home Finance.

The composition of outstanding government bonds is shown in Figure 7.5.

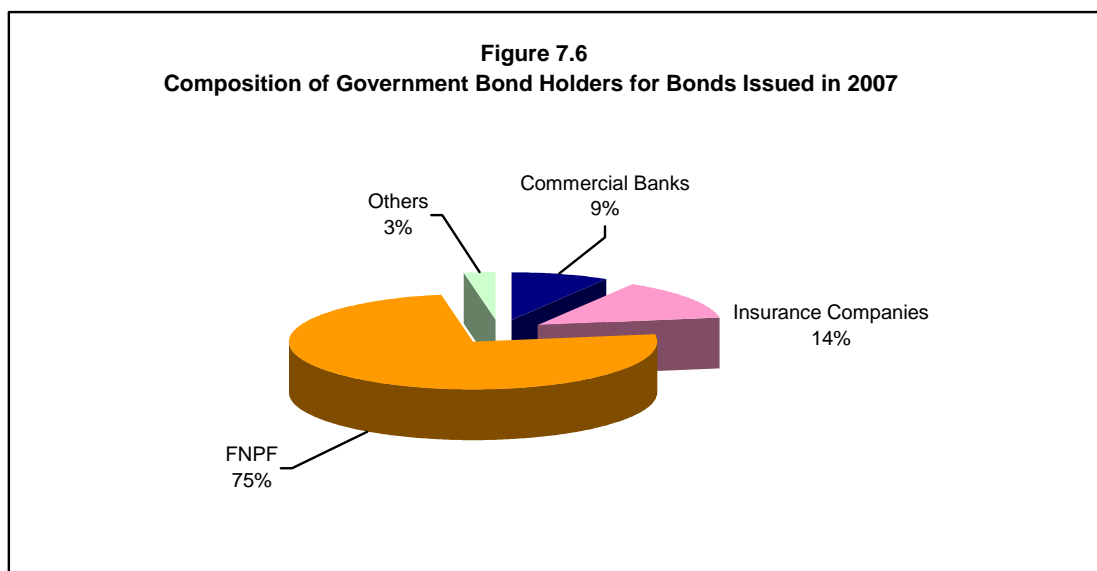


During the year the Government had borrowed \$100,527,500 through the issue of domestic bonds to the public. Table 7.6 shows the holders of these bonds.

TABLE 7.6: BONDS PURCHASED IN 2007

Summary of Bondholders	Amount \$
Commercial Banks	8,750,000
FNPF	75,340,000
Insurance Companies	13,730,000
Others	2,707,500
Total	100,527,500

A total of \$75,340,000 or 75% of the Government bonds issued in 2007 were purchased by the FNPF, 14% by insurance companies, 9% by commercial banks, whilst the remaining 3% was purchased by individuals, trusts, Home Finance Company and others. This is reflected in Figure 7.6.



### 7.4.1 Outstanding Domestic Loans & Interest Payments

Details of outstanding loans over the past 15 years with the total interest paid and budgetary provisions is shown in Table 7.7. Interest payments on bonds are made every six months.

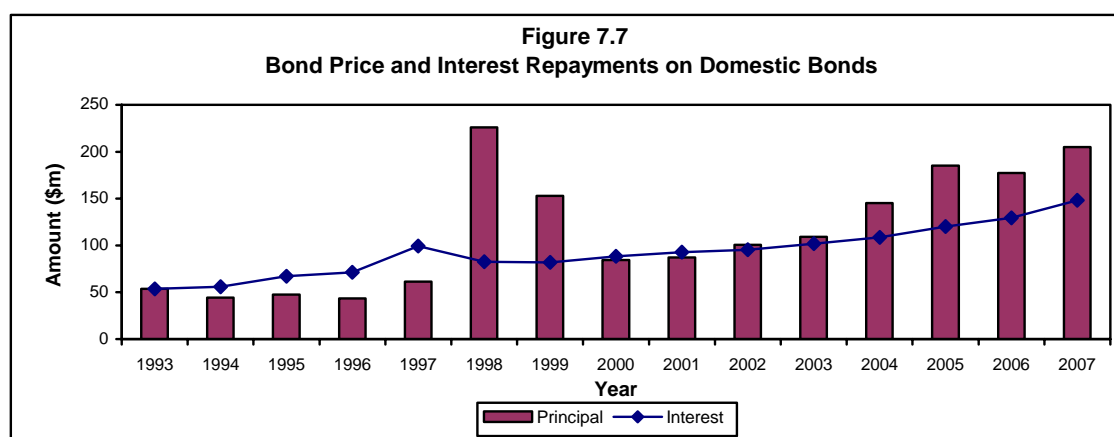
TABLE 7.7: DOMESTIC LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISIONS

Year	Domestic Loans \$m	% Increase / (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1993	610.6	7	53.7	4	60.8	7.1
1994	728.3	19	55.8	4	65.9	10.0
1995	780.2	7	67.2	20	67.6	0.4
1996	922.5	18	71.4	6	70.8	(0.6)
1997	1,115.1	21	87.9	23	88.0	0.1
1998	1,016.3	(9)	99.2	13	100.3	1.1
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

Despite the decrease in the outstanding Domestic Loans in 2007 compared to 2006, interest payment on the domestic loans has increased. This is due to bonds issued in 2006 required six monthly payments in year 2007.

The Government had allocated \$148,152,100 in the 2007 budget for interest payments. However, actual interest payments for the year totalled \$148,023,033 resulting in a savings of \$129,067.

The interest expense and the principal repayments over the past 15 years are shown in Figure 7.7. A total of 71 domestic bonds were redeemed/repaid in 2007 resulting in bond redemptions exceeding the interest payments during the year.



### 7.4.2 Future Debt Obligations

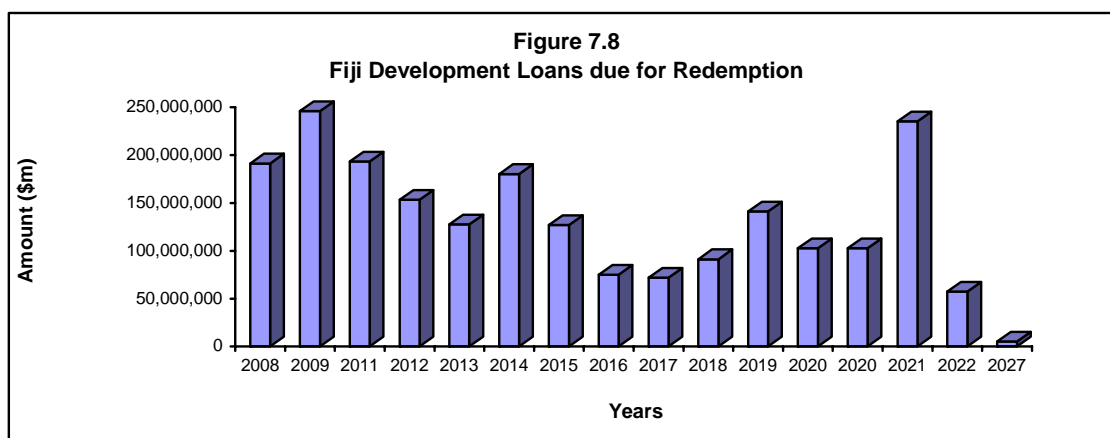
The principal component of Government borrowings are domestic loans which mostly comprises of Fiji Development Loans (Government Bonds).

Table 7.8 reflects the redemption schedule of these loans. For example in 2008, a total of 72 government bonds totalling \$191,215,150 will be redeemed.

TABLE 7.8: FIJI DEVELOPMENT LOANS REDEMPTION SCHEDULE

Year Fully Redeemed	No. of Loans	Amount \$
2008	72	191,215,150
2009	77	245,905,000
2010	73	198,540,500
2011	49	193,280,000
2012	52	153,290,000
2013	32	127,465,000
2014	41	180,180,000
2015	38	126,935,000
2016	26	75,105,000
2017	24	71,800,000
2018	20	91,200,000
2019	25	141,000,000
2020	26	102,780,000
2021	29	234,965,000
2022	8	57,447,500
2027	1	5,100,000
<b>Total</b>	<b>593</b>	<b>2,196,208,150</b>

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

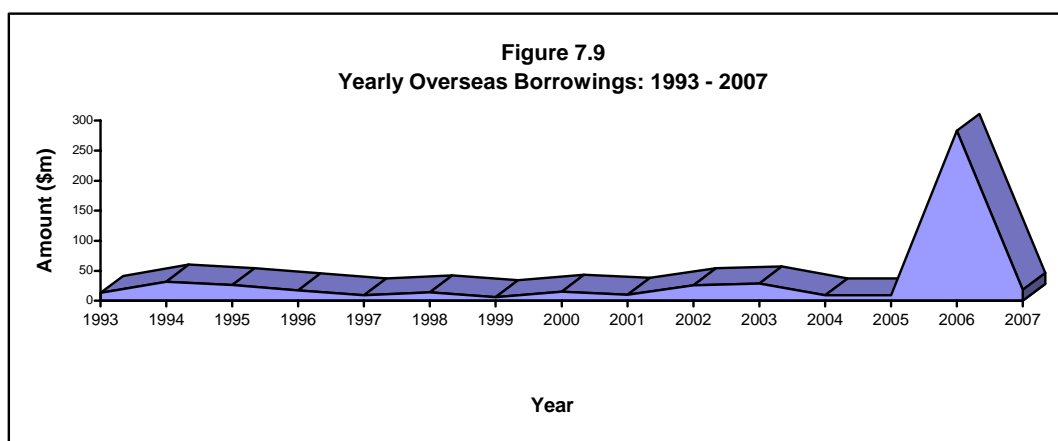


## 7.5 Overseas Loans

The overseas borrowing of Government as at 31 December 2007 was \$397,103,384 which represents 15% of total borrowings. Most of the overseas loans were obtained to finance capital projects.

### 7.5.1 Yearly Overseas Borrowings

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



The Government had borrowed \$18,326,549 in 2007 whilst loan repayments totalling \$39,328,245 were made comprising \$22,201,747 interest and \$17,126,498 principal. The details of the additional funds obtained by the Government under the existing loan agreements are as follows.

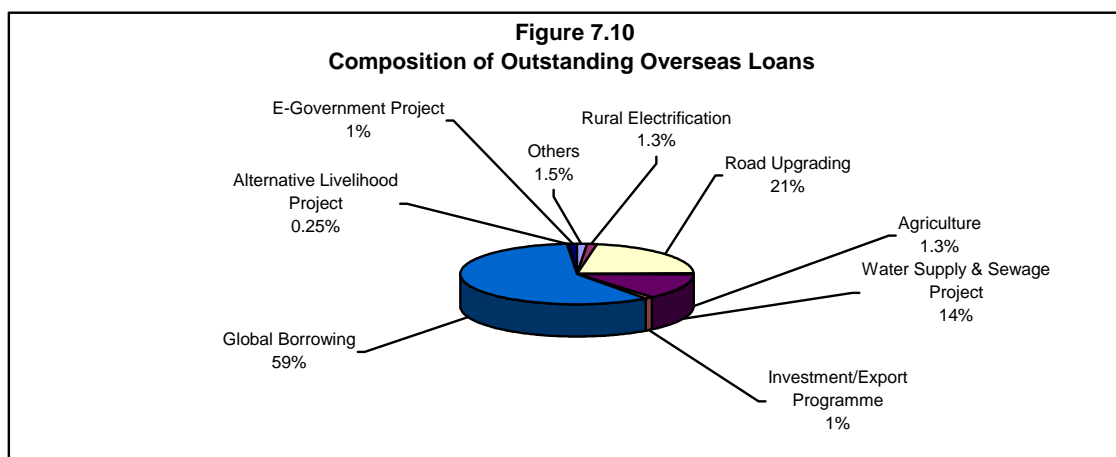
TABLE 7.9: OVERSEAS LOAN DISBURSEMENTS - 2007

Loan	Amount \$
ADB Suva/Nausori Water Supply & Sewage Project	10,384,919 <sup>33</sup>
Fiji Road Up-Grading Loan III	9,289,839
Alternative Livelihood Project	181,050 <sup>34</sup>
<b>Total</b>	<b>19,855,808</b>

- (a) Loans in relation to the Road Upgrading Project comprised 22% of the total outstanding overseas loans. The funds obtained for this project were to be used in improving the efficiency of the road sector through road upgrading and rehabilitation, and the management of road assets and sector resources.
- (b) Loans for Nadi/Lautoka Regional Water Supply and Suva/Nausori Water Supply & Sewage accounted for 14% of the total loans, which were mainly used for improving the water supply services in Nadi/Lautoka and Suva/Nausori. The composition of the overseas loans is illustrated in Figure 7.10.

<sup>33</sup> Of the \$10,384,919, total loan disbursement, only \$9,036,711 is cash loan. The other \$1,348,208 is accumulated interest on the loan for 2007.

<sup>34</sup> This is non-cash loan in form of commitment and interest fees payable on the loan taken.



- (c) Housing loan accounted for 0.4% of the outstanding overseas loans as at 31/12/07. It was obtained to provide affordable housing to lower income group and to strengthen housing and urban sector institutions.
- (d) Rural Electrification Programme had outstanding loans of \$5,419,117 or 1.4% of the overseas loans as at 31/12/07. Under this project, 10% of the cost is met by the community and the balance is met by the government.
- (e) Investment and Export loans had outstanding balance of \$4,429,158 or 1% of the overseas loans as at 31/12/07.
- (f) Alternative Livelihood Project had an outstanding balance of \$1,011,013 or 0.3% of the overseas loans as at 31/12/07. The project is facilitated through the Ministry of Agriculture with the objective to increase and diversify the livelihood opportunities for sugarcane farmers and others and reduce incidence of poverty for approximately 8,000 sugarcane farmers as well as other rural families. The objective of the project is to:
- maintain a healthy agriculture sector;
  - generate sustainable off-farm and self employment for those involved in sugarcane farming and other rural poor;
  - provide access to savings and credit services in rural communities in order to facilitate livelihood activities; and,
  - provide farm access infrastructure required to develop affected rural communities.
- (h) E-government Project had an outstanding balance of \$4,628,250 or 1.2% of the overseas loans as at 31/12/07. The project is being implemented with Ministry of Communications (ITC) of US\$20 million with disbursements being in form of goods, technology and services to be purchased from China.
- (i) Fiji Government Global Borrowing had outstanding balance of \$232,665,000 or 59% of the overseas loans as at 31/12/07. This loan was raised through the issue of bonds in the international market facilitated by the RBF and agent JP Morgan.
- (h) Other loans of 1.5% of the overseas loans outstanding as at 31/12/07 comprised of loans obtained for the construction of jetties, airstrips, development of regional telecommunications network and electricity loans.

### 7.5.2 Overseas Loans Outstanding & Interest Paid

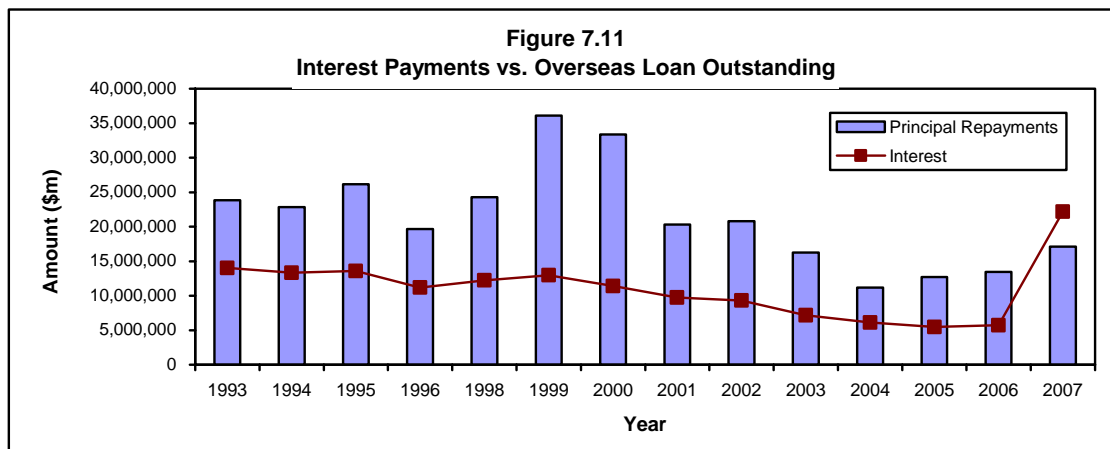
Table 7.10 provides details on the overseas loans outstanding over the past 15 years with the total interest paid each year.

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

Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1993	188.8	(7)	14.0	(1)	18.9	4.9
1994	187.1	(1)	13.3	(5)	18.4	5.1
1995	188.3	1	13.6	2.0	15.4	1.8
1996	187.5	0	11.2	(17.6)	16.1	4.9
1997	243.8	30	10.2	(9)	12.9	2.7
1998	245.6	1	12.2	19.6	17.8	5.6
1999	206.0	(16)	13.0	7	16.9	3.9
2000	207.7	1	11.4	(12.0)	13.2	1.8
2001	206.9	0	9.8	14	10.6	0.8
2002	193.5	(6)	9.3	(5)	10.0	0.7
2003	174.1	(10)	7.2	(23)	9.4	2.2
2004	168.7	(3)	6.1	(15)	7.0	0.9
2005	164.1	(3)	5.5	(10)	6.7	1.2
2006	416.7	154	5.7	4	6.4	0.7
2007	397.1	(5)	22.2	289	23.4	266

In 2007 the outstanding overseas loans decreased by 5% compared to 2006.

Interest payments on overseas loans during the year totalled \$22,201,747 resulting in a saving of \$1,236,653. The principal and interest payments over the last 15 years are illustrated in Figure 7.11.



### 7.5.3 Revaluation of Overseas Loans

Overseas loans are revalued each year by the RBF using the exchange rate as at 31/12/07. Table 7.11 outlines the amounts attributed to overseas loans due to revaluation over a 15 year period. These in turn has an effect on public debt i.e. an increased revaluation increases the debt and vice versa.

TABLE 7.11: REVALUATION OF OVERSEAS LOANS &amp; EXCHANGE GAINS/LOSS

Year	Revaluation Increase/(Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1993	3,944,772	188,807,050	2
1994	10,606,630	187,132,643	6
1995	5,242,345	188,292,993	3
1996	5,533,671	187,526,025	3
1997	62,842,240	243,748,816	26
1998	11,964,370	245,557,713	5
1999	9,068,963	206,036,450	4
2000	(19,589,702)	207,697,167	(9)
2001	(9,239,298)	206,889,315	(4)
2002	(18,905,125)	193,505,881	(10)
2003	(31,859,534)	174,125,752	(18)
2004	(3,554,545)	168,665,379	(2)
2005	(534,342)	164,050,924	(0.3)
2006	(17,120,505)	416,729,200	(4.1)
2007	(21,844,864)	397,103,384	(5.5)

A downward revaluation of \$21,844,864 or 6% of the overseas loans was noted for 2007.

## 7.6 Treasury Bills

The Government through the RBF floats treasury bills to raise funds in the domestic market to meet its short term needs.

Treasury bills are sold at a discount on face value of which the investor will receive face value of the bills upon maturity.

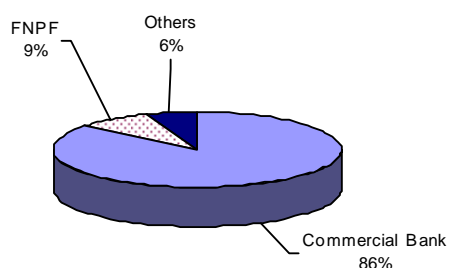
During the year the government raised \$692,472,750 in treasury bills of which \$685,889,234 constituted net borrowings by the government whilst \$6,583,516 represented discount, as summarised in Table 7.12. Treasury bills raised in 2006 and matured in 2007 amounted to \$141,311,687 of which \$4,370,063 relate to interest.

TABLE 7.12: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2007

Bank	Face Value \$	%	Discount \$	%	Net Receipts \$	%
Commercial Banks	592,336,250	85	5,559,016	85	586,777,234	86
FNPF	60,019,000	9	739,305	11	59,279,695	9
Others	40,117,500	6	285,195	4	39,832,305	6
Total	692,472,750	100	6,583,516	100	685,889,234	100

86% of the treasury bills raised were purchased by commercial banks, 9% by FNPF, and 5% others such as insurance companies, statutory bodies, individuals, etc.

**Figure 7.12**  
**Composition of Treasury Bills Borrowing 2007**

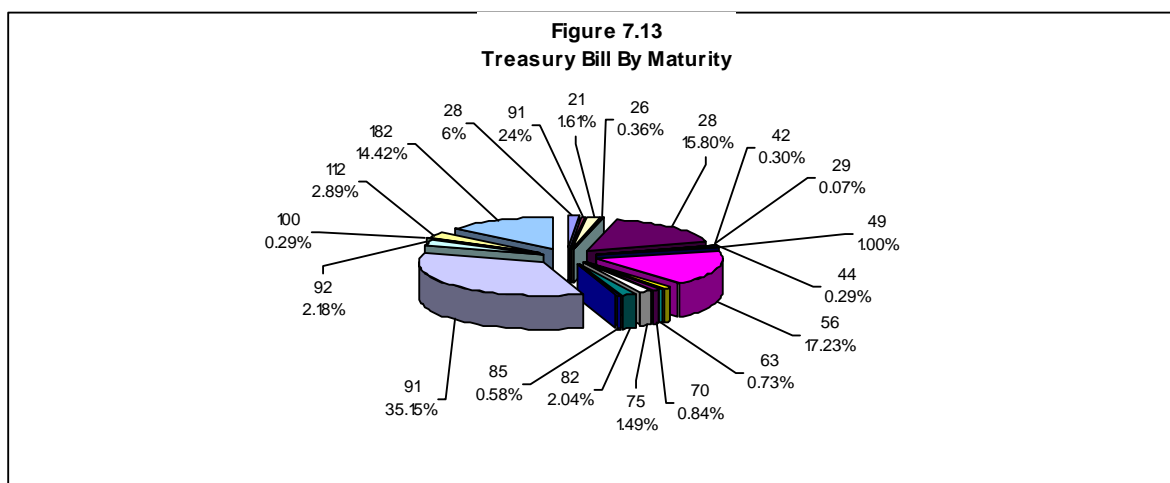
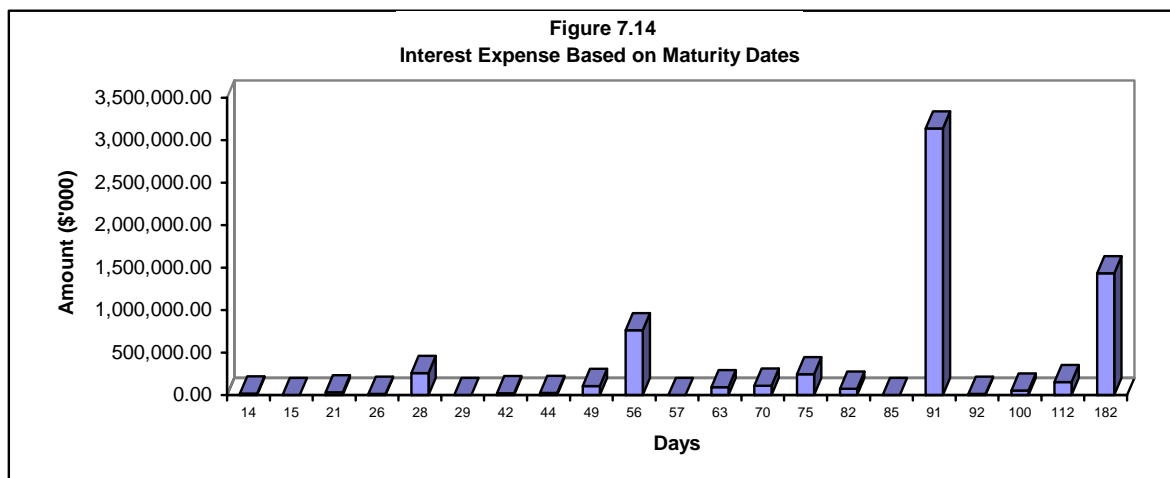


The treasury bills, which are issued by the Government through the RBF, have a maturity period of 14 to 182 days. Table 7.13 details the total Treasury bills that were raised in 2007 together with their maturity dates and interest.

**TABLE 7.13: MATURITY OF TREASURY BILLS ISSUED IN 2007**

Maturity in Days	Treasury Bill Cost \$	Interest \$	Face value \$
14	8,979,989.15	20,010.85	9,000,000
15	4,499,482.25	517.75	4,500,000
21	11,067,871.31	34,628.69	11,102,500
26	2,483,723.11	16,276.89	2,500,000
28	108,401,871.45	260,128.55	108,662,000
29	499,873.46	126.54	500,000
42	2,078,651.96	21,348.04	2,100,000
44	1,972,653.08	27,346.92	2,000,000
49	6,892,950.04	107,049.96	7,000,000
56	118,200,888.17	762,861.83	118,963,750
57	4,996,933.39	3,066.61	5,000,000
63	5,004,471.59	95,528.41	5,100,000
70	5,771,844.89	113,155.11	5,885,000
75	10,253,452.26	246,547.74	10,500,000
82	14,024,429.63	75,570.37	14,100,000
85	3,998,466.34	1,533.66	4,000,000
91	241,064,635.17	3,137,864.83	244,202,500
92	14,983,073.21	16,926.79	15,000,000
100	1,959,698.91	55,301.09	2,015,000
112	19,845,202.42	154,797.58	20,000,000
182	98,909,072.08	1,432,927.92	100,342,000
<b>Total</b>	<b>685,889,233.87</b>	<b>6,583,516.13</b>	<b>692,472,750</b>

The amount raised by the government through Treasury bills with varying maturity dates were evenly spread as shown in the pie chart in Figure 7.13. The interest expense has been fluctuating as the maturity date increases as shown in Figure 7.14.



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

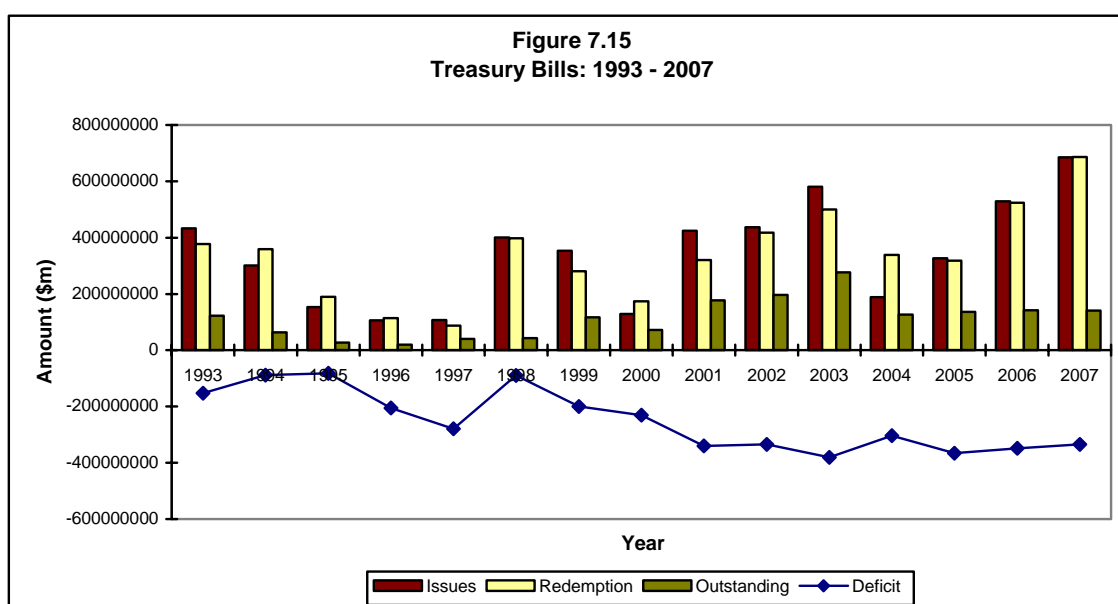
Treasury bills issued and redeemed over the last 15 years is summarised in Table 7.14.

TABLE 7.14: TREASURY BILLS 1993 – 2007

Year	Balance Brought Forward \$	Issues \$	Redemption \$	Outstanding \$
1993	66,741,734	433,218,279	377,674,007	122,286,006
1994	122,286,006	300,782,830	359,394,407	63,674,429
1995	63,674,429	152,986,308	189,642,084	27,018,653
1996	27,018,653	106,952,131	113,737,876	20,232,908
1997	20,232,908	106,961,439	86,666,545	40,527,802
1998	40,527,802	401,201,683	397,939,413	43,790,072
1999	43,790,072	353,841,599	280,400,000	117,231,671
2000	117,231,671	129,129,145	173,910,978	72,449,838

Year	Balance Brought Forward \$	Issues \$	Redemption \$	Outstanding \$
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

Treasury bills raised by Government over the last 15 years fluctuated significantly. Similarly, the government deficits have 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 are shown in Figure 7.15.



### 7.6.2 Treasury Bills Management

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

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

TABLE 7.15: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenues	1995 \$m	1996 \$m	1997 \$m	1998 \$m	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m
Budgeted Revenue													
Operating Receipts & Investing	693.8	737.3	765.4	1006.8	999.0	816.3	951.7	1,011.8	1,115.8	1,149.7	1,257.4	1,346.6	1,430.0

Revenues	1995 \$m	1996 \$m	1997 \$m	1998 \$m	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m
Loan Receipts	134.0	156.6	282.2	147.9	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0
Total	827.8	893.9	1,036.3	1,123.3	1,191.2	1,041.3	1,204.9	1,350.3	1,431.0	1,611.2	1,627.4	1,741.1	1,801.0
Actual Revenue													
Operating Receipts & Investing	718.9	743.5	803.5	1141.2	1004.5	911.0	900.5	1,038.4	1,066.3	1,176.2	1,221.9	1,401.3	1,391.3
Loan Receipts	122.1	210.5	271.0	116.5	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9
Total	941.0	954.0	1,074.4	1,257.7	1,196.7	1,136.0	1,139.8	1,363.6	1,386.0	1,634.7	1,550.5	2,035.2	1,510.2
Revenue Variance	13.3	60.2	38.1	134.4	5.5	94.6	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	[290.8]
Treasury Bills as at 31/12/07	27.0	20.2	40.5	43.8	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2
Excess	40.3	80.4	78.6	178.2	122.7	167.0	111.5	209.7	232.0	150.5	59.1	435.4	(149.6)

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 collections in 2007 was less than the budgeted revenue by \$332,572,109. Government revenue and loans from the domestic and the overseas market were insufficient to meet the actual expenditure, hence treasury bills amounting to \$685,889,234 in 2007, an increase by 30% from 2006.

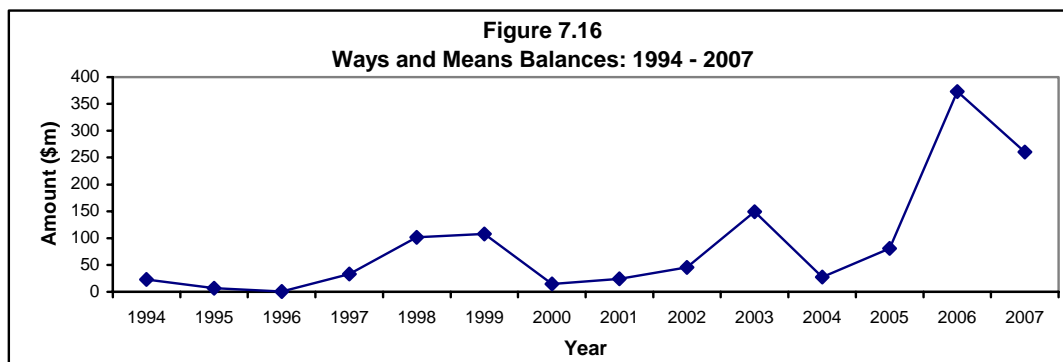
Even though treasury bills were raised during the year, it was not sufficient to cover the shortfall in the revenue collected. This would have been avoided through efficient cash management and revenue forecasting.

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

## 7.7 Ways and Means

The Ways and Means is a short term advance facility provided by the RBF for Government where advances are given to Government for a day to meet immediate cash deficits. The Ways and Means are replenished by Government during the year and are therefore not reflected as part of borrowings.

An analysis of Ways and Means balances for the past 13 years is illustrated in Figure 7.16.



The Government borrowed \$260,200,000 at a cost of \$303,001 (interest) from RBF through this advance facility during the year, which was a decrease of \$113,000,000 or 30% from 2006.

## 7.8 Flexibility

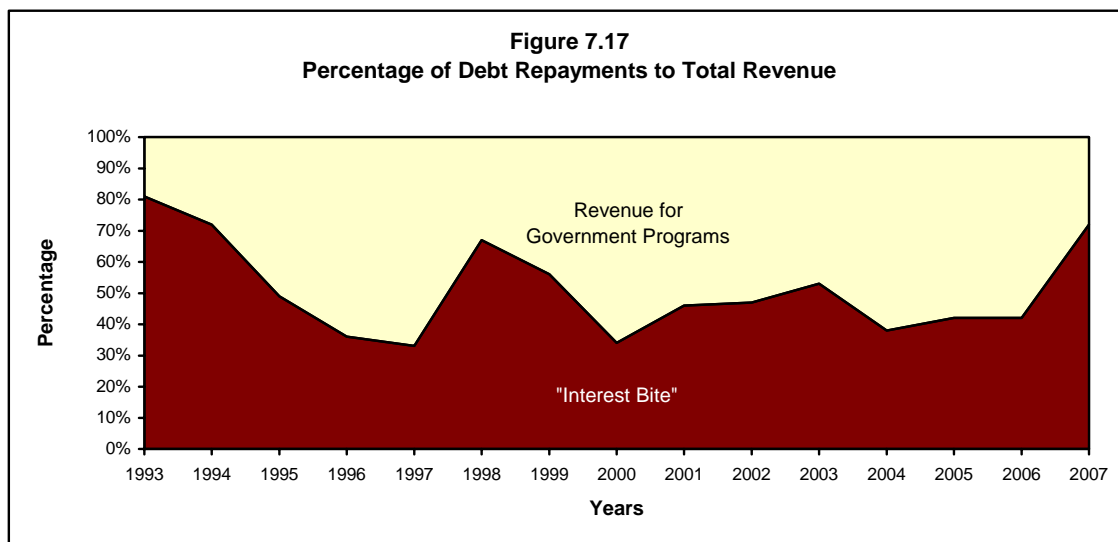
Flexibility is an indicator of the degree a Government can increase its financial resources or revenue to respond to increasing financial commitments either by expanding the revenue or increasing its debt burden.

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

TABLE 7.16: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue \$	Repayments \$	Interest Bite %
1993	654,086,766	526,141,237	81
1994	697,810,716	499,270,219	72
1995	718,904,280	345,653,758	49
1996	729,884,343	264,390,747	36
1997	803,460,047	266,053,922	33
1998	1,141,199,759	764,384,830	67
1999	1,004,505,216	567,251,420	56
2000	1,135,964,892	387,869,552	34
2001	1,139,754,743	528,250,835	46
2002	1,363,992,433	647,020,349	47
2003	1,386,009,960	737,597,477	53
2004	1,634,663,320	617,152,850	38
2005	1,550,489,828	646,463,603	42
2006	2,035,207,842	857,682,649	42
2007	1,510,117,312	1,091,633,056	72

The Interest Bite represents the percentage of debt repayment comprising the principal and interest components of the domestic and overseas loans as well as the treasury bills redeemed.



In 2007, the flexibility measure was 72% indicating that the total debt repayment was equivalent to 72% of the revenue received by the Government during the year. Hence, only 28% of revenues collected were available for government programs.

## 7.9 Vulnerability

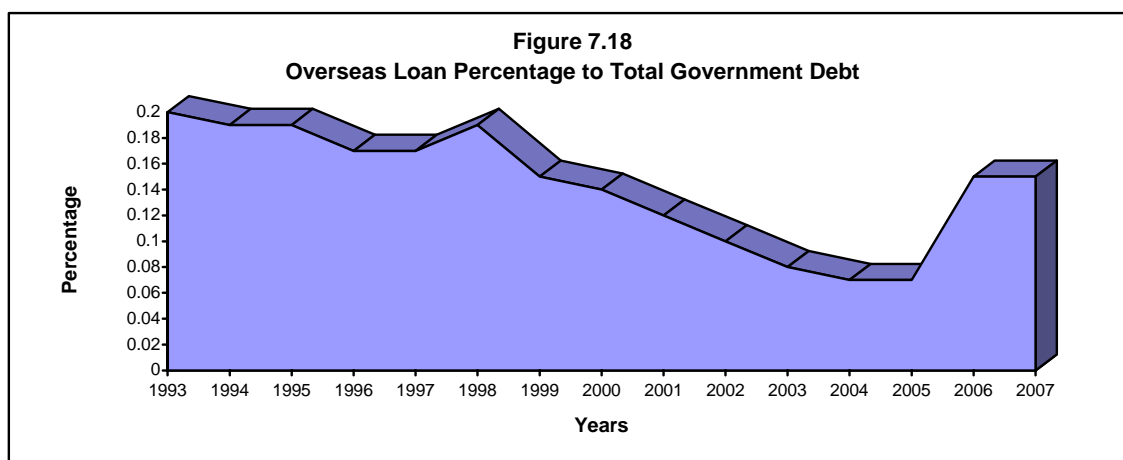
Vulnerability is the measure of the degree of dependence of Government on sources of borrowing outside its control or influence.

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

TABLE 7.17: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Loans \$	Total Borrowings \$	%
1993	188,807,050	921,682,183	20
1994	187,132,643	979,119,959	19
1995	188,292,993	995,535,439	19
1996	187,526,025	1,130,227,440	17
1997	243,748,816	1,399,369,068	17
1998	245,557,713	1,305,621,035	19
1999	206,036,450	1,369,863,771	15
2000	207,697,167	1,438,742,654	14
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

In 2007, overseas loans made up 15% of outstanding government borrowings, same as 2006.



The overall trend indicates less reliance on overseas borrowings over the years, despite the high overseas borrowings in 2006.

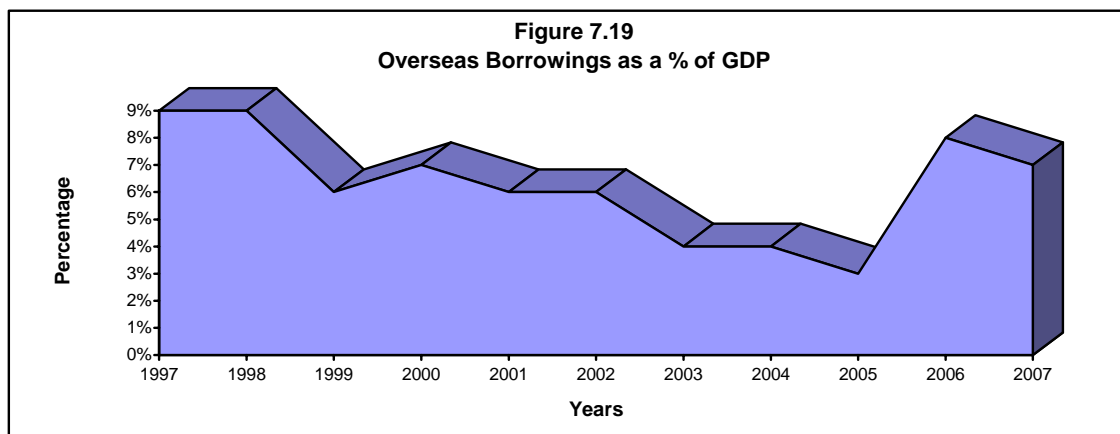
Another measure of vulnerability is the comparison of overseas loans to GDP. Table 7.18 compares overseas loans to GDP for a period of 10 years.

TABLE 7.18: COMPARISON OF OVERSEAS BORROWINGS AND GDP

Year	Overseas Loans \$	Nominal GDP \$	% of Overseas Loans/GDP
1997	243,748,816	2,571,130,000	9
1998	245,557,713	2,792,526,000	9
1999	206,036,450	3,238,463,000	6
2000	207,697,167	3,049,124,000	7
2001	206,889,315	3,199,548,000	6
2002	193,505,879	3,442,905,000	6
2003	174,125,752	4,325,420,000	4
2004	168,665,379	4,539,000,000	4
2005	164,050,924	5,010,000,000	3
2006	416,729,200	5,431,720,200*	8
2007	397,103,384	5,566,057,664+	7

\* Provisional Estimate  
Source: Reserve Bank of Fiji

Figure 7.19 shows that the percentage of the overseas debt to GDP decreased by 1% in 2007, and this is a reflection of the nation's capability to meet its external debt obligations.



Moreover, the comparison of the Domestic debt to GDP is another measure of vulnerability. Table 7.19 compares Domestic loans to GDP for a period of 10 years.

TABLE 7.19: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Loans \$	GDP \$	% of Domestic Loans/GDP
1997	1,115,092,450	2,571,130,000	43
1998	1,016,273,250	2,792,526,000	36
1999	1,046,595,650	3,238,463,000	32
2000	1,158,595,650	3,049,124,000	38
2001	1,302,595,650	3,199,548,000	41
2002	1,501,095,650	3,442,905,000	44
2003	1,682,718,650	4,325,420,000	39
2004	1,986,515,650	4,539,000,000	44
2005	2,121,422,650	5,010,000,000	42
2006	2,300,672,650	5,431,720,200 <sup>+</sup>	42
2007	2,196,208,150	5,566,057,664 <sup>+</sup>	40

<sup>+</sup> Provisional Estimate

Source: Reserve Bank of Fiji

In 2007, the Domestic Loans as a percentage of GDP decreased by 2%.

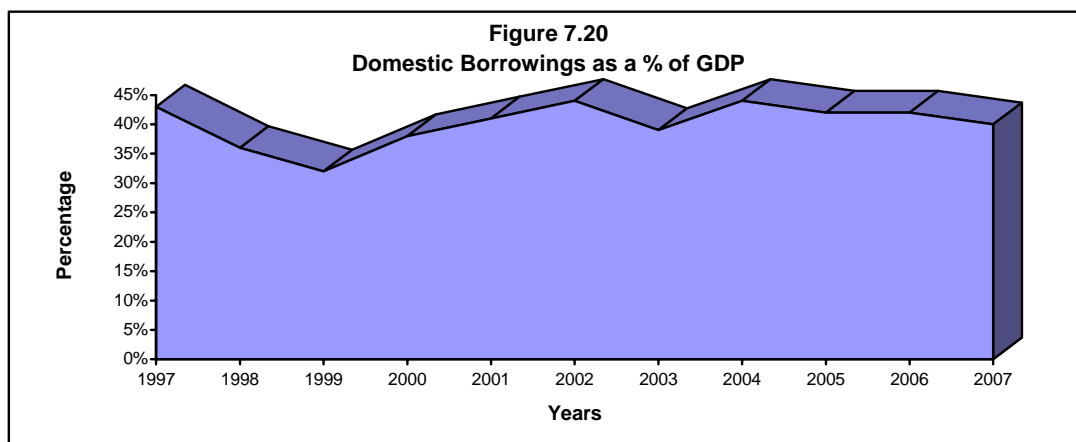


Figure 7.20 shows that the Domestic Borrowing as a percentage of the GDP has been fluctuating over the years. Although it indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic loans.

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

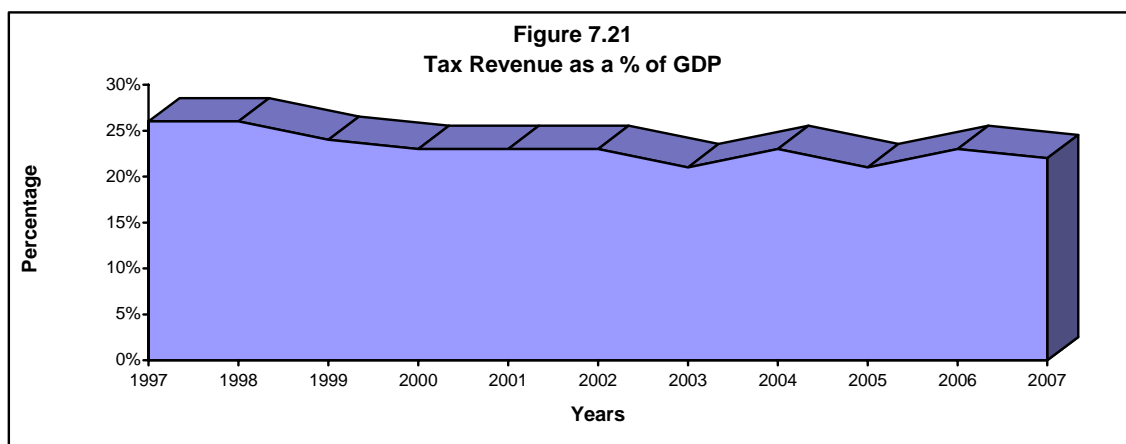
TABLE 7.20: COMPARISON OF TAX REVENUE AND GDP

Year	Tax Revenue \$	GDP \$	% of Tax Revenue/GDP
1997	664,763,763	2,571,130,000	26
1998	723,819,630	2,792,526,000	26
1999	788,503,978	3,238,463,000	24
2000	713,404,155	3,049,124,000	23
2001	740,454,379	3,199,548,000	23
2002	789,721,816	3,442,905,000	23
2003	929,900,966	4,325,420,000	21
2004	1,033,319,644	4,539,000,000	23
2005	1,065,808,942	5,010,000,000	21
2006	1,227,220,772	5,431,720,200*	23
2007	1,230,363,366	5,566,057,664+	22

\* Provisional Estimate

Source: Reserve Bank of Fiji

Figure 7.21 shows that the Tax Revenue as a percentage of GDP over the last 10 years, and for 2007 it was 22%.



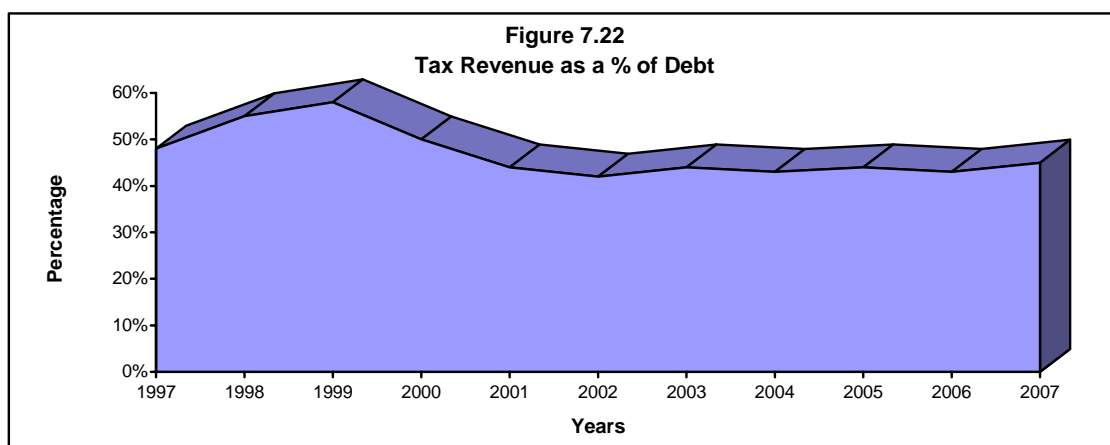
Another measure of vulnerability is the comparison of tax revenue to debt. Table 7.21 compares tax revenue to debt for a period of 10 years.

TABLE 7.21: COMPARISON OF TAX REVENUE AND DEBT

Year	Tax Revenue \$	Debt \$	% of Tax Revenue/Debt
1997	664,763,763	1,399,369,068	48
1998	723,819,630	1,305,621,035	55
1999	788,503,978	1,369,863,771	58

Year	Tax Revenue \$	Debt \$	% of Tax Revenue/Debt
2000	713,404,155	1,438,742,654	50
2001	740,454,379	1,686,089,577	44
2002	789,721,816	1,891,033,982	42
2003	929,900,966	2,133,770,240	44
2004	1,033,319,644	2,282,168,851	45
2005	1,065,808,942	2,421,491,962	44
2006	1,227,220,772	2,858,713,537	43
2007	1,230,363,366	2,734,471,967	45

The tax revenue as a percentage of debt has been fairly constant over the last 10 years. It shows that 45% of the debt can be met from tax revenue.



In 2007, tax revenue as a percentage of debt increased by 2% compared to 2006.

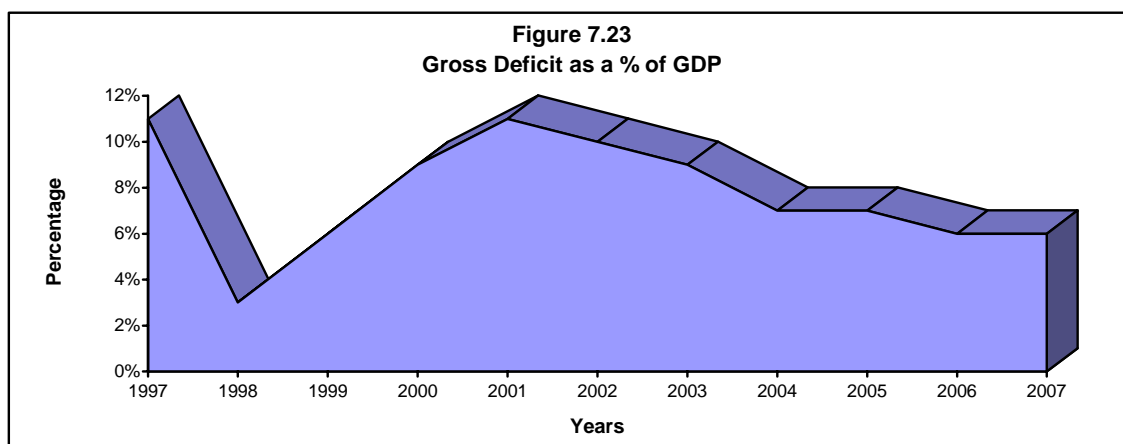
Moreover, Table 7.22 shows the comparison of Government deficit to GDP.

TABLE 7.22: COMPARISON OF GOVERNMENT DEFICIT AND GDP

Year	Gross Deficit \$	GDP \$	% of Gross Deficit/GDP
1997	278,550,632	2,571,130,000	11
1998	89,079,211	2,792,526,000	3
1999	199,550,066	3,238,463,000	6
2000	230,607,446	3,049,124,000	8
2001	339,658,246	3,199,548,000	11
2002	334,367,718	3,442,905,000	10
2003	380,275,486	4,325,420,000	9
2004	302,912,124	4,539,000,000	7
2005	366,334,029	5,010,000,000	7
2006	346,769,675	5,431,720,200*	6
2007	334,935,764	5,566,057,664+	6

\* Provisional Estimate

Source: Reserve Bank of Fiji



In 2007, the gross deficit as a percentage of the GDP remained unchanged compared to 2006.

## 7.10 Sustainability

Sustainability is defined as the ability of Government to maintain existing programs and meet existing creditor requirements without increasing the burden on the economy. It is measured by the ratio of Government debt to the Gross Domestic Product.

The total Government debt as a percentage of GDP as at 31/12/07 was 49% compared to 53% in 2006, indicating unfavourable sustainability in debt relative to the production of goods and services.

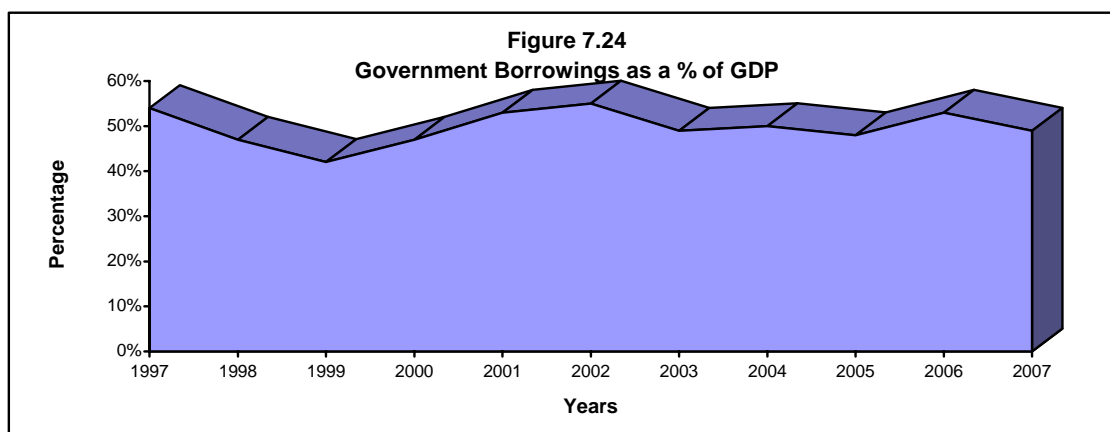
TABLE 7.23: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

Year	Government Debt \$	% of Growth	GDP \$	% of Growth	Public Debt as a % of GDP
1997	1,399,369,068	24	2,571,130,000	0	54
1998	1,305,621,035	(7)	2,792,526,000	9	47
1999	1,369,863,771	5	3,238,463,000	16	42
2000	1,438,742,654	5	3,049,124,000	(6)	47
2001	1,686,089,577	17	3,199,548,000	5	53
2002	1,891,033,982	12	3,442,905,000	8	55
2003	2,133,770,240	13	4,325,420,000	26	49
2004	2,282,168,851	7	4,539,000,000	5	50
2005	2,421,491,962	6	5,010,000,000	10	48
2006	2,858,713,537	18	5,431,720,200*	8	53
2007	2,734,471,967	(4)	5,566,057,664	2	49

\* Provisional Estimate

Source: Reserve Bank of Fiji

Table 7.27 shows that the economy is increasing faster than the Government debt indicating that the debt burden of individuals is decreasing. In 2007 the national debt decreased by 4% whereas the GDP increased by 2% compared to 2006.



The Government borrowings as a percentage of GDP decreased by 4% in 2007 compared to 2006. Total Government borrowings stood at 49% of the GDP for 2007. The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

### 7.11 Public Debt per Capita to GDP per Capita Ratio

The ratio of Income per Capita to Public Debt per Capita measures the average debt burden of each person in the population compared to the average per capita income. The ratio indicates the ability of the income earning population to service the debt obligations of Government.

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

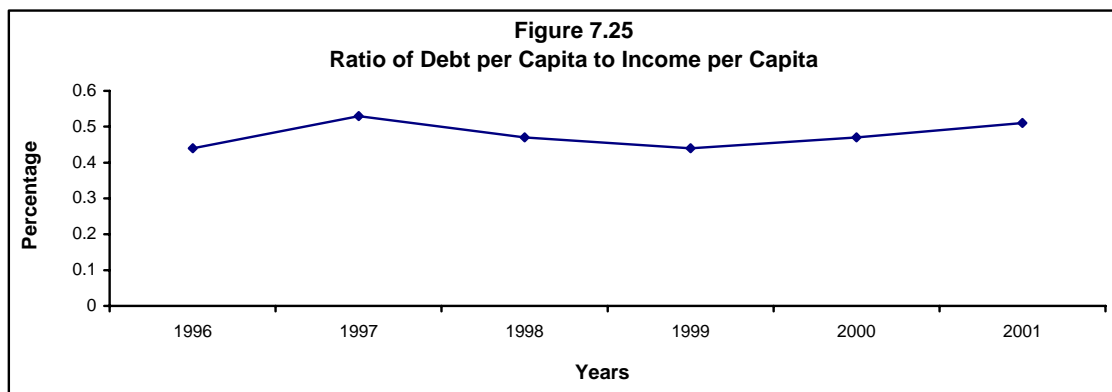
TABLE 7.24: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

Year	Outstanding Debt \$	Estimated Population	Debt/Capita \$	GNP/Capita \$	Ratio of Debt/Capita to GNP/Capita
1997	1,399,369,068	788,918	1,774	3,325	0.53
1998	1,305,621,035	797,643	1,637	3,522	0.47
1999	1,369,863,771	806,212	1,699	3,892	0.44
2000	1,438,742,654	810,421	1,775	3,807	0.47
2001	1,686,089,577	815,013	2,069	4,064	0.51
2002	1,891,033,982	825,478	2,291	*	
2003	2,133,770,240	831,343 <sup>+</sup>	2,567	*	
2004	2,282,168,851	838,317 <sup>+</sup>	2,722	*	
2005	2,421,491,962	846,085 <sup>+</sup>	2,862	*	
2006	2,858,713,537	853,445 <sup>+</sup>	3,350	*	
2007	2,734,471,967	837,271 <sup>+</sup>	3,266		

\* The GNP for years 2002 to 2006 is not available.

+ These are provisional figures provided by Bureau of Statistics

The lower the ratio of debt/capita to income/capita, the favourable it is as it is an indication that the populations' income has not been over burdened by the Government debt. The lower the ratio the lesser the average burden of the Government debt on the population.



The ratio as at 31/12/01 was 51% representing the average burden on the population to meet the debt obligations of Government.

## 8.0 LENDING FUND

The Minister may, on behalf of the State, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside the Fiji Islands.<sup>35</sup>

Loans made by Government and outstanding as at 31/12/07 totalled \$114,064,454, a decrease of \$6,230,023 or 5% compared to 2006. Repayments received in 2007 totalled \$6,628,478 whilst additional loans given and interest capitalised in 2007 was \$590,967.<sup>36</sup>

Lending fund account balances for the past five years is shown in Table 8.1.

TABLE 8.1: LENDING FUND BALANCES TREND

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

### 8.1 Loans Convertible to Grants

Parliament had passed resolutions between 1995 and 2004 that approved the conversion of loans owed by the Native Land Development Corporation, the Fijian Affairs Board, and the Fiji Sugar Corporation into grants.

Despite being highlighted in previous years' audit memorandums, the three entities are still disclosed in the Detailed Statement of Loans, as owing money to Government as at 31/12/07. Refer to Table 8.2 below.

<sup>35</sup> Section 61 of Finance Management Act 2004

<sup>36</sup> Appendix 16, 2007

TABLE 8.2 LOANS CONVERTED TO GRANT

Entity	Date of Resolution	Amount \$
NLDC	31/07/95	2,187,372
FAB	08/12/01	20,000,000
FSC	28/09/04	34,000,000
Total		56,187,372

While it is understood that these debts would require an appropriation to write them off from Government's ledgers, the Ministry of Finance has taken some time to take actions.

The inaction by the Ministry in converting these loans into grants as approved by Parliament has inflated debts owed to Government as at 31/12/07 by \$56.2 million.

### **Recommendation**

**The Ministry of Finance should take effective actions.**

### **Ministry's Comments**

*The Ministry of Finance has taken are positive steps in gradually addressing these significant loans starting with the 2009 Budget*

## **8.2 Dormant Loan Accounts**

All advances made by the Government are recorded in the Lending Fund Account.<sup>37</sup>

In the Detailed Statement of Loans made by Government as at 31/12/07 were 3 dormant loans for which no additional advances were made, nor interest capitalised or recoveries made over a considerable period of time. The recovery of these loans is uncertain due to the lapse in time. Table 8.3 shows details of these dormant loan accounts.

TABLE 8.3: DORMANT LOANS

Borrowing Institution	Amount Lent/ Appropriated \$	Balance Outstanding as at 31/12/07 \$	Interest Rate %	Year Lent
Native Land Trust Board	1,199,701	575,617	6	1979 – 1980
Production Loan to Farmers	72,000	16,288	1	1990
Timber Exporters	1,000,000	795,034	Free	1983 – 1984

Although raised in previous audit memorandums, the Ministry has not taken any action to deal with these inactive or dormant loans.

### **Recommendations**

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

<sup>37</sup> Chapter 17 of the Ministry of Finance Accounting Training Manual

**Ministry's Comments**

*Agree with recommendations and MOF would seriously review the 1979 and 1983 loans and outcomes of the review would be reflected in the 2009 accounts.*

**8.3 Fiji Sports Council**

Any sum payable by the Government in fulfilment of a guarantee is taken to be a loan to the entity whose financial liability has been guaranteed.<sup>38</sup> However, loans of public money under Lending Fund must be evidenced by an instrument signed by the Minister.<sup>39</sup>

The Fiji Sports Council's \$2,990,000 loan with the Fiji National Provident Fund in 1995 was guaranteed by Government. The Council's inability to honour its debt obligation with the Fiji National Provident Fund prompted the Fund to invoke the guarantor's clause. Government as guarantor had to settle the Fiji Sports Council's debts on the due dates totalling \$1,940,557 as at 31/12/07.

Refer to Table 8.4 below.

TABLE 8.4: PAYMENTS MADE TO FIJI SPORTS COUNCIL

Date	Cheque Number	Amount \$
27/07/01	36408	364,033.23
28/06/02	575726	124,038.79
28/06/02	575729	60,384.72
14/08/02	584465	115,247.69
14/08/02	584466	62,951.07
19/02/03	FNPF acknowledged receipt	178,198.76
15/07/05	3280	321,870.03
01/02/06	173540	178,198.76
25/08/06	394691	179,236.22
31/01/07	396984	178,198.76
31/07/07	397751	178,198.76
<b>Total</b>		<b>1,940,556.79</b>

Also variance of \$1.9 million between the general ledger and the audit calculations for the Fiji Sports Council is illustrated in Table 8.5

TABLE 8.5: VARIANCES BETWEEN BALANCES

Particulars	Amount as per General Ledger \$	Audit Calculation \$	Variance \$
Opening Balance	415,090,59.00	1,584,159.27	1,169,068.68
Amount lent	---	356,397.52	(356,397.52)
Amount Recovered	357,434.95	---	357,434.95
Closing Balance	57,655.61	1,940,556.79	(1,882,901.18)

<sup>38</sup> Financial management Act 2004, Section 62(5.b)

<sup>39</sup> Financial Management Act 2004 Section 61(3)

The recovery of \$357,435 posted in the general ledger could not be verified to the receipts. Furthermore, the loan agreement between the Government and the Fiji Sports Council is yet to be drawn.

The non disclosure of the actual debts honoured by government understates the monies lent and which may in time be inadvertently abandoned.

### **Recommendations**

- **All debt obligations of the Fiji Sports Council honoured by Government should be disclosed in the Lending Fund Account so that monies lent by Government and yet to be recovered are recognised and disclosed correctly.**
- **To protect Government's interests, loan agreements setting the obligations of both parties should be drawn.**

### **Ministry's Comments**

*The \$357,434.95 does not represent the recovery but represents the amount paid by Government in 2007 towards the loan repayment of Fiji Sports Council. This was explained to the auditor during the audit and can be substantiated from the last 2 payment from Table 8.4. Loan agreement would be finalised once the Legal Opinion is obtained on the legality of Government demanding payments from an entity whom it had previously granted Guarantee.*

## **8.4 Amount Drawn in Excess of Appropriation**

Advances made in respect of Tertiary Education and Students Loan Schemes were granted appropriations of \$5,000,000 and \$1,500,000. However lending under both schemes exceeded their appropriations as at 31/12/07 by \$5,863,070 and \$1,946,551 respectively. Refer to Table 8.6 for details.

TABLE 8.6: APPROPRIATIONS EXCEEDED

Account	Appropriation \$	Loan Outstanding as at 31/12/07 \$	Amount in excess of Appropriation \$	Percentage excess %
Tertiary Education	5,000,000	10,863,070	5,863,070	117.0
Students Loan Scheme	1,500,000	3,446,551	1,946,551	130.0

Amounts spent in excess of appropriations are synonymous to unauthorised expenditure and indicate a lack of monitoring not only by the administering agency but also by the Ministry of Finance which controls the funds.

### **Recommendation**

**The Ministry of Finance needs to monitor the administering agencies to ensure that funds granted have been acquitted, that sufficient recoveries have been made to enable the continuity of the schemes, and that total transactions incurred are within the approved limits before releasing subsequent funding.**

**Ministry's Comments**

*The above schemes are directly administered by the Public Service Commission.*

**8.5 Aging of Debtors**

The Minister may make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit.<sup>40</sup>

Of total amount of \$114.1 million, \$41.5m or 36 % was lent over 10 years ago, \$41.1m or 36% was lent between 5 to 10 years ago and \$8.5m or 7% between 2 to 5 years. Table 8.7 below shows the age of amounts lent by Government to various Institutions.

TABLE 8.7: AGING OF DEBTORS

Institution	Total \$	0-1 year \$	1-2 Years \$	2-5 Years \$	5 – 10 Years \$	10 Years & Over \$
Fiji Sugar Corporation Limited	8,500,000	---	---	---	8,500,000	---
Fiji Sugar Corporation Limited	8,500,000	---	---	---	8,500,000	---
Fiji Sugar Corporation Limited	8,500,000	---	---	---	8,500,000	---
Fiji Sugar Corporation Limited	8,500,000	---	---	8,500,000	---	---
Fiji Pine Limited – Loan 13	4,750,000	---	---	---	---	4,750,000
Fiji Pine Limited – Loan 14	2,200,000	---	---	---	---	2,200,000
Fiji Pine Limited – Loan 15	2,200,000	---	---	---	---	2,200,000
Fiji Pine Limited – Loan 16	2,200,000	---	---	---	---	2,200,000
Fiji Pine Limited – Loan 17	650,000	---	---	---	---	650,000
Fijian Affairs Board	20,000,000	---	---	---	---	20,000,000
Fijian Affairs Board	2,000,000	---	---	---	---	2,000,000
Fijian Affairs Board	1,500,000	---	---	---	---	1,500,000
Fijian Affairs Board	1,500,000	---	---	---	1,500,000	---
Fijian Affairs Board	1,500,000	---	---	---	1,500,000	---
Fijian Affairs Board	1,500,000	---	---	---	1,500,000	---
Fijian Affairs Board	4,658,924	---	---	---	4,658,924	---
National Trading Corporation Limited	2,900,000	---	---	---	2,900,000	---
Native Land Trust Board	575,617	---	---	---	---	575,617
Native Land Trust Board (NLDC)	820,000	---	---	---	---	820,000
Post & Telecommunication (Loan No.5)	218,656	---	---	---	---	218,656
Rabi Council of Leaders	900,000	---	---	---	---	900,000
Rabi Council of Leaders	700,000	---	---	---	---	700,000
Viti Corporations Company Limited	3,576,667	---	---	---	3,576,667	---
Advances to Ministers & Members of House of Representatives	247,306	247,306	---	---	---	---
Advances to Public Officers	35,522	35,522	---	---	---	---
Consumer Co-operative Societies	109,111	109,111	---	---	---	---
Copra Industry for Stabilisation of Earnings	12,066,903	12,066,903	---	---	---	---
Private Students	(3,823,125)	(3,823,125)	---	---	---	---
Production Loan to Farmers	16,288	---	---	---	---	16,288

<sup>40</sup> Clause 61.s(1) Financial Management Act 2004

Institution	Total \$	0-1 year \$	1-2 Years \$	2-5 Years \$	5 – 10 Years \$	10 Years & Over \$
Student Loan Scheme	3,446,551	3,446,551	---	---	---	---
Tertiary Education	10,863,070	10,863,070	---	---	---	---
Timber Exporters	795,034	---	---	---	---	795,034
Fiji Sports Council	57,656	---	---	---	---	57,656
Rewa Rice Limited	1,900,000	---	---	---	---	1,900,000
Fiji Development Bank	275	275	---	---	---	---
<b>Total</b>	<b>114,064,454</b>	<b>22,945,613</b>	<b>---</b>	<b>8,500,000</b>	<b>41,135,591</b>	<b>41,483,251</b>

Due diligence needs to be conducted prior to endorsing loans as funds are unnecessarily tied up and there is a high risk that the loans may be irrecoverable. The Government will stand to lose more than \$91,118,842 if the recovery policy is not improved.

### **Recommendation**

**The Ministry should improve on its debt and recovery policy and be stringent on defaulting institutions whose loans from Government have been stagnant for over 10 years.**

### **Ministry's Comments**

*MOF notes the comments and is putting in efforts to address long outstanding loans.*

## **8.6 Viti Corporation Limited**

Due to its financial difficulties, the Government and the Viti Corporation Ltd through the Public Enterprise entered into a lease agreement of the farm owned by Viti Corporation Ltd for the repayment of the \$3.7 million loan for a period of 30 years at \$129,000 per annum.

Loan repayments (principal and interest) from Viti Corporation Limited has not been updated in the General Ledger since 2006. Refer to Table 8.8 for details.

TABLE 8.8: JOURNAL POSTINGS TO RECORD RECOVERY

Year	Recovery as per Receipt \$		Posting in the GL (Repayments)		Ending Balance	
	Principal	Interest	Principal (610000)	Interest (310000)	General Ledger	Audit
2004	Balance b/f				3,700,000.00	3,700,000.00
2005	123,333.32	26,667.00	123,333.32	26,667.00	3,576,666.68	3,576,666.68
2006	61,666.50	2,833.50	---	26,667.00	3,576,666.68	3,515,000.18
2007	123,333.32	5,667.00	---	37,833.00	3,576,666.68	3,391,666.86

As a result of non posting of the recoveries on the term loan repayments account, Viti Corporation Limited account in the general ledger is overstated by \$185,000.

### **Recommendation**

**The Ministry should ensure that all recoveries receipted should immediately be posted to the general ledger to disclose accurate balances.**

**Ministry's Comments**

*MOF agrees with recommendation and these anomalies would be rectified. However the raising of the non postings in 2006 by OAG challenges the accuracy of the Audited and Certified accounts of Government for the year 2006 which contains balances that have should have been substantiated to the relevant years records..*

**8.7 Missing Payment Vouchers**

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or may authorise any officer on his behalf to conduct any enquiry, examination or audit.<sup>41</sup>

The following payment vouchers were not provided for audit verification:

TABLE 8.9: MISSING PAYMENT VOUCHERS

Month	Account Name	Account Code	Amount \$
01/2007	Loans-Copra Industry (Punja & Sons)	1-04102-04999-620202	15,777.70
01/2007	Loan – Copra Millers limited	1-04104-04999-620205	17,657.13
Total			33,434.83

As a result, the general ledger balances could not be substantiated. Also any claim of payment made by the Government would not be supported.

**Recommendation**

**The Ministry should ensure that all payment vouchers are kept properly.**

**Ministry's Comments**

*Comments are noted. However the Payment Voucher Reference 009973 of 08/01/07 being payment made to Copra Millers for \$17,657.13 was contained in a file that was produced to the Auditor during the audit verification process.*

**8.8 Variances in 2007 Opening Balances**

Recording involves keeping accurate records of what has happened, what is owned and what is owed. These records are normally kept in terms of money but some are more statistical in nature.<sup>42</sup>

A variance of \$230,346 was noted between the 2006 closing balance and the 2007 opening balance in the Lending Fund account. Refer to Table 8.10 below for details:

<sup>41</sup> Audit Act 7 (1) (a) & (b)

<sup>42</sup> Ministry of Finance, Finance Manual 2005, Recording, page iv.

TABLE 8.10: VARIANCE IN 2007 OPENING BALANCE

Account	Closing Balance as at 31/12/06 \$	Opening Balance as at 01/01/07 \$	Overstated/ (Understated) \$
Post & Telecom Loan No. 5 (Under DIGS)	449,261	218,656	(230,605)
Advances to Public Officers	36,791	37,050	259
Total	486,052	255,706	(230,346)

The above indicates the laxity of the officers responsible in not updating the general ledger, resulting in the above variances.

### **Recommendation**

**The Ministry should ensure that the audited balances at the end of the financial year are carried forward as an opening balance in the following year.**

### **Ministry's Comments**

*It is important to note that the 2007 Accounts and Finances balances on Lending Fund Account were based on the GL figures and therefore the variance of \$230,605 between the 31/12/06 Audited balances reported in the Accounts and Finance of 2006 and 01/01/07 balance raises the issue of whether the \$449,261 was extracted from the GL or may have been inputted manually without any audit verification to the GL closing balance. The variance is the result of mis-postings in the GL system and would be rectified by MOF.*

## **9.0 REVOLVING FUND ACCOUNT**

### **9.1 Variances in 2007 Opening Balances**

Recording involves keeping accurate records of what has happened, what is owned and what is owed. These records are normally kept in terms of money but some are more statistical in nature.<sup>43</sup>

A variance of \$14,253,744 was noted between the 2006 closing balance and the 2007 opening balance of the RFA Miscellaneous account. Refer to Table 9.1 below for details:

TABLE 9.1: VARIANCE IN 2007 OPENING BALANCE

Account Title	2006 Closing Balance \$	2007 Opening Balance \$	Variance \$
Cabinet Office	122,773.59	155,582.82	32,809.23
Attorney - General's Chamber	6,371.39	(243,315.33)	(249,686.72)
Finance	9,796,403.03	14,814,996.28	5,018,593.25
Trade and Commerce	(148,562.32)	(145,733.49)	2,828.83
Mineral Resources	7,455.79	(16,505.51)	9,049.72
Fijian Affairs	1,492.73	(1,057.27)	(2,550.00)
Health	327,770.32	8,431,037.84	8,103,267.52
Home Affairs	(483.18)	6,101.94	6,585.12
Judicial	(32,473.76)	32,474.26	0.50
Lands	(234,011.88)	224,917.50	(9,094.38)

<sup>43</sup> Ministry of Finance Finance Manual 2005, Recording, page iv.

Account Title	2006 Closing Balance \$	2007 Opening Balance \$	Variance \$
Marine & Civil Aviation	(314,949.75)	296,569.91	(18,379.84)
Election	(50,033.78)	64,698.28	14,664.50
Agriculture	2,306,332.34	2,266,051.75	(40,280.59)
Printing and Stationery	55,516.07	43,627.15	(11,888.92)
Police	391,142.18	414,792.67	23,650.49
Public Service Commission	(17,203.27)	(8,251.99)	8,951.28
Fiji Military Force	(101,387.34)	1,709,787.68	1,811,175.02
Regional Development	1,482.73	(22,980.20)	(24,462.93)
Social Welfare	2,112,838.22	2,147,195.52	34,357.30
Justice	428,791.00	429,008.93	217.93
Meteorological Services	---	9.00	9.00
Public Works and Infrastructure	(6,367.18)	---	6,367.18
President	178,009.01	191,708.98	13,699.97
National Roads	11,712.74	---	(11,712.74)
Water & Sewage	761,779.77	(2,200.12)	(763,979.89)
Multi Ethnic Affairs	965.68	6,592.68	5,627.00
Women and Culture	---	129,718.44	129,718.44
Legislature	49,051.04	51,051.04	2,000.00
Information	13,690.29	17,946.29	4,256.00
Auditor-General	808.61	78,370.12	77,561.51
National Planning	5,863.44	6,763.44	900.00
Bureau of Statistics	4,643.00	85,516.89	80,873.89
Immigration	13,466.08	13,701.08	235.00
Youth, Employment Opportunities & Sports	21,006.30	20,631.30	(375.00)
Director of Public Prosecutions	6,154.30	5,854.30	(300.00)
ITC Services	29,518.66	28,575.07	(943.59)
<b>Total Variance</b>			<b>14,253,744.08</b>

The above variance resulted from the inclusion of 2 items that were not taken into account in 2006 namely *Standard Liability Group (SLG) 84 - Current Liabilities – Accrued Expenses and Deferred Income* and *SLG 85 - Current Liabilities – Deposits, Deductions and Retention Money*.

As a result, 2006 RFA Miscellaneous account was understated in the Accounts and Finances of the government.

### **Recommendation**

**The Ministry should ensure that all accounts are properly disclosed and accounted for.**

### **Ministry's Comments**

## **9.2 Inoperative Accounts**

A number of Revolving Fund Accounts (Suspense) have been inoperative for some time now and no actions have been taken to clear these accounts.

Table 9.2 shows details of the inoperative Revolving Fund Accounts (Suspense).

TABLE 9.2: INOPERATIVE REVOLVING FUND ACCOUNTS (SUSPENSE)

Account Title	Limit \$	Balance as at 31/12/07 \$	Ceased Operation
Fiji Military Forces Air Wing	200,000	978,585.23	1996
Marine Shipbuilding & Repairs	150,000	3,013,633.68	1998
PWD – Cane Trucks	50,000	842,022	1999
PWD – Gravel Washing Plant	--	203.63	
<b>Total</b>		<b>4,834,444.54</b>	

The Ministry of Finance cleared the following accounts in 2007:

- Commercial Fishing Venture
- Drainage, Irrigation & Conservation Works
- Industrial Estate Development
- Marine
- Prisons.

The remaining outstanding balance from the inoperative accounts as shown in Table 9.2 is yet to be cleared. The issue was reported in previous audit reports..

### **Recommendation**

**Ministry of Finance should take necessary steps to close these accounts.**

### **Ministry's Comments**

## **9.3 Monitoring of Revolving Funds Accounts**

Departments should forward monthly Revolving Fund Account reconciliation statements to Treasury and ensure that all TMA operators submit quarterly Trading Accounts for evaluation purposes.<sup>44</sup> The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

Numerous Ministries/Departments failed to submit their reconciliations to Treasury. Details of these Ministries/Departments are shown in the *Appendix 6*.

There was no evidence to indicate that the Ministry of Finance followed up with Ministries/Departments for the submission of their reconciliations.

The operations of the above accounts have not been thoroughly scrutinised and therefore the risks of misstatement/misappropriations is high.

This issue has been highlighted in the previous audit reports, however no actions has been taken by the Ministry as yet.

### **Recommendation**

**Ministry of Finance should strengthen its monitoring role on Ministries/Departments revolving fund accounts.**

<sup>44</sup> Finance Circular No. 10 of 02 April 1982

**Ministry's Comments****9.4 Variances between Ministry of Finance and Ministries/Departments Revolving Fund Accounts**

The general ledgers from the Ministry of Finance shall be reconciled to the Department/Ministry's general ledger. Any errors or misallocations must be immediately adjusted by way of journals. The reconciliation statements shall be signed, certified, dated and forwarded to the Ministry of Finance.<sup>45</sup>

There were significant variances between Ministries/Departments and the Ministry of Finance ledgers. The Ministry of Finance did not verify the variances resulting in audit's inability to verify the correctness of the amounts disclosed in the financial statements.

TABLE 9.3: VARIANCES BETWEEN MINISTRY OF FINANCE AND MINISTRIES / DEPARTMENTS RECORDS

Ministry/Departments	MOF Ledgers \$	Min/Dept Ledgers \$	Variances \$
RFA Miscellaneous:			
Attorney General	(272,966.49)	1,192.08	(274,158.57)
Bureau of Statistics	75,360.64	71,886.06	(3,474.58)
Cabinet (Prime Minister's Office)	204,494.16	205,006.41	(5,12.25)
DPP	(855.00)	(555.00)	(300)
Education	604,267.81	661,449.40	(57,181.59)
Fijian Affairs	(1,054.77)	14,449.85	(15,504.62)
Forestry	(1,245.57)	(426.00)	(819.57)
Ministry of Health	2,387,407.87	2,462,250.78	(74,842.91)
Information	10,133.53	9,388.53	745.00
Labour	17,255.57	13,680.30	3,575.27
Lands	268,707.68	243,364.01	25,343.67
Marine	(175,603.51)	9,683.91	(185,287.42)
Printing & Stationary	8,425.14	20,808.54	(12,383.40)
Public Enterprises	(31,963.73)	3,456.40	35,420.13
PWD	34,225,243	105.00	34,225,138
Tourism	1,271.23	1,584.23	(313.00)
Ministry of Women	122,821.60	129,718.44	(6,896.84)

Ministries/Departments failed to provide satisfactory explanations for the variances in their RFA Miscellaneous Account balances as at 31 December 2007.

**Recommendations**

- **The Department/Ministries should take immediate actions to reconcile and rectify any errors and misallocations with Ministry of Finance.**
- **Ministry of Finance should be more vigilant when checking reconciliations and investigate reasons for any variance.**

<sup>45</sup> Finance Manual (16.3.3 – 16.3.7) 2005

**Ministry's Comments***Comments not received***9.5 Un-retired Petty Cash**

Our cashier must retire their petty cash before the end of the financial year i.e. by the first week of December.<sup>46</sup>

Contrary to the above regulation, the following ministries/departments had outstanding balances in their imprest accounts as at 31/12/07, which should have been retired:

TABLE 9.4: UN-RETIRED IMPREST ACCOUNT

Department/Ministry	Receipts \$	Payments \$	Balance Outstanding as at 31/12/07 \$
Education	5,656.41	6,750.00	1,093.59
Agriculture	25,227.73	25,254.59	26.86
Home Affairs	6.40	---	(6.40)
Information	---	17.78	17.78
Police	6,765.23	3,000.00	(3,765.23)
Treasury	---	200.00	200.00
Water	730.50	740.50	10.00
Total	38,386.27	35,962.87	(2,423.40)

Ministries/Departments failed to provide satisfactory explanations for the outstanding balances in their RFA Imprest Accounts at 31 December 2007.

The lack of controls and supervision resulted uncleared imprest accounts.

**Recommendations**

- Ministries and Departments should be required to provide explanations as to why the imprest accounts were not retired at the end of the year.
- Section 7.3.25 of the Finance Manual 2005 should be strictly complied with.

**Ministry's Comments***Comments not received***10.0 CONTINGENT LIABILITIES****10.1 Terminated Guarantee**

The following government guarantees which were unutilised have been terminated by Cabinet<sup>47</sup> in 2007.

<sup>46</sup> Section 7.3.25 - Finance Manual 2005

<sup>47</sup> Cabinet Decision IGCP (07) 316. Extract from Minutes Held on Tuesday 28<sup>th</sup> August, 2007 at 9.00am

TABLE 10.1: TERMINATED GUARANTEES.

Institutions	Details	Government Guarantee \$
International Hotel Limited	Guarantee terminated	25,000,000
Richmond Fiji Limited	Guarantee no longer required.	12,765,957
Pacific Cogeneration Limited	Cancelled and given to Fiji Sugar Corporation	53,900,000
Home Finance Company	No government interest and guarantee no longer required	409,524

## 10.2 Guarantee of Members contributions to Fiji National Provident Fund

The government guarantee of members' contribution to the Fiji National Provident Fund (FNPF), totalled \$2,481,084,497 or 76% of total government guarantees as at 31 December 2007.

The maintenance of this guarantee may not depend on the liquidity of the reserves of the Fund but on the responsibility the Fund exercises as custodian of employee funds.<sup>48</sup>

Apart from guaranteeing the members contributions, the government owes \$1,607,812,300 to FNPF, which is 73% of total domestic borrowings in bonds as a means of investing members' contributions.

## 10.3 Increased Liabilities for Government Guarantees

Audit noted increase in liability for the following Government guarantees as at 31st December 2007.

TABLE 10.2 INCREASED LIABILITIES FOR GOVERNMENT GUARANTEES

Institutions	Legislation	Government Guarantee 2007 \$	Liability as at 31/12/06 \$	Liability as at 31/12/07 \$	Variance \$	% change
FDB	Approval of House of Representatives 28/11/06	415,168,199	271,569,000	415,168,199	143,599,199	52.9
FEA	Approval of House of Representatives IGCP 26/02/08	230,000,000	135,677,958	156,171,854	20,493,896	15.1
FNPF	Act No 19 of 1966 Section 9	2,481,084,497	2,347,718,218	2,481,084,497	133,366,279	5.7
Fiji Pine Ltd	Approval of House of Representatives 17/08/05	15,700,000	8,853,109	11,887,139	3,034,030	34.3
FSC	Approval of House of Representatives IGCP 20/05/08	126,000,000	22,699,920	32,650,770	9,950,850	43.8
NBF	Act No 14 of 1996	7,159,221	5,924,709	7,159,221	1,234,512	20.8
PAFCO	Approval of House of Representatives	4,109,700	2,842,140	4,109,700	1,267,560	44.6

<sup>48</sup> Government guarantees the Fiji National Provident Fund members annual contribution as stipulated under Legislative Act No 19 of 1966, Section 9.

Institutions	Legislation	Government Guarantee 2007 \$	Liability as at 31/12/06 \$	Liability as at 31/12/07 \$	Variance \$	% change
	31/08/00					

#### 10.4 Invoked Guarantee for Fiji Sports Council

Subject to any other Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorized by the House of Representatives. A guarantee given should be evidenced in writing by the Minister.<sup>49</sup>

The guarantee clause for the Fiji Sports Council loan was invoked by the lender in 2001 thereby committing the government to meet all payments owed. To date, the Fiji Sports Council has failed to meet any payments and has become a debtor to the government owing \$1,412,065 as at 31 December, 2007. Total scheduled instalments are estimated at \$5.3 million to be paid by 31 July 2014.

The Council's inability to meet any repayments reflects the poor assessment and financial forecasting carried out and as such has burdened the government. The current status of the council makes it highly unlikely to meet their future repayments.

#### Recommendations

- **Future projects requiring government guarantees should be thoroughly scrutinised.**
- **Given Fiji Sports Council's inability to pay, it may be advisable for the government to provide for future loan repayments as operating grant to the Fiji Sports Council. Such treatment will avoid accumulation of additional bad and doubtful debt. Tight budgetary controls over the past years has been restricting the provision of budgetary allocations for approved debt write offs and conversions to grants required under the cash-basis of accounting. Other mitigating factors to be considered are:**
  - **future loan repayments commitment cannot be avoided by the government;**
  - **settlement by the council is now doubtful.**
  - **various debts approved for writing-offs or conversion to grant are still outstanding as budgetary provisions are not made because of the huge sum involved. The current arrangement with Fiji Sports Council will only increase the unsettled debts;**
  - **the loan was obtained for the development of sports infrastructure thus contributed positively to social development of the country.**

#### Ministry's Comments:

*MOF fully concurs with the recommendation that all future projects requiring Government Guarantees will be thoroughly scrutinised in line with the Revised Government Guarantee Policy of 2008.*

<sup>49</sup> Section 62 (1) & (2) of the Financial Management Act of 2004.

## 10.5 National Bank of Fiji Guarantee

The repayments of all moneys deposited in the bank, together with such interest as may be due thereon, is guaranteed by the state.<sup>50</sup> These are term deposits outstanding with the then National Bank of Fiji.<sup>51</sup> Colonial National Bank is now administering this account. Colonial has undertaken to use all reasonable endeavours to ensure that the business of the Bank will be carried out in such a manner that the State will not be called upon under or in relation to the guarantee, until the State no longer has any liability under the guarantee.<sup>52</sup>

It was established that upon corporatisation of the National Bank of Fiji, the NBF has disposed majority of its share to the Colonial National Bank. However, the Government is still providing guarantee to the Bank. Deposits guaranteed as at 31 December 2007 amounts to \$7,159,221, an increase of \$1,234,512 or 21% compared to the 2006 guarantee of \$5,924,709.

Furthermore, the increase in government guarantee of the deposits could not be substantiated as the bank is reluctant to provide information on the guaranteed deposits stating that these are confidential information, questioning the validity of the government guarantee obligation.

A legal opinion in the matter has been sought.

### **Recommendation**

**The Government should review the legislation governing the guarantee of Colonial National Bank deposits.**

### **Ministry's Comments:**

*MOF will further liaise with S.G's office on the relevant provisions of the National Bank of Fiji Restructuring Act 1996.*

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<sup>50</sup> Section 62 (1) of Act 14 of 1996

<sup>51</sup> This is in reference to section 63(3) of the National Bank of Fiji Restructuring Act 1996, whereby all monies deposited between 1 September 1998 and 28 February are subject to the guarantee provided by the state under this Act.

<sup>52</sup> Clause 7.2 of the 2<sup>nd</sup> February 1999 Shareholders Agreement.

**APPENDIX 1.1(a): Operating Fund – Expenditures****[Schedule 1 - Appropriation Promulgation 2007]**

Head No.	Ministry/Department	Appropriation Amount \$	Actual Expenditure 2007 \$	Savings / (Over-Spent) \$	%
1	Office of the President and Office of the Prime Minister	7,306,063	4,898,609	2,407,454	33.0
2	Public Service Commission	12,197,387	10,829,114	1,368,273	11.2
3	Office of the Attorney-General	6,422,874	5,927,408	495,466	7.7
4	Ministry of Finance, National Planning, Public Enterprise and Sugar Industry	105,959,137	90,115,142	15,843,995	15.0
5	Ministry of Fijian Affairs, Heritage, Provincial Development and Multi-Ethnic Affairs	54,656,381	37,715,998	16,940,383	31.0
6	Department of Defence	5,402,241	3,746,198	1,656,043	30.7
7	Ministry of Labour, Industrial Relations, Productivity, Tourism and Environment	23,683,665	19,821,196	3,862,469	16.3
8	Ministry of Foreign Affairs and External Trade	16,947,213	15,322,445	1,624,768	9.6
9	Office of the Auditor-General	2,815,580	2,775,508	40,072	1.4
10	Elections Office	707,463	504,073	203,391	28.7
11	Judiciary	12,119,767	11,574,189	545,578	4.5
12	Legislature	1,485,127	1,761,386	(276,259)	(18.6)
13	Office of the Ombudsman	1,421,572	1,386,668	34,904	2.5
14	Office of the Director of Public Prosecutions	3,888,130	3,721,728	166,402	4.3
15	Department of Justice	15,664,456	15,686,319	(21,863)	(0.1)
16	Department of Information	6,464,876	5,526,126	938,750	14.5
19	Fiji Military Forces	80,739,673	126,285,114	(45,545,441)	(56.4)
20	Fiji Police Force	69,946,851	73,589,795	(3,642,944)	(5.2)
21	Ministry of Education	320,678,356	310,924,706	9,753,650	3.0
22	Ministry of Health	150,808,447	150,797,123	11,324	0.0
23	Ministry of Local Government, Urban Development and Public Utilities	118,771,504	77,127,436	41,644,068	35.1
24	Ministry of Women, Social Welfare and Housing	29,281,924	26,568,649	2,713,275	9.3
25	Ministry of Youth, Sports and Employment Opportunities	7,732,326	6,303,962	1,428,364	18.5
30	Ministry of Agriculture, Fisheries and Forests	62,035,967	53,148,099	8,887,868	14.3
33	Ministry of Lands and Mineral Resources	43,810,121	42,399,999	1,410,122	3.2
34	Ministry of Commerce, Industry, Investment and Communications	16,639,050	13,333,530	3,305,520	19.9
40	Ministry of Transport, Works and Energy	118,635,388	114,430,091	4,205,297	3.5
50	Miscellaneous Services	59,120,486	58,808,866	311,620	0.5
<b>Total</b>		<b>1,355,342,025</b>	<b>1,285,029,477</b>	<b>70,312,547</b>	<b>5.2</b>

**APPENDIX 1.1(b): Lending Fund Account****[Appropriation Promulgation 2007]**

Ministry/Department	Appropriation Amount \$	Recovery 2007 \$	Additional Loans 2007 \$
<i>Re-current Loans</i>			
Loans to Public Officers	1,000,000	7,133	5,605
Production Loans to Farmers	72,000	---	---
Loans to Consumer Co-operatives Societies	250,000	12,092	11,277
Loans to Copra Industry for Stabilisation of Earnings	13,500,000	170,005	53,466
Loans to Students attending Tertiary Education Institutions	5,000,000	4,065,951	17,194
Loans to Private Students	500,000	599,508	81,295
Loans to Timber Industry for Stabilisation of Earnings	1,000,000	---	---
Loans to Ministers and Members of Parliament	1,100,000	35,356	---
Fiji Sports Council	---	357,435	---
	22,422,000	5,247,480	168,837
<i>Non-Recurrent Loans</i>			
Students Loan Scheme	1,500,000	1,380,997	421,855
<b>Total</b>	<b>23,922,000</b>	<b>6,628,477</b>	<b>590,692</b>

**APPENDIX 1.2: Variances in Balances in Ministries/Departments and General Ledger**

Department	Drawings	Trust Fund	RFA Miscellaneous
Attorney General			(274,159)
Bureau of Statistics			(3,475)
Cabinet	(102,126)		(512)
Commerce, Business Development & Investment		(3,767)	(300)
DPP			
Education			(57,182)
Fijian Affairs		40,969	(15,505)
Foreign Affairs	(12,713)	9,961	(820)
Forestry			
Home Affairs		(109,856)	
Information	(23,376)		745
Justice		(470)	
Labour		404,024	3,575
Lands			25,344
Legislature		(216,918)	
Local Government, Housing & Environment		(1,000)	
Marine			(185,287)
Ministry of Health			
Ministry of Women			
Multi - Ethnic Affairs		11,198	
National Roads		277,390	
National Planning Office	123		
Office of the Auditor General	(7,630)	(4,723)	
Printing & Stationary			(12,383)
Prisons	731,758	767	
Public Enterprise	(90,187)	176	35,420

Department	Drawings	Trust Fund	RFA Miscellaneous
PWD			34,225,138
Salaries	(1,076)		
Social Welfare		33	
Tourism		14,802	(313)
Transport & Civil Aviation (Marine)		24,533	
Treasury (#149268)	(2,893)		
Treasury (#108651)	855		
Women's Affairs			(6,897)
Youth, Employment Opportunities & Sports	33,434	11,822	
ITC	(15,179)		

The unresolved variances as mentioned above indicate that the ministries/departments have not taken any actions to rectify or correct the errors. The records maintained in the general ledger could therefore not be relied upon to be correct.

### APPENDIX 1.3: Reconciliations not Prepared

Within five days after the issue of the monthly general ledger report by the Ministry of Finance, the accounts officer shall prepare reconciliations to reconcile the 'department records' to the general ledger balances.<sup>53</sup>

Contrary to the above regulation, it was noted that numerous Ministries/Departments failed to submit their reconciliations to Ministry of Finance. Table below highlights ministries/departments that have not submitted their reconciliations for various accounts.

#### APPENDIX 1.3: ACCOUNTS FOR WHICH NO RECONCILIATION SUBMITTED BY MINISTRIES/DEPARTMENTS

Department	Drawings	Trust Fund (Main Trust)	Trust Fund (Operating Trust)	RFA Imprest	RFA Miscellaneous
Agriculture	NS	NS	Oct-Dec NS	NC	NS
Attorney General		NS			NS
Cabinet		NS			
Commerce		NS			
Director of Public Prosecution		NS			
Education				NC	
Elections			NS		NS
Energy	NS	NS	SANS		NS
Fiji Military Forces			Nov-Dec NS		NS
Fijian Affairs					NS
FIMSA (Civil Aviation)			Oct-Dec NS		NS
Finance		NS	SANS		NS
Fisheries & Forestry	NS	NS			
Home Affairs				NC	NS
Immigration		NS	NS		NS
Information			NS	NC	
ITC Services					NS
Judicial		NS	NS		NS
Justice					
Lands	NS		Dec NS		NS

<sup>53</sup> Finance Manual 2005 – sections 4.6; 7.3.24; 7.4.11; 15.4.1 & 16.3.3

Department	Drawings	Trust Fund (Main Trust)	Trust Fund (Operating Trust)	RFA Imprest	RFA Miscellaneous
Labour		NS			
Local Government		NS			
Legislature					NS
Marine					
Meteorological Services					NS
Mineral Resources	NS	NS			
Multi-Ethnic Affairs					NS
National Planning Office			Dec NS		NS
National Roads					NS
Office of the Auditor General					NS
Ombudsman					NS
Police				NC	NS
President's Office			NS		NS
Prisons					NS
Public Service Commission			SANS		NS
Public Works & Infrastructure			SANS		
Provincial Development		NS	SANS		NS
Salaries					
Social Welfare	NS	NS			NS
Supplies		NS			NS
Tourism & Environment		NS			
Trade and Commerce					NS
Treasury					
Water & Sewerage			Nov-Dec NS	NC	NS
Women & Culture	NS				
Works		NS			
Youth & Sports					NS

**Keys:** NS – Not Submitted  
SANS – Some Accounts not Submitted  
NC – Not Cleared

The operations of the above accounts have not been thoroughly scrutinised and therefore the risks of misstatement/misappropriations is high.

## APPENDIX 1.4: Summary of Audit Opinions Issued

Head No	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except for opinion)
1	Office of the Prime Minister	x	x	√	
	Office of the President		x	√	
2	Public Service Commission	N/A	x		√
3	Office of the Attorney General	N/A	x		√
4	Ministry of Finance, National Planning, Public Enterprise and Sugar Industry	√	√		√
	<i>Finance</i>				
	<i>FMR</i>				
	<i>National Planning Office</i>				
	<i>Bureau of Statistics</i>				

Head No	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except for opinion)
	<i>Supplies</i>				
	<i>Printing &amp; Stationery</i>				
	<i>ITC</i>				
	<i>Treasury</i>				
	<i>Public Enterprises</i>				
5	Ministry of Fijian Affairs, Heritage, Provincial Developments and Multi Ethnic Affairs	√	x	√	
	<i>Multi Ethnic Affairs</i>				
	<i>Provincial Development</i>				
	<i>Fijian Affairs</i>				
6	Ministry of Defence	√	x	√	
	<i>Immigration Department</i>				
	<i>Department of Home Affairs</i>				
7	Ministry of Labour, Industrial Relations, Productivity, Tourism and Environment	√	x	√	
	<i>Labour</i>				
	<i>Tourism</i>				
	<i>Environment</i>				
8	Ministry of Foreign Affairs and External Trade	N/A	x	√	
9	Office of the Auditor General				
10	Elections Office	N/A	x	√	
11	Judiciary	N/A	x	√	
12	Legislature	N/A	x	√	
13	Office of the Ombudsman	N/A	x		√
14	Office of the Director of Public Prosecution	N/A	√		√
15	Department of Justice		x	√	
	<i>Fiji Prisons Services</i>	x	x	√	
16	Ministry of Information & National Archives	N/A	x		√
19	Fiji Military Forces	N/A	x	√	
20	Fiji Police Force	N/A	x	√	
21	Ministry of Education	N/A	√		√
22	Ministry of Health	N/A	√	√	
23	Ministry of Local Government, Urban Development and Public Utilities	N/A	√	√	
24	Ministry of Women, Social Welfare and Housing	N/A	√	√	
25	Ministry of Youth, Sports and Employment Opportunities	N/A	√		√
30	Ministry of Agriculture, Fisheries and Forests				
	<i>Agriculture</i>	x	√	√	
	<i>Fisheries</i>		√	√	
	<i>Forestry</i>		√	√	
33	Ministry of Lands and Mineral Resources	x			
	<i>Lands</i>		√	√	

Head No	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except for opinion)
	<i>Mineral Resources</i>		√	√	
34	Ministry of Commerce, Industry, Investment and Communications	√			√
	<i>Commerce</i>				
	<i>Communication &amp; Telecom Auth</i>				
	<i>Cooperative</i>				
40	Ministry of Transport, Works and Energy	√	√	√	
	<i>Met Services</i>				
	<i>FIMSA</i>				
	<i>GSS</i>				
	<i>Civil Aviation</i>				
	<i>Roads</i>				
	<i>Works - Ministry</i>				
	<i>Energy</i>				
	<i>Transport</i>				

### APPENDIX 1.5: Summary of Financial Statements submitted for 2007

Head No.	Ministry/Department	Financial Statements Submitted					
		Receipts & Expend.	Statement of Output Costs	Approp. Statement	Losses	P & L - TMA	Trust Accounts
1	Office of the Prime Minister	√	√	√	x	N/A	x
	Office of the President	√	x	√	x	N/A	x
2	Public Service Commission	√	√	√	√	N/A	x
3	Office of the Attorney General	√	√	√	√	N/A	x
4	Ministry of Finance, National Planning, Public Enterprise and Sugar Industry	√	√	√	√	√	√
	<i>Finance</i>						
	<i>FMR</i>						
	<i>National Planning Office</i>						
	<i>Bureau of Statistics</i>						
	<i>Supplies</i>						
	<i>Printing &amp; Stationery</i>						
	<i>ITC</i>						
	<i>Treasury</i>						
	<i>Public Enterprises</i>						
5	Ministry of Fijian Affairs, Heritage, Provincial Developments and Multi Ethnic Affairs	√	x	√	x	N/A	x
	<i>Multi Ethnic Affairs</i>						
	<i>Provincial Development</i>						
	<i>Fijian Affairs</i>						
6	Ministry of Defence	√	√	√	x	N/A	x
	<i>Immigration Department</i>						
	<i>Department of Home Affairs</i>						

Head No.	Ministry/Department	Financial Statements Submitted					
		Receipts & Expend.	Statement of Output Costs	Approp. Statement	Losses	P & L - TMA	Trust Accounts
7	Ministry of Labour, Industrial Relations, Productivity, Tourism and Environment	√	√	√	x	N/A	x
	<i>Labour</i>						
	<i>Tourism</i>						
	<i>Environment</i>						
8	Ministry of Foreign Affairs and External Trade	√	√	√	x	N/A	x
9	Office of the Auditor General						
10	Elections Office	√	√	√	x	N/A	x
11	Judiciary	√	√	√	x	N/A	x
12	Legislature	√	√	√	x	N/A	x
13	Office of the Ombudsman	√	√	√	√	N/A	x
14	Office of the Director of Public Prosecution	√	√	√	√	N/A	√
15	Department of Justice	√	√	√	x	N/A	x
	<i>Fiji Prisons Services</i>	√	√	√	x	N/A	x
16	Ministry of Information & National Archives	√	√	√	√	N/A	x
19	Fiji Military Forces	√	√	√	√	√	x
20	Fiji Police Force	√	√	√	√	N/A	x
21	Ministry of Education	√	√	√	√	N/A	√
22	Ministry of Health	√	√	√	x	x	x
23	Ministry of Local Government, Urban Development and Public Utilities	√	√	√	x	x	x
24	Ministry of Women, Social Welfare and Housing	√	√	√	x	N/A	√
25	Ministry of Youth, Sports and Employment Opportunities	√	√	√	√	N/A	x
30	Ministry of Agriculture, Fisheries and Forests						
	<i>Agriculture</i>	√	√	√	√	√	x
	<i>Fisheries</i>	√	x	x	x	N/A	x
	<i>Forestry</i>	√	x	x	x	√	x
33	Ministry of Lands and Mineral Resources						
	<i>Lands</i>	√	√	√	x	N/A	x
	<i>Mineral Resources</i>	√	√	x	x	N/A	x
34	Ministry of Commerce, Industry, Investment and Communications	√	√	√	√	√	x
	<i>Commerce</i>						
	<i>Communication &amp; Telecom Auth</i>						
	<i>Cooperative</i>						
40	Ministry of Transport, Works and Energy	√	√	√	√	√	x
	<i>Met Services</i>						
	<i>FIMSA</i>						
	<i>GSS</i>						
	<i>Civil Aviation</i>						
	<i>Roads</i>						

Head No.	Ministry/Department	Financial Statements Submitted					
		Receipts & Expend.	Statement of Output Costs	Approp. Statement	Losses	P & L - TMA	Trust Accounts
	<i>Works - Ministry</i>						
	<i>Energy</i>						
	<i>Transport</i>						

## APPENDIX 2: Trust Fund Details

### Main (True) Trust Fund Balances as at 31/12/07

Ministry/Department	Balance \$
Cabinet	8,172
Director of Public Prosecutions	1,041
Department of Energy	1,239,202
Ministry of Finance	10,397,312
Government Supplies	821,234
Provincial Development	2,027,319
Immigration Department	9,404,239
Ministry of Labour & Industrial Relations	397,262
Judiciary	6,956,749
Ministry of Local Government	36,921
Ministry of Agriculture	499,790
Ministry of Fisheries & Forestry	27,731
Mineral Resources	719,090
Department of Social Welfare	---
Tourism and Environment	101,882
Less: Overdrawn Account	
Attorney-General	(412)
Ministry of Commerce	(24,374)
Department of Works	(484,475)
Total Main Trust Fund	32,128,683

### Operating Trust Fund (Payroll Deductions) Balances as at 31/12/07

Ministry/Department	Balance \$
Agricultural Tribunal	716
Attorney-General	313,336
Auditor-General	31,339
Bureau of Statistics	60,027
Co-operatives	7,430
Commerce, Business Development and Investment	23,915
Director of Public Prosecution	114,683
Education, Women, Culture, Science and Technology	1,378,864
Energy	438,990
FMF	2,074,387
Fijian Affairs	56,570
FIMSA (Civil Aviation)	12,683
Foreign Affairs	2,587,603

Ministry/Department	Balance \$
Government Supplies	88,669
Health	7,481,525
Home Affairs	89,324
Immigration	4,495
Information Technology & Computing Services	47,555
Justice	38,357
Lands	1,372,965
Legislature	171,141
Local Government, Housing and Environment	43,846
Mineral Resources	19,378
National Planning Office	13,630
National Roads	11,999,457
Ombudsman's Office	9,009
Police	1,693,937
Prisons	418,564
Provincial Development	9,075
Public Service Commission	317,028
Public Works	1,333,028
Transport & Civil Aviation (Marine)	33,830
Tourism & Environment	51,897
Water & Sewage	2,093,014
Youth, Employment Opportunities & Sports	367,270
Less: Overdrawn Account	
Agriculture	(512,485)
Cabinet	(40,138)
Elections Office	(507,284)
Forestry	(51,385)
Government Printing & Stationery	(20,469)
Information	(5,752)
Judicial	(1,036,391)
Labour & Industrial Relations	(46,669)
Meteorological Services	(46,448)
Ministry of Finance	(93,361)
Multi-Ethnic affairs	(2,218)
Presidents Office	(1,143)
Public Enterprise	(85,732)
Social Welfare	(23,155)
Womens Affairs	(10,876)
Total Operating Trust Fund	32,314,031

### APPENDIX 3: Submission of Reconciliations

#### Main (True) Trust Fund Account

Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cabinet	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
DPP	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Department of Energy	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Finance	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Government Supplies.	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Provincial Development	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS

Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Immigration Department	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Labour & Industrial Relations	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Judiciary	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Local Government	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Agriculture	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Fisheries & Forestry	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Mineral Resources	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Department of Social Welfare	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Tourism and Environment	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Attorney-General	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Commerce	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Department of Works	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS

### Operating Trust Fund Account

Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Energy	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS
FMF	S	S	S	S	S	S	S	S	S	S	NS	NS
FIMSA (Civil Aviation)	S	S	S		S	S	S	S	NS	NS	NS	NS
Immigration.	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Lands	S	S	S	S	S	S	S	S	S	S	S	NS
National Planning Office	NS	NS	NS	NS	NS	S	NS	NS	NS	S	S	NS
Provincial Development	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS
Public Service Commission	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NS	NS	NS	NS
Public Works	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS
Water & Sewage	S	S	S	S	S	S	S	S	S	S	NS	NS
Elections Office	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Information	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Judicial	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Ministry of Finance	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS	NAAS
President's Office	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS

### Key

S: Submitted  
 NS: Not Submitted  
 NAAS: Not All Accounts Submitted

## APPENDIX 4: Estimated Collections for 2007 to Actual Revenue Collection

Revenue	Estimated Revenue 2007 \$	Actual Revenue 2007 \$	Variance \$	% Variance
<b>OPERATING REVENUE</b>				
Value Added Tax	517,890,800	465,831,990	(52,058,810)	(10)
Fiscal Duty	230,951,644	201,670,706	(29,280,938)	(13)
Export Duty	6,474,000	8,266,216	1,792,216	28
Import Duty	19,305,908	15,691,415	(3,614,493)	(19)
Hotel Turnover Tax	16,780,800	13,381,358	(3,399,442)	(20)
Miscellaneous Fees and Receipts	3,438,073	2,886,479	(551,594)	(16)
<b>Fees, Fines &amp; Charges</b>				
Stamp Duty	20,408,700	14,141,488	(6,267,212)	(31)
Produce and Inspection	486,700	1,060,120	573,420	118
Native Timber Measurement	853,700	478,988	(374,712)	(44)
Land and Survey Fees	359,000	297,742	(61,258)	(17)
Mining Fees	2,400	76,793	74,393	3,100
Passports	7,208,900	6,571,773	(637,127)	(9)
Town Planning Fees	321,700	222,034	(99,666)	(31)
Examination Fees	---	26,158	26,158	no budget
Government Day Schools-Fees.	822,800	645,003	(177,797)	(22)
Health Fumigation and Quarantine	503,600	166,048	(337,552)	(67)
Fiji School of Nursing	244,600	222,122	(22,478)	(9)
Departure Tax	7,888,300	9,397,340	1,509,040	19
Audit Fees	506,400	438,444	(67,956)	(13)
Registration.	594,500	454,269	(140,231)	(24)
LTA Fee	---	2,890,349	2,890,349	no budget
Arms	112,100	26,079	(86,021)	(77)
Banks	---	82	82	no budget
Coasting	9,800	6,741	(3,059)	(31)
Liquor	230,500	425,928	195,428	85
Trading	201,900	179,937	(21,963)	(11)
Dogs	9,700	12,143	2,443	25
Hotels and Guest Houses	5,100	137,270	132,170	2,592
Telecommunications and Television	3,302,800	1,853,004	(1,449,796)	(44)
Fishing	679,900	185,139	(494,761)	(73)
Other	278,500	35,168	(243,332)	(87)
Water & Sewerage Rates and Charges	19,501,800	16,841,086	(2,660,714)	(14)
Sewerage Charges	2,200	105,930	103,730	4,715
Royalties Timber	600	409	(191)	(32)
Royalties - Sand, Coral, Metal, etc.	137,300	29,084	(108,216)	(79)
Fines	1,110,700	2,437,924	1,327,224	119
Overdue, lost & damaged library books.	1,700	1,202	(498)	(29)
Administrative Fines and Forfeiture	26,700	13,042	(13,658)	(51)
<b>Total Fees, Fines &amp; Charges</b>	<b>70,567,800</b>	<b>64,193,858</b>	<b>(6,373,942)</b>	<b>(9)</b>
<b>Operating Revenue - Sales</b>				
Sales of Govt Dept	---	5,329	5,329	no budget
Sales of Companies	---	609	609	no budget
<b>Total Sales Revenue</b>	<b>---</b>	<b>5,938</b>	<b>5,938</b>	<b>no budget</b>
<b>Other Revenue and Surpluses</b>				
RBF Revaluation Reserve Account.	7,000,000	4,151,589	(2,848,411)	(41)

Revenue	Estimated Revenue 2007 \$	Actual Revenue 2007 \$	Variance \$	% Variance
Fumigation	---	7,290	7,290	no budget
Woodwork and Materials	100	43	(57)	(57)
NBF Profits	---	2,000,000	2,000,000	no budget
Land.	8,127,500	9,033,691	906,191	11
Building	91,300	122,486	31,186	34
Hire of Plant and Vehicles	32,400	9,822	(22,578)	(70)
Revenue from Rest Houses	2,300	2,659	359	16
Crown Schedule 'A' Land Rents	300	10,879	10,579	3,526
Commission	1,143,400	1,035,872	(107,528)	(9)
Photographs	300	90	(210)	(70)
Sales of Publications	208,500	166,231	(42,269)	(20)
Revenue from Production of Films	29,100	18,143	(10,957)	(38)
Survey & Sales of Navigation Publications	905,200	282,233	(622,967)	(69)
Meat Inspection	12,200	34,464	22,264	182
Veterinary and Animal Quarantine	48,600	20,889	(27,711)	(57)
Freight and Charter Receipts	128,500	146,503	18,003	14
Chemical Assay	7,100	10,591	3,491	49
Valuation Fees	8,300	9,669	1,369	17
Produce-Agricultural Experimental Stations	56,100	39,440	(16,660)	(30)
Agricultural Commercial Undertakings	4,200	335	(3,865)	(92)
Sale of Fish and Ice	307,100	233,718	(73,382)	(24)
Sale of Sheep and Wool	41,800	30,115	(11,685)	(28)
Fiji College of Agriculture	31,200	22,686	(8,514)	(27)
Agricultural Landlord and Tenant Tribunal	1,000	1,335	335	34
Board Member Fees	---	27,759	27,759	no budget
Other	11,695,900	12,947,840	1,251,940	11
<b>Reimbursement and Recoveries</b>				
<b>Reimbursement of Services</b>				
Reimbursement for Meteorological Services	191,700	3,415,671	3,223,971	1,682
Reimbursement of Services	25,000	11,140	(13,860)	(55)
Reimbursement of Debt Servicing	373,600	447,767	74,167	20
<b>Refund of Payments</b>				
Training & Productivity Authority of Fiji.	---	9,467	9,467	no budget
Government Employees' Provident Fund	200	30	(170)	(85)
Recoveries of Overpayments in Previous Years	3,054,000	1,559,166	(1,494,834)	(49)
<b>Contributions for Capital Projects</b>				
Village Water Supplies	322,000	55,665	(266,335)	(83)
Rural Electrification	500	101	(399)	(80)
1/3 Contributions	---	30,727	30,727	no budget
Multinational Force and Observers	7,000,000	12,451,382	5,451,382	78
<b>Total Reimbursement and Recoveries</b>	<b>10,967,000</b>	<b>17,981,117</b>	<b>7,014,117</b>	<b>64</b>
<b>Grant In Aid</b>				
Australian Development Grants	110,900	30,967	(79,933)	(72)
New Zealand Bilateral Aid Programme	1,217,300	2,163,000	945,700	78
United Nations Development Programme	802,700	154,621	(648,079)	(81)
European Union	9,000,000	---	(9,000,000)	(100)
Japan Government Grants	---	24,960	24,960	no budget
Other Grant in Aid	2,246,500	1,145,131	(1,101,369)	(49)
<b>Total Grants In Aid</b>	<b>13,377,400</b>	<b>3,518,679</b>	<b>(9,858,721)</b>	<b>(74)</b>
<b>INVESTING REVENUE</b>				
<b>Repayment Of Term Loans Receivable</b>				
Repayment of Loans	160,800	845	(159,955)	(99)

Revenue	Estimated Revenue 2007 \$	Actual Revenue 2007 \$	Variance \$	% Variance
Interest	---	38,276	38,276	no budget
Total Repayments of Term Loans Receivable	160,800	39,121	(121,679)	(76)
<b>Sale Of Government Assets</b>				
Disposal of Investments in Infrastructure Services	6,000,000	---	(6,000,000)	(100)
<b>Dividends From Investments</b>				
Investments in Social Services	3,151,600	526,948	(2,624,652)	(83)
Investments in Economic Services	9,943,000	2,824,298	(7,118,702)	(72)
Investments in Infrastructure Services	15,735,000	18,619,912	2,884,912	18
Total Dividends from Investments	28,829,600	21,971,159	(6,858,441)	(24)
<b>Interest from Bank Balances</b>				
Interest from Local Banks	---	10,760,575	10,760,575	no budget
Interest from T/D with Local Banks	---	2,208,900	2,208,900	no budget
Total Interest From Bank Balances	---	6,773,681	6,773,681	no budget
Return of Surplus Capital from TMA Operations	-	1,630,080	1,630,080	no budget
<b>TRANSFERRERED FROM BORROWING FUND ACCOUNT</b>				
<b>Overseas Loans</b>				
<b>International Development Bank Loans</b>				
Project (FRUP III)	8,400,000	9,289,839	889,839	11
ADB Loan Suva/Nausori Water Supply	22,000,000	9,036,711	(12,963,289)	(59)
International Bond Market Issuance	259,486,800	-	(259,486,800)	(100)
Total Overseas Loans	289,886,800	18,326,550	(271,560,251)	(94)
<b>Domestic Loans</b>				
Development and Conversion Loans.	81,158,300	100,536,321	19,378,021	24
TOTAL REVENUE FROM LOANS	371,045,100	118,862,870	(252,182,230)	(68)

## APPENDIX 5: Details of Batch 416378

Account No	Amount \$	Account No	Amount \$
40-5-1-1	(6,661.47)	40-5-4-4	215.08
40-5-1-1	5,449.97	40-5-4-4	316.80
40-5-1-1	240.00	40-5-4-4	119.69
40-5-2-1	(1,971.87)	40-5-4-13	426.00
40-5-2-1	(64.08)	40-5-5-5	120.00
40-5-2-2	1,971.87	40-5-5-4	(120.00)
40-5-2-2	64.08	40-5-5-2	(2,439.22)
40-5-2-2	358.60	40-5-5-1	2,439.22
40-5-2-2	587.65	40-5-6-1	(9,584.33)
40-5-2-3	(358.60)	40-5-6-2	55.11
40-5-2-3	(587.65)	40-5-6-8	29,000.00
40-5-2-1	157.50	40-5-6-8	29,000.00
40-5-2-2	(157.50)	40-5-6-2	(4,376.71)
40-5-2-1	161.92	40-5-6-3	55.11
40-5-2-1	(161.92)	40-5-6-3	800.00
40-5-3-8	(372.00)	40-5-6-1	9,584.33

Account No	Amount \$	Account No	Amount \$
40-5-3-8	(54.00)	40-5-6-1	1,206.00
40-5-4-2	(119.69)	40-5-6-1	(7,833.00)
40-5-4-2	164.56	40-5-6-1	7,833.00
40-5-4-4	(426.23)	40-5-7-2	908.97
40-5-4-4	(161.62)	40-5-7-4	(226.65)
40-5-4-4	(215.08)	40-5-7-4	(226.65)
40-5-4-4	(316.80)	40-5-7-1	908.97
40-5-4-8	(164.56)	40-5-8-4	(352.00)
40-5-4-4	426.23	40-5-10-2	2,370.71
40-5-4-4	161.62	40-5-10-2	352.00

## APPENDIX 6: Reconciliations Not Submitted

Ministries/Departments	Months not Submitted 2007
<i>RFA - Imprests</i>	
Attorney General	November - December
Home Affairs	January - July
Judicial	January - February
Lands	January
Police	None for 2007
Public Works & Infrastructure	January
Regional Development	None for 2007
Supplies	March
<i>RFA-IDC</i>	
Agricultural Tribunal	April, May, August & September
Auditor - General	November - December
Elections	None for 2007
Energy	November - December
Fiji Military Forces	October - December
Fisheries and Forestry	November
Home Affairs	October
Information	December
ITC Services	October - December
Judicial	None for 2007
Justice	November
Marine	May
Meteorological Services	May, July & August
National Roads	December
President's Office	None for 2007
Prisons	January - February
Public Works & Infrastructure	October
Regional Development	January, February, November & December
Salaries	March
Tourism	December
Treasury	None for 2007
Women	December

Ministries/Departments	Months not Submitted 2007
Youth & Sports	October - November
<i>RFA-Miscellaneous</i>	
Agriculture	May - December
Attorney-General	January
Auditor-General	September - December
Elections	None for 2007
Energy	None for 2007
Environment	None for 2007
Fiji Military Forces	December
Fijian Affairs	July - September
FIMSA	None for 2007
Finance	None for 2007
Home Affairs	November - December
Immigration	December
ITC Services	November - December
Judicial	January - March
Lands	None for 2007
Legislature	January – April
Meteorological Services	January – April & November - December
Multi-Ethnic Affairs	None for 2007
National Planning	July - December
National Roads	April – May & November
Ombudsman	None for 2007
Police	January - March
President	None for 2007
Prisons	None for 2007
Public Service Commission	October - December
Regional Development	January
Social Welfare	December
Supplies	June & November
Trade and Commerce	October - December
Water & Sewage	None for 2007
Youth & Sports	November

