



EXCELLENCE IN PUBLIC SECTOR AUDITING

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 - 2011**



PARLIAMENTARY PAPER NO 23 OF 2014



EXCELLENCE IN PUBLIC SECTOR AUDITING

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 – 2011**





8th Floor, Ratu Sukuna House,
MacArthur Street,
P. O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

REPUBLIC OF FIJI
OFFICE OF THE AUDITOR GENERAL

Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: <http://www.oag.gov.fj>



Excellence in Public Sector Auditing

File: 102

31 October, 2011

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

Dear Commodore Bainimarama

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

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

Tevita Bolanavanua

Tevita Bolanavanua
Auditor-General



FOREWORD

This report covers the results of our audit of the Whole of Government (WOG) Financial Statements and the Annual Appropriation Statement for 2011 and its 32 ministries and departments as provided in the 2010 Appropriation (Amendment) Decree.

The purposes of this report are to:

- report on the audit of the WOG Financial Statements as at 31 December 2011 covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments as at 31 December 2011 covered under volume 2-4 of the report;
- report on the results of, and matters arising from, our 2011 audits of ministries and departments also covered under volume 2-4; and
- raise other matters that we believe warrant consideration by Cabinet.

The WOG Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji for the year ended 31 December 2011 has been audited in accordance with section 5 of the State Service Decree No. 6, sections 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

A qualified audit opinion was issued on the WOG Financial Statements due to the absence of bank reconciliations for various bank accounts, bank balances not recorded, cash at bank with negative bank balances and material variances between the general ledger and the actual cash held as at 31 December 2011. The attention of the management was also drawn to other issues highlighted in the Independent Audit Report in the WOG Financial Statements.

Section 70 (3) of the Finance Instructions states that draft agency financial statements for ministries and departments must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General. Of the 32 ministries/departments appropriated in the 2010 appropriation decree, 11 Ministries failed to submit their Agency Financial Statement on the 31st of March, 2012 contrary to section 70 (3) of the Finance Instructions delaying the issue of their audit reports.

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

The issues qualified for some ministries and departments were the same as those highlighted in 2010 which indicated that no improvement had been made or in some instances; no action was taken by respective ministries and departments.

The results and matters arising from our audits of ministries and departments are covered under volume 2-4 of the report.



Tevita Bolanavanua
AUDITOR - GENERAL

EXECUTIVE SUMMARY

The Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2011 has been audited in accordance with section 5 of the State Services Decree No. 6, section 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report as the Cash at Bank balance as at 31/12/11 totalling \$250.8 million were not properly supported with bank reconciliations for various bank accounts, there were bank balances without any cash held, some cash at bank balances were not recorded, there were cash at bank balances with negative general ledger balances and there were instances of material variances between the general ledger and actual cash.

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

- Expenditure totalling \$14.5 million was disbursed by the Ministry of Finance for certain Ministries/Departments for *Travel and Communications*, *Purchase of Goods and Services* and *Capital Grants and Transfers* through Standard Liability Group (SLG) 84. There was no acquittal or policy guideline to support SLG 84 transactions; as such sums utilized by the Ministry/Department could not be verified.
- The correctness of operating revenue receipted through the Accounts Receivable module of the Financial Management Information System, totalling \$27.3 million, reflected in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the WOG Financial Statement could not be substantiated and were not correctly accounted for in accordance with cash basis of accounting as in Note 1 to the Financial Statements.
- Investments totalling \$14.2 million were not properly evaluated which included inoperative entities (\$6.5 million); investments with Fiji Ships and Heavy Industries Limited (\$7.66 million) have been disposed off but are still being recorded in the *Statement of Assets and Liabilities*.
- Share certificates were not produced for investments totalling \$52.6 million.
- Records to substantiate the accuracy and completeness of borrowing revenue totalling \$650.5 million in the *Statement of Receipts and Payments* in Schedule 2 and the total debt owed by the Government as at 31/12/11 totalling \$3.5 billion in *Note 19* to Whole of Government Accounts were lacking.
- In the absence of reconciliations, revenue collected for Land Transport Authority (LTA) fees \$43.5 million, departure taxes \$61.3 million and water rates \$24.7 million as reflected in the *Statement of Receipts and Payments* in Schedule 2 could not be substantiated.
- Trust accounts with Ministries/Departments were overdrawn by \$9.7 million contrary to Finance Circulars 4 of 30/3/98.
- Balances in the Trading Manufacturing Accounts (TMA) surplus and accumulated surplus of \$24.6 million could not be substantiated as no supporting documentations were provided.
- Lending Fund Account contained errors and omission of \$1.7 million in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the WOG financial statement with respect to loans, loan recovery to/from government entities in 2011.

- A prior year adjustment of \$48,853,126 in the *Consolidated Statement of Receipts and Payments* could not be substantiated for adjustments made in 2011.

The following is a summary of the audit observations.

2011 WOG Financial Statements

Cash at Bank

Cash at Bank balance increased significantly from \$185,443,615 in 2010 to \$250,876,999 in 2011 due to significant increases in overseas bank balance (52%), trading & manufacturing account balance (19%) and trust fund account balance 20%. In addition, there was an increase in domestic bank balances by 3%.

The net of errors and omissions in the cash at bank balance reflected in the Statement of Assets and Liabilities in the WOG Financial Statement totalled to \$287.8 million. These were attributed to the absence of the bank reconciliations for various bank accounts, bank balances without any cash held, cash at bank balances not recorded, cash at bank with negative balances and there were instances of material variances between the general ledger and actual cash held by the banks.

Unpresented cheques have increased \$48.8 million in 2010 to \$50.3 million in 2011. The significant unpresented cheques balances indicated that spending for certain Ministries and Departments increase towards the end of the year. Such spending often results in uneconomical purchases affecting the following year's cash flows.

Investment

Government's total investments held in 30 companies in 2011 were \$438,907,121. Only 8 entities remitted dividends to Government totalling \$10.6 million in 2011 compared to a forecasted dividend income for 2011 of \$30.1 million. Six entities with total government investments of \$6.5 million are inoperative.

Fiji Ships and Heavy Industries Limited (FSHIL) shares totalling \$7.66 million continues to be reflected as Government investments despite being disposed off.

Share certificates for investments totalling \$52.6 million were not provided for audit review.

Trust Fund

\$1.5 million in respect of trust monies were not appropriately supported by Cash. 10 Ministries and Departments had overdrawn their trust fund accounts totalling \$9.7 million as 31/12/11.

Revenue

Revenue collected totalled \$2,451,779,617 in 2011 due to the global bonds raised totalling US\$250 million following the approval of Cabinet on 9th November 2010.

Revenue totalling \$27.3 recorded in the general ledger of Ministries/Departments using Accounts Receivable module in 2011 was inclusive of both accrued sales and cash sales. This was not consistent with cash basis of accounting adopted by Government.

Proper reconciliations and records were lacking to substantiate the borrowing revenue totalling \$650.5 million while revenue collected for Land Transport Authority (LTA) fees (\$43.5 million), departure

taxes (\$61.3 million) and water rates (\$24.7 million) could not be substantiated due to the absence of reconciliations.

Expenditure

Government spending totalling \$2,402,752,517 in 2011 increased by \$502.7 million compared to 2010.

Operating expenditure increased by \$793.97 million from 2002 to 2011 with an average increment of \$88 million or 10%. Operating expenditures compared to 2010 recorded an increase of \$352.55million or 23% in 2011.

There was an overall budget saving of \$77.7 million in 2011 compared to \$93.9 million in 2010. Total revised budget in 2011 increased by \$486.50 million from \$1.994 million in 2010 to \$2.480 million during 2011.

The surplus recorded in 2011 was due to the savings made to the following standard expenditure group allocations: Travel and Communications (SEG 3) recorded savings of \$1,612,852 (2%), Maintenance and operations (SEG 4) \$2,839,741 (3.7%), Purchases of goods and services (SEG 5) \$4,123,770 (5.3%), Operating grants & transfers (SEG 6) \$3,207,774 (4.1%), Special expenditures (SEG 7) \$11,451,106 (14.7%), Capital construction (SEG 8) \$4,616,788 (5.9%), Capital purchases (SEG 9) \$2,326,556 (3%), Capital grants and transfers (SEG 10) \$15,369,630 (19.8%), Pensions and gratuities \$4,253,897 (5.5%), Finance charges on public debt \$27,365,003 (35.2%) and Value Added Tax (SEG 13) \$7,762,807 (10%).

Borrowings Fund Account

Public debt owed in 2011 totalled \$3.5 billion and comprised of domestic loans of \$2.6 billion or 74% of total debt; overseas loans of \$832 million or 24%; and Treasury Bills \$70.9 million or 2%.

New loans raised in 2011 totalled \$721.43 million which comprised of \$81.47 million that were funded through domestic bonds, \$70.92 million in treasury bills and \$569.04 million in overseas loans.

The following anomalies were noted:

- The Ministry failed to reconcile its overseas loan balances as reflected in the Financial Management Information System (FMIS) general ledger to the Commonwealth Secretariat Debt Recording Management System (CS – DRMS) and the Loan Financial Management Information System (LFIS);
- The Ministry also did not record those overseas loans received by cash through the consolidated fund account, direct disbursement of loan made to contractors, and the interest and commitment fee capitalized on the overseas loans;
- Failure to record a *domestic loans* during 2011 totalling \$35 million into the FMIS general ledger; and
- Records to substantiate those overseas loans totalling \$7.5 million were lacking.

Lending Fund Account

Loans made by Government and outstanding as at 31/12/11 totalled \$70.4 million a decrease of \$3.5 million or 5% compared to 2010. Repayments received in 2011 totalled \$3.5 million whilst additional loans given and interest capitalized in 2011 was \$139,063.

Loan recoveries collected in 2011 totalling \$2,677,182 were not recorded as revenue in the general ledger (FMIS) after being credited to the Lending Fund Account.

Revolving Fund Account (RFA)

RFA – Miscellaneous showed large outstanding/overdrawn balances for various Ministries and Departments totalling \$6.5 million.

The Revolving Fund Account (RFA) – Miscellaneous net outstanding balance as at 31/12/11 for Whole of Government (WOG) stood at \$23 million, a decrease of \$37,863,163 or 62% compared to 2010.

The audit could not substantiate the Trading and Manufacturing Accounts (TMA) surplus and TMA accumulated surplus totalling \$24.6 million as recorded in the General Ledger in 2011.

6 out of the 29 TMAs were operating above their appropriated ceiling.

The Fiji Handicraft Centre TMA which ceased operation in 2010 continued to reflect outstanding balance of \$43,224 in the general ledger as at 31/12/11.

The Standard Liability Group (SLG) 85 despite a liability showed a debit balance of \$1.96 million. While unutilised funds in SLG 84 carried over by Ministries/Departments as at 31 December 2011 decreased by \$1.6 million or 20% compared to the total funds carried over from 2010.

There was no policy guideline to support the SLG 84 and 85 transactions.

Contingent Liabilities

Total contingent liabilities as at 31/12/11 amounted to \$1.93 billion. This comprised the domestic loans of \$1.92 billion or 99.6% of total liabilities while overseas loans accounted for \$0.1 billion or 0.4%.

Sinking Fund Account and JP Morgan Cash at Bank Account

The Ministry failed to prepare the JP Morgan cash account and the sinking fund account reconciliations for the 2006 and 2011 global bond raised of US\$150 million and US\$250million respectively.

2011 Accounts of Ministries and Departments

Of the 32 Ministries/Departments appropriated under the 2011 Appropriation Decree No. 59 of 2010, 11 Ministries/Department did not submit their Agency Financial Statement (AFS) on the 31st of March, 2012 to our Office as required under section 70(3) of the Finance Instructions 2011. The submission of the 2011 draft accounts by the agencies improved significantly compared to prior years.

Office of the President

The Office failed to carry out a Board of Survey since 2009.

The Office failed to prepare the monthly reconciliation statement since 2005 for Revolving Fund Miscellaneous Account having a balance of \$266,963.44. Significant portion of the RFA balance have been carried forward from previous years.

As at 31 December 2011, some of the Operating Trust Fund Account balances were overdrawn.

The Office did not prepare the monthly reconciliation for Trust Fund Account since 2005 which has a balance of \$57,543.02. True trust fund account (Fund 9) had a debit balance of \$147,248.31 which relates to Chinese grant operated by the Office of the Prime Minister which is yet to be adjusted.

The Office failed to prepare and submit the VAT Returns to Fiji Revenue & Customs Authority from March 2011 to December 2011.

Office of the Prime Minister

A variance of \$263,831.96 existed in the drawings account between the Office reconciliation and general ledger (FMIS) balance.

Eighteen of the Operating Trust Fund accounts were overdrawn as at 31/12/11.

Fiji Military Force Engineers failed to submit progress reports, acquittal reports and the final reports for two projects undertaken by them totalling \$275,435.51.

There was a lack of supporting documents to substantiate payment made through Credit Card. Credit Card payments were made after the due dates resulting in unnecessary finance charges charged by the bank.

The Office failed to examine and reconcile the credit card bank statement.

Public Service Commission

There were un-reconciled balances between Commission and FMIS records relating to Revolving Fund Account.

Lending Fund Account allocation had a credit balance of \$8,529,051. The Commission failed to provide any reconciliation for this account.

The Commission failed to deduct the provisional tax of 15% from payments made to contractors who do not provide Certificate of Exemption.

Office of the Attorney General and Solicitor General

The Office was not able to provide any details for account allocation 1-03000-00000-910000 – accumulated surplus/deficit having a credit balance of \$5,134,622.

The Operating Trust Fund Account had a balance of \$516,834. Significant portion has been carried forward from previous year, which have remained un-cleared.

Main Trust Fund Account balance of \$169,470 was recorded as Revolving Fund Account balance hence understating Main Trust Fund Account and overstating the Revolving Fund Account balance.

Continuous losses incurred by the Office in providing Film Censorship Services.

Ministry of Finance

Expenditure totalling to \$14.5 million was disbursed by the Ministry of Finance for certain Ministries/Departments for Travel and Communications, Purchase of Goods and Services and Capital Grants and Transfers through Standard Liability Group (SLG) 84. There was no acquittal or policy

guideline to support SLG 84 transactions; as such sums utilized by such Ministry/Department could not be verified.

Records to substantiate \$4.1 million for the surplus capital transferred to operating Fund Account; \$20.9 million as TMA accumulated surplus were lacking for the TMA operated by Government Printing & Stationery Department and the Fiji Procurement Office.

Records to validate the adjustment of \$867,078 in the TMA cash at bank as reflected in the TMA Balance sheet were not made available.

The Ministry failed to verify statement of acquittals to the donor funds provided for actual projects undertaken. Total donor funds disbursed for the year was \$2.3 million.

Leased vehicles incurred \$152,083 being excess mileage cost for the year ended 31/12/11. There were 115 reported Government vehicle accident cases as at 31/12/2011 of which 89 of these cases are still pending with the Solicitor General's Office totalling \$329,035.

Government Printing and Stationery Department (GPSD)

Failure to reconcile general ledger balances to the department records has resulted in the variance of \$856,061 and \$199,521 for expenditures recorded in the Operating Fund account and the Trading & Manufacturing activity respectively.

The department has engaged the services of Quality Print Ltd for the printing of cheques totalling \$59,584 without calling for tender as required under the Fiji Procurement regulation 2010, section 30.

Fiji Procurement Office (FPO)

A total of \$12.33 million or 10% of the total value of tenders awarded in 2011 has been waived without any correspondence of those waivers being maintained by the department.

A variance of \$2 million exists between the departmental arrears of revenue return against the FMIS general ledger balances.

The Authority to operate the Fiji Procurement Office TMA after the restructure was not made available for audit contrary to Finance Circular 10/1982.

Revolving fund account totalling \$7.7 million held by the Fiji Procurement Office were outstanding balances as at 31/12/2011 that were yet to be adjusted to respective revenue and expenditure accounts.

Information Technology and Computing Services (ITC)

The Department has on a secondment arrangement with the Fiji National Provident Fund (FNPf) from 27/04/2011. The Memorandum of Understanding (MOU) on the terms and conditions of the secondment was yet to be finalized.

Quarterly payments in 2011 were made to Solutions for Business (Fiji) Ltd without any documentation of the work carried out.

The Department engaged Satellite Services Pty Ltd for \$123,247 in 2011 for the purchase network bandwidth of 10MB without the Tender Board approval contrary to the Procurement regulation, section 27(1).

The department does not have proper records of all equipment/items which were received through the Chinese company, Alcatel Shanghai Bell Company Limited in respect of the e-government project totalling \$45 million.

Actual cost for the construction of the new data centre could not be determined with a budget totalling \$6.97 million.

Ministry of I-Taukei Affairs

Failure to employ adequate resources for bond recovery exercise from students who absconded their studies or failed to serve their bond terms in Fiji.

Ministry of Defence, National Security and Immigration

Department of Defence

The Department was not able to provide any details on account allocation 1-06101-00000-910000 having a credit balances of \$9,090,182.

Department of Immigration

The Department of Immigration failed to submit the Annual Trust Fund Statement of Receipts and Expenditure in the Agency Financial Statement.

A variance of \$80,946.94 existed in the Operating Trust Fund Account balance between the Departments reconciliation and the general ledger (FMIS) balance.

An amount totalling \$1,260,897.24 has been in the account for more than 10 years and the Department failed to advertise for these refunds.

Lack of monitoring on those visitors with expired visa and permit holders while in Fiji.

Ministry of Labour, Industrial Relations and Employment

The Agency Financial Statement for the year ended 31 December 2011 submitted for audit did not include some of the Trust Fund Account balances in the Trust Fund Account Statement of Receipts and Expenditure.

A variance of \$13,891.40 was noted in the Operating Trust Fund Account balance between the Ministry's record and the general ledger (FMIS) balance.

A variance of \$324,716 existed in the OHS Trust Fund Account balance between the Ministry's record and the general ledger (FMIS) balance.

Six of the Revolving Fund Account balances have been carried forward from previous years.

Some of the clients registered under NEC and found permanent employment in 2011 did not make the 50% repayment to the Centre.

Ministry of Foreign Affairs and International Cooperation

- Some of the Operating Trust Fund Accounts balances were overdrawn as at 31/12/11.
- A variance of \$64,101.66 was noted in the Revolving Fund Account balance between the Ministry's record and the general ledger (FMIS) balance.

- Contrary to the Diplomatic Regulations, the Fiji Mission in Washington paid the cleaning cost of the former Second Secretary's residence.
- The Sydney Mission overpaid Post Allowance of AUD\$8,680.67 to the Counsellor.
- The Tokyo Mission overpaid Domestic Help Allowance of \$3,621.44 to the Ambassador.
- No gazette notification and the evidence of the annual review was provided to substantiate the payment of hardship allowance to the PNG Mission.
- The Beijing Mission continued to employ the Third Secretary even though the post was abolished through variation notice issued by the Public Service Commission.
- The First Secretary to the Brazil Mission was paid twice the post allowance resulting in overpayment of \$4,608.
- The First Secretary to the South Africa Mission was paid full representation allowance instead of one third allowance resulting in overpayment of US\$2,958.67.
- The Head of the Kuala Lumpur Mission claimed reimbursement of expenses which were personal in nature.

Elections Office

Six of the Operating Trust Fund Accounts of the Office were overdrawn as at 31/12/11.

Some of the Revolving Fund accounts of the Office had long outstanding balances carried forward from prior years.

The Office has been occupying the three floor building with current staff strength of 14 since 2006 resulting in unnecessary payment for the unutilized building space.

Judiciary

The Department as at 31/12/11 had substantial arrears of revenue of \$11,397,061, continuously increasing over the years.

Discrepancies noted in the usage of telephone lines which are cross-connected with other ministries and departments based at government buildings.

Irregularities were noted in the maintaining of Court exhibits at the Suva High and Magistrates Courts.

The Department's Account Section fails to meet the OHS requirements.

Anomaly noted in the Chief Registrars employment contract.

Parliament

Two of the Revolving Fund Accounts balances totalling \$41,359.32 have been carried forward from prior years.

A debit balance of \$29,286.89 was noted under domestic cash balance. Moreover, the Department did not prepare any reconciliation for this account.

Account number 1-12101-12101-861901 (201 PD Tax Arrears/ PAYE) had a credit balance of \$164,079.02. This account alone makes up 99% of the total Operating Trust Fund balance and has been continuously brought forward from previous years.

Office of the Director of Public Prosecution

Anomalies were noted in the salary increment paid to a Principal Legal Officer.

Cancellation of Conference to be held in 2010 resulted in the payment of \$30,862.52 to Shangri – La Fijian Report as cancellation charges.

Ministry of Justice

Prolong delay in finalising the review of companies act.

Non submission of annual returns to the Registrar of Companies Office by certain registered companies.

Non compliance with service agreement by the Post Fiji in respect to providing issuing of birth certificates service.

Lack of resources, poor tracking and weakness in the existing laws were noted in the Official Receivers Unit.

The Ministry did not have safe and secure offsite backups for its Birth, Death and Marriage (BDM) records. Non preparation of monthly blank certificate reconciliations by the BDM unit.

The Ministry failed to utilise the funds provided for the computerisation of the titles office. In addition, titles office does not have safe and secure offsite backup.

Prisons and Correction Department

The Department failed to prepare the monthly reconciliations for its Prisoners Cash Trust fund account. In addition proper records were not kept indicating lack of supervisory checks in the Accounts Section.

On the audit of Trading and Manufacturing Account, variances were noted in the Financial Management Information System (FMIS) records and the Departments records indicating lack of reconciliations and the supervisory checks performed in the Accounts Section.

Some discharged officers continued to receive their salaries after their effective date of discharge.

Anomalies were noted in the payment process such as procurements were made without the issue of a local purchase order, local purchase order was prepared after invoices were received, competitive quotations were not obtained and ITC approval for the purchase of IT equipments and applications (software) was not obtained.

Ministry of Information

Seven of the Operating Trust Fund accounts of the Ministry were overdrawn (debit balances) as at 31/12/11.

Seven of the Revolving Fund Advance accounts of the Ministry have long outstanding balances carried forward from prior years.

No further action was taken against a Ministry's officer for the loss of an official recorder worth \$1,105.16. There was a failure to maintain adequate off-site back up for archive deposits.

Ministry of Strategic Planning, National Development and Statistics

National Planning Office

An Officer was compensated for 30 days of Long Service Leave (LSL) totaling \$3,725 contrary to the approval by the Public Service Commission dated 11th January, 2011.

Late arrival at work at the Ministry contrary to section 301 of the General Order.

Capital (actual projects) expenditure in year 2011 has performed the weakest despite the highest budget allocation of \$1.1 million in year 2011. The Ministry was only able to allocate funds totalling \$586,406 or 53% of the budget.

The Ministry has not been able to determine the composition of the \$586,406 worth of projects as the Ministry did not reconcile the general ledger balances to the projects on the ground.

Non - submission of the accurate progress reports was a factor that the Ministry was not able to take strategic remedial action to avoid the failure of the two Integrated Human Resource Development Projects (IHRDP) – Nadali piggery and the Nausori bakery.

There was no memorandum of understanding between the National Center and the Ministry of Strategic Planning on how these funds are to be controlled, monitored and the accountability of the project funds.

A total of \$105,310 (3.5%) of projects with the NDP failed over the three year period from year 2009 to year 2011.

The National Planning Office (NPO) allowed payments of per diem allowances and travel advances to officers travelling overseas to attend workshops, trainings, seminars and regional forums even though these trips were fully funded by host countries.

A variance of \$20,019 existed between the Drawings accounts in the General Ledger and the Unpresented Cheque Balance Listing.

Operating Trust as at 31/12/11 had a credit balance of \$50,875, an increase by \$11,174 or 28%.

The NPO has not been deducting the PSC Scholarship repayment from staffs to the PSC for the past two years.

Fiji Bureau of Statistics

The Bureau re-engaged a retired officer for the period 04/01/2011 to 05/03/2011 without obtaining PSC approval. The officer was paid salary totalling \$17,225 without a valid contract of employment.

Of the 80 approved staff establishment for the Bureau, 34 posts are vacant as at 31/12/11.

A total of \$105,270 being accountable advance for the Sub Round 4- Employment and Unemployment Survey for 2011 was distributed amongst three officers to conduct the survey in the Central, Western and Northern Divisions. The lack of thorough checks of the retirement process exposes the funds to fraudulent activities.

Ministry of Provincial Development, National Disaster Management and Sugar

The Ministry made advance payments for the procurement of the building materials for its capital projects and the tropical cyclone Thomas rehabilitation (phase 2) projects. As such, building materials worth \$169,347 were not delivered as at the date of audit (30/04/12).

The Ministry does not have any database or record keeping system for its analysis/decision making or for follow up/tracking of the recipients of capital assistance.

In the 2011 budget, \$110,000 was provided for the construction of the Talaulia Nursing Station. The project was awarded to RFMF engineers, however the project failed to commence and the funds were returned to the Ministry of Finance.

The Vunisea Nursing Station was part of the Ministry's Public Sector Investment Programme (PSIP) for the 2011 capital budget. On 13/09/11 the payment of \$464,693 was made to Public Works Department for the construction of a 1x 4 maisonette staff quarters at the Vunisea Hospital. As at the date of audit 29/02/12 the project was incomplete and the left over funds (\$92,348) was returned to Ministry of Finance.

The Lovoni Irish crossing project was located in the village of Vunivisau and Tukuta to enable proper access to village, roads, farms and schools. The contract of the project was awarded to PWD. However, no written contractual agreement was entered nor waiver for tender was obtained from the Minister of Finance.

The proper selection process was not followed while appointing the contractor for the Delana Methodist High School project. The building materials were procured and delivered to the site and the advance payment of \$3,300 was made to the contractor; however the actual work did not commenced as at the date of audit (29/02/12).

The Ministry provided assistance to the Saint John College for the upgrading of sixteen existing quarters and the construction of a two bedroom teachers quarters. The Ministry failed to obtain prior approvals from the Health authorities which resulted in idle labour charge \$4,200 and settlement of the full payment without obtaining the certificate of completion.

Following the review of the road projects in the Northern Division it was noted that the Ministry failed to comply with its standard operating procedure requirements in selecting and evaluating the project proposals prior to commencing it.

Prolong delay in completion of the construction of the Raiwaqa Dental Clinic project and Vatukarasa Nursing Station Project resulted in the unutilised funds being refunded to the Ministry of Finance.

Fiji Military Forces

- Six of the Revolving Fund Accounts balances totaling \$2,301,296.57 have been carried forward from prior years.
- Over expenditure for SEG 1 – Established Staff of \$2,909,048 and SEG 2 - Government Wage Earners of \$394,087 was noted.
- The Board of Survey report was not provided, therefore, the Statement of Losses could not be substantiated.
- As at 31 December 2011, some of the Operating Trust Fund Accounts balances were overdrawn.
- A variance of \$1,238,948.66 was noted in the Revolving Fund Account Miscellaneous balance between the Force's record and the general ledger (FMIS) balance.

- Various irregularities were noted in the FNPF records of the Force. These relates to monies in the suspense account, undistributed contributions in the past years and outstanding surcharge on payments.
- Some officers had exceeded their leave entitlements which were not recovered before they were discharge.
- A number of officers were overpaid salary upon discharged from the service.
- The Force failed to maintain a Fixed Assets Register.
- The Force failed to maintain a debtor's register to record accountable advance given to staffs.
- The Force made payments on pro – forma invoices without obtaining approval from the Ministry of Finance.
- The Force regularly purchased stationeries from Xpress Office Supplies without obtaining tender approval.
- The Force overpaid Total Fiji Limited fuel cost amounting to \$11,532.77.
- The Accounts Section is not fully aware of how the calculation for the shipping franchise payment is carried out.
- Proper procurement procedures were not always followed by the Force when procuring goods and services.

Fiji Police Force

- The Force failed to submit the Statement of Losses in the Agency Financial Statement.
- Over expenditure for SEG 1 – Established Staff of \$1,830,568 and SEG 5 – Purchase of Goods and Services of \$13,369 was noted.
- As at 31 December 2011, some of the Operating Trust Fund Accounts balances were overdrawn.
- A variance of \$101,484.47 was noted in the Revolving Fund Account balance between the Force's record and the general ledger (FMIS) balance and significant portion of the RFA has been carried forward from previous years.
- Proper procedures were not followed for recruiting special constables in 2011.
- Some sections of the Headquarters have officers in excess of the approved staff establishment.
- The Force has unidentified contributions of \$26,956.88 with the Fiji National Provident Fund.
- Certain officers left the Force without giving written notice and clearing their arrears.
- A number of officers were overpaid salary upon retirement, termination and dismissals.
- Some officers were occupying institutional quarters without paying rent equivalent to 8% of their basic salary.
- The total expenditure incurred for the extension of the Tukavesi Police Station exceeded the tender amount by \$6,692.20.
- The Force failed to obtain approval from the Ministry of Finance before transferring funds from the operating fund to the Police Sports Trust Fund Account.
- The Force overspent certain allocations amounting to \$125,769.18 and incurred negative expenditure in various allocations amounting to \$245,600.29.
- Expenses incurred in SEG 5 – Witness and Interpretation allowance and SEG 7 – Special Agents allowance were not applied for the purpose for which it was authorised.
- Supporting documents were not attached to the payment vouchers to substantiate payments made to the suppliers.
- On numerous occasions, the Force failed to obtain competitive quotations for purchases of goods and services.

- Several unaccounted exhibits items were kept at the Samabula and Nausori Police Station.
- Various vehicles have been grounded for a long period of time at the Transport Pool without maintenance work.
- No recovery for the damages to motor vehicles involved in accidents has been instigated against the drivers found to be at fault.

Ministry of Education

Expenditure totalling \$1,350,507 incurred in 2011 was not included in the Ministry's Financial Statements for the year ended 31/12/11. These were posted to the Prepaid Expenses accounts in the Revolving Fund Account. These expenses were carried forward and out of \$1,350,507 the Ministry cleared \$1,015,381 in 2012 financial year. The balance of \$335,126 remained uncleared as at the date of audit on 9/5/12.

There was a significant increase in Ministry's total amount of unpresented cheques in 2011. The total amount of cheques unpresented as 31/12/11 was \$1,347,618 which increased by \$814,005 or 153% compared to 2010.

Ministry of Health

The Ministry overspent its payroll allocations by \$14,498,121.48 as at 31/12/11 despite having 96 established and 276 un-established positions vacant.

Ministry's staff owed a total of \$99,771.94 to the Ministry as at 31/12/11.

A total of \$143,150.49 was paid in overtime wages to 11 casual employees, which comprises 137% of their normal wages of \$104,492.96; and that the employees worked for 81- 112 hours per week.

Ministry purchased several laundry equipments from ACLEPL in Australian in 2010 costing \$2.7m. The Ministry was not able to provide the total number units purchased, total number received, cost per unit, amount paid and amount outstanding to the supplier and additional costs incurred for storage and installation including site preparation up to end of 2011.

The Ministry spent only \$43,263.24 or 10.3% from the total allocation of \$420,000 for the purchase incinerator. A total of \$289,893 or 69% from this allocation was vired out to meet other expenses and that the incinerator bought for CWM Hospital was yet to be installed.

The Ministry did not call for tenders for the repair works carried out at the Rotuma Hospital at cost of \$80,570 by the Ministry of Works.

The Ministry made regular purchases of groceries and laundry products totaling \$547,159.63 during the year from suppliers other than those approved by the Government Tender Board.

The Ministry paid a total of \$258,118 during 2011 for litigation claims due to negligence by medical professionals which was \$58,118 or 29% more than the budgeted sum of \$200,000.

The Ministry held expired drugs to the value of \$1,518,435.50 in its stock as at 31/12/11.

The Ministry paid a total of \$1,791,365.10 to the Ministry of Works for various capital works carried out during 2011 however tenders were not called.

The Ministry spent \$149,570.69 in 2011 to repair the boiler at the Labasa Hospital which was not fully operational.

Ministry did not utilize \$340,000 allocated in its budget for the purchase of water tanks and sanitations for villages and communities in the Northern Division.

Ministry of Local Government, Urban Development, Housing and Environment

A variance of \$1,205,664 was noted between the department main trust fund account general ledger balance and the bank statement balance.

Proper bonding was not carried out for officers studying overseas. Bonding documents did not have the following: the bond amount, Officer not signing the bond documents, PSC approval was not submitted. Total bond obligation to Officer Mr. Raratabu was \$430,215.46. Total Bond obligation to Officer Mr. Tikoduadua was \$225,610.81

Multiworks Civil engineering and Building Contractors (MCEBC) was supposed to pay performance bond of 10% of the total bond or \$205,406.27. However the contractor provided only \$50,000 as performance bond.

The Ministry made second progress payment of \$358,997.52 to the contractor (Multiworks Civil Engineering and Building Contractors) on 8/12/11, even though some of the work was incomplete.

The Ministry did not call for tenders for the erection of nine billboards around Viti Levu costing \$76,194.

Ministry of Social Welfare, Women and Poverty Alleviation

There was a balance of \$1,600,000 in the Revolving fund account as at 31/12/11. Of this, \$1.4m reflected in the Ministry's Revolving Fund account was carried forward balances from previous years. Even though approval was given by the Ministry of Finance to write off \$1.4 million or 87.5% of \$1,600,000, no effort was taken by the Ministry of to clear the balance.

The Ministry's Operating Trust Fund account was overdrawn by \$106,306.59 as at 31/12/11.

Department of Youth and Sports

The Department purchased sports equipments totaling \$77,042 from JR White at regular basis in 2011, however tenders were not called.

Department of Agriculture

The Trading and Manufacturing Account incurred a loss of \$587,148 in its operation for the year ended 31 December 2011.

Adjustments were made to the Trading and Manufacturing Account during the year for which appropriate supporting documents were not provided for audit verification.

Trading and Manufacturing Account bank reconciliation was not prepared as per required/standard bank reconciliation. The total receipts and payments were obtained from bank statement to perform cash book reconciliation. Hence the Department was only reconciling bank records against the General Ledger (FMIS) records.

A variance of \$97,211.31 was noted between the Department's TMA cash at bank balance and the cash balance reported in the General Ledger (FMIS) as at 31 December 2011.

The operating trust fund account had several accounts with an overdrawn balance totalling \$1,409,903 as at 31 December 2011.

The Land and Water Resource Management trust fund receipts and payments figures could not be substantiated as relevant supporting documents were not provided for audit verification.

The audit was not able to perform independent bank reconciliation for cash balance for the year as bank statements for November and December were missing hence the cash at bank balance amounting to \$551,147.77 could be not verified.

Retention monies kept in the trust fund account totalling \$314,938.02 was utilized by the Land and Water Resource Management Division to meet payments of its operating and capital expenditure items.

Officers awarded with Fijian Affairs Board scholarship to pursue studies in Agricultural Science had absconded while serving their bond obligation; therefore the guarantors are obliged to pay off the owed amount to the government.

Appropriate approval was not obtained from the Public Service Commission to remunerate an officer outside the approved salary range.

Local Purchase Order was not issued to carry out motor vehicle maintenance work.

Relevant supporting documents were not attached to the payment vouchers as evidence of goods and services received. Therefore audit could not determine whether the services were rendered.

Funds allocated for Coconut Development Programme, Rural and Outer Island and Value Added Tax were used to meet other operating expenditures.

Department of Fisheries and Forests

TMA adjustments amounting \$118,815.23 were made to the account during the year, however, the documents to support these adjustments were not provided for audit verification.

A variance of \$16,148.80 was noted between the Department of Forestry TMA cash at bank balance and the cash balance reported in the FMIS as at 31/12/11.

TMA receipts and payment totalling \$25,104.46 and \$43,040.61 were disclosed in the TMA bank reconciliation as amounts not posted to the FMIS general ledger as at 31/12/11, however, the documents to support these amounts were not attached and provided for audit verification; hence the balance reflected in the FMIS general ledger at year end was understated.

All receipts and payments were reflected in the Trust Accounts Statement of Receipts and Payments as 1/3 Subsidy Receipts/Payments although some of receipts and payments were not related to 1/3 subsidy scheme.

On numerous instances payments were made on quotations or pro-forma invoices without obtaining prior approval of Ministry of Finance.

The Department paid a total sum of \$25,405 to Tessa Transport for providing transportation services for the Vanuabalavu Fisheries Station without a Service Level Agreement.

Contrary to the approval from the Government Tender Board, the Department purchased general food items from other companies.

Provisional tax of 15% totalling \$8,288.24 was not deducted from the contractors engaged to provide services.

Ministry of Lands and Mineral Resources

The audit of the 2011 accounts of the Ministry resulted in the issue of a qualified audit report due to non submission of the Trust Account Statement of Receipts and Payments contrary to Section 71 (1) of the Financial Instructions 2010.

The arrears for Crown Land Lease for the year ended 31 December 2011 has increased by \$5,792,625.64 or 43% compared to that of 2010.

The reassessments of crown leased property were not carried out by the Department on the due dates specified in the lease conditions.

Crown leases which have expired were not renewed on time and the Ministry continued to charge lease rental and also receive lease rental payments from expired leases.

Crown leased property classified as residential type, commercial and industrial terms and lease conditions has been breached by the lessee.

Post Fiji Limited collects crown lease revenue on behalf of the Department of Lands and Survey without a Service Level Agreement.

The driver's negligence and poor decisions washed the GP058 new Toyota Hilux 4wd twin cab in the Wainibuka River after attempting to cross the overflowed bridge.

A Yamaha 2 x 150 horse power Vessel named RV Yautalei was not properly maintained and not even registered with Fiji Island Maritime Safety Administration (FIMSA).

Ministry of Industry and Trade

An accountable advance of \$60,000 taken by the former Principal Accounts Officer for the Shanghai Expo in 2010 was not being acquitted accordingly as required in the legislations including a laptop worth \$3,000 that was reported stolen without a Fiji Police Force report provided to the Ministry.

The Department of Co-operatives and Small Businesses did not have the trust account reconciliations for 2010 and 2011.

The Ministry exceeded the stipulated amount in the Contract of Service paid to Art and Soul by \$6,448.50.

Ministry of Public Enterprises, Tourism and Communications

The audit of the 2011 accounts of the Ministry resulted in the issue of a qualified audit report due to non submission of the Trust Account Statement of Receipts and Payments contrary to Section 71 (1) of the Financial Instructions 2010.

The Ministry's office space on Level 3 of the Civic Towers Building that comprised a total area of 7,508 square feet with a rental levy of \$8,446.50 per month was not fully utilised during the year and Government has paid rent of \$23,635.50 for this unutilised office space during this period.

Ministry of Works and Transport

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

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

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

Record keeping should be improved across the Ministry including Divisional Engineers and Depots. Misplacing of accounting records was a common occurrence.

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

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

Department of Works

No proper approval was obtained in the FMIS journal adjustment to write off debtors totalling \$33,703,172.

Issue prevalent in 2009 continued to surface in 2011 when Arrears of Revenue Returns were still yet to be prepared and Department's revenue on electricity were still charged to Provincial Development.

TMA Accumulated surplus balance of \$1,540,369 and TMA surplus of \$4,006,478 could not be substantiated

VAT payable as at 31/12/11 was \$3,058,423, this indicate that the Department failed to debit the liability account.

There was a variance of 1,405,133.96 between Department's TMA cash at bank balance and the FMIS balance as at 31/12/11.

Tender Board approval was not obtained for purchase of diesel from Pacific Energy SWP Ltd for a total sum of \$50,543.33.

Advance payments were made to Total (Fiji) Ltd to facilitate the supply of fuel and oil.

DEW is yet to complete a number of projects earmarked for 2011.

Number of project workers engaged by DEW exceeded the number approved by PSC.

TMA funds totaling \$9,199.14 were used to fund the IDC jobs.

Items purchased for Joinery Workshop and Plumber Shop were not recorded in the ledger/stock cards.

DECE made an advance payment of \$66,864 to SCIL for the supply of ready mix concrete and gravel for the construction of Wainiyavu Irish Crossing.

Department of Transport

Charges not related to the department were still been posted to the department's allocation.

Department of Meteorological Services

Trust Fund Account had a variance of \$15,191.03 between the department record and the FMIS record.

Trust Fund Account was overdrawn by \$101,712.64. JICA trust account had a debit balance of \$78,556 outstanding since 2006. VAT arrears of \$600,000 were been cleared against expenditures other than VAT.

Department of Roads

The budgetary provisions for capital projects were overspent by a total of \$2,341,018.00 as at 31/12/2011.

Ministry of Public Utilities and Energy

Department of Water and Sewerage

The Department's Operating Trust Fund account was over stated by \$1,345,014. These were security deposits which are main trust received from the contractors engaged in the water and sewerage projects totalling \$1,345,014 that is maintained in the Department's Operating Trust Fund account.

The department had two drawings accounts with debit balances that were being carried forward over the years. These balances amounted to \$1,695,982 which resulted in the debit balance in the Department's Drawings account.

The Department had Revolving Fund account balance of \$594,560 as at 31/12/11. Of this amount, \$524,004 was carried forward balances from previous years which constitute payments made but yet to be retired and recorded as expenditure in previous years or cheques receipted which were dishonored.

Department of Energy

The Department's main Trust Fund account was overdrawn by \$311,255 as per the main Trust Fund account reconciliation as at 31/12/11. However, there was cash available in the Trust Fund bank account totalling \$523,992 as at 31/12/11.

The Department failed to submit its main Trust Fund account statement of receipts and payments contrary to section 71(1) (g) of the 2010 Finance Instructions.

CONTENTS

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

Part 1: Audit Certificate and the Audited Accounts

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

Volume 2:

1. Office of the President
2. Office of the Prime Minister and Public Service Commission
3. Office of the Attorney General and the Solicitor General
4. Ministry of Finance
5. Department of Indigenous Affairs
6. Ministry of Defence, National Security and Immigration
7. Ministry of Labour, Industrial Relations and Employment
8. Ministry of Foreign Affairs, International Co-operation and Civil Aviation
9. Elections Office
10. Judiciary
11. Legislature
12. Office of Accountability and Transparency
13. Office of the Director of Public Prosecutions
14. Ministry of Justice
15. Ministry of Information
16. Ministry of National Planning
17. Ministry of Provincial Development, National Disaster and Management and Multi Ethnic Affairs
18. Fiji Military Forces
19. Fiji Police Force

Volume 3:

20. Ministry of Education, National Heritage, Culture and Arts, and Higher Education Institution
21. Ministry of Health
22. Ministry of Local Government, Urban Development and Housing
23. Ministry of Social Welfare, Women and Poverty Alleviation
24. Department of Youth and Sports

Volume 4:

25. Department of Agriculture
26. Department of Fisheries and Forestry
27. Ministry of Industry and Trade
28. Ministry of Public Enterprises, Tourism and Communication
29. Ministry of Works and Transport
30. Ministry of Public Utilities and Energy
31. Ministry of Lands and Mineral Resources

VOLUME 1

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

Part 1: Audit Certificate and the Audited Accounts

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

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



8th Floor, Ratu Sukuna House,
MacArthur Street,
P. O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

REPUBLIC OF FIJI
OFFICE OF THE AUDITOR GENERAL

Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: <http://www.oag.gov.fj>



Excellence in Public Sector Auditing

INDEPENDENT AUDIT REPORT

WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF THE REPUBLIC OF FIJI FOR THE YEAR ENDED 31 DECEMBER 2011

Scope

I have audited the Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2011 in accordance with Part 5 Section 7 of the State Services Decree 6 of 2009, Sections 46 and 47 of the Financial Management Act (2004) and Section 6 of the Audit Act.

The financial statements comprise the following:

- Statement of Assets and Liabilities;
- Consolidated Fund – Statement of Receipts and Payments;
- Consolidated Trust Fund - Statement of Receipts and Payments;
- Statement of Contingent Liabilities; and
- Notes to and Forming Part of the Financial Statements.

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

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

My audit was conducted in accordance with the Fiji Standards on Auditing to provide reasonable assurance as to whether the Whole of Government Financial Statements and the Annual Appropriation Statement are free of material misstatements. My audit procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the Whole of Government Financial Statements, the Annual Appropriation Statement and the evaluation of the accounting policies. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are fairly stated in accordance with the accounting policies in Note 2 and Section 46 and 47 of the Financial Management Act 2004, Section 7 of the State Services Decree 6 of 2009 and Section 6 of the Audit Act, so as to present a view which is consistent with my understanding of the financial performance of the Whole of Government Financial Statements and the Annual Appropriation Statement for the year ended 31 December 2011.

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

Qualification

The absence of bank reconciliations for various bank accounts, bank balances without any cash held, cash at bank balances not recorded, cash at bank with negative balances, material variances between the general ledger and actual cash have a net impact on cash at bank of \$287.8 million. In view of that, I was unable to satisfy myself on the completeness and existence of the cash at bank balances of \$250.8 million as at 31/12/11 as reported in the Statement of Assets and Liabilities.

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 paragraph:

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

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

- Expenditure totaling \$14.5 million was disbursed by the Ministry of Finance for certain Ministries/Departments for *Travel and Communications, Purchase of Goods and Services* and *Capital Grants and Transfers* through Standard Liability Group (SLG) 84. There was no acquittal or policy guideline to support SLG 84 transactions; as such sums utilized by these Ministries/Departments could not be verified.
- The correctness of operating revenue receipted through the Accounts Receivable Module of the Financial Management Information System, totaling \$27.3 million, reflected in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the Whole of Government Financial Statements could not be substantiated and was not correctly accounted in accordance with cash basis of accounting as in Note 1 to the Financial Statements.
- Investments totaling \$14.2 million which included inoperative entities (\$6.5 million); investments with Fiji Ships and Heavy Industries Limited (\$7.66 million) which have been disposed off were not properly evaluated and were still being recorded in the *Statement of Assets and Liabilities*. Accordingly I have not been able to satisfy myself on the completeness and existence of investments as at 31 December 2011.
- Share certificates were not produced for investments totaling \$52.6 million. I was not able to satisfy myself on the completeness and accuracy of the Government shareholding balances and whether these were fairly stated and did exist as at 31/12/2011.
- Proper reconciliations and records to substantiate borrowing revenue totaling \$650.5 million in the *Statement of Receipts and Payments* in Schedule 2 and debt owed by the Government as at 31/12/11 totaling \$3.5 billion in *Note 19* were lacking. Hence I was not able to verify the accuracy and the completeness of the borrowing revenue and total debt owed by Government.
- In the absence of reconciliations, revenue collected for Land Transport Authority \$43.5 million, departure taxes \$61.3 million and water rates \$24.7 million as reflected in the *Statement of Receipts and Payments* in Schedule 2 could not be substantiated.
- Trust accounts with Ministries/Departments were overdrawn by \$9.7 million contrary to Finance Circulars 4 of 30/3/98.

- Balances in the Trading Manufacturing Accounts (TMA) surplus and accumulated surplus of \$24.6 million could not be substantiated as no supporting documentations were provided. Therefore, I was not able to verify the accuracy and the completeness on the maintenance of those records to show that the TMA were fairly stated
- Lending Fund Account contained errors and omission of \$1.7 million in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the Whole of Government Financial Statements with respect to loans, loan recovery to/from government entities in 2011.
- A prior year adjustment of \$48,853,126 in the Consolidated Fund Statement of Receipts and Payments could not be substantiated for adjustments made in 2011.



Tevita Bolanavanua
AUDITOR GENERAL

Suva, Republic of Fiji
19 September 2011



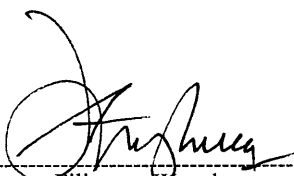
GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF ASSETS & LIABILITIES
AS AT 31 DECEMBER 2011

Schedule 1

	Notes	31 December 2011 \$	31 December 2010 \$
CURRENT ASSETS			
Cash at Bank	2	250,876,080	185,443,615
Investments	3	<u>438,907,122</u>	<u>438,862,904</u>
TOTAL ASSETS		<u>689,783,202</u>	<u>624,306,519</u>
CURRENT LIABILITIES			
Trust Fund Account	4	56,916,930	56,292,229
Sinking Fund Account	4(i)	<u>---</u>	<u>68,659,964</u>
TOTAL LIABILITIES		<u>56,916,930</u>	<u>124,952,193</u>
NET ASSETS		<u>632,866,272</u>	<u>499,354,326</u>
CONSOLIDATED FUND	refer Schedule 2	<u>632,866,272</u>	<u>499,354,326</u>

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

Ministry of Finance
Suva, Fiji
12 September 2012



Filimone Waqabaca
Permanent Secretary for Finance

GOVERNMENT OF THE REPUBLIC OF FIJI
CONSOLIDATED FUND
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 2

	Notes	31 December 2011 \$	31 December 2010 \$
RECEIPTS			
Operating Revenue	5	1,181,589,288	1,021,121,982
Value Added Tax	6	618,859,015	494,895,149
Borrowings	7	650,513,643	462,965,102
Treasury Bills Raised	8	411,970,874	687,313,133
Ways & Means	9	21,500,000	306,500,000
Receipts from Debtors	10	3,494,913	27,741,224
Capital Gain	11	44,218	---
Revolving Fund Account Net Receipts	12	37,097,729	1,509,755
TOTAL RECEIPTS		<u>2,925,069,680</u>	<u>3,002,046,345</u>
PAYMENTS			
Operating Expenditure	13	1,094,016,732	1,056,348,375
Capital Expenditure	14	494,534,923	339,654,347
Value Added Tax	15	43,978,964	48,735,276
Repayment of Loans	16	770,221,897	455,343,659
Redemption of Treasury Bills	8	416,019,281	710,064,626
Ways & Means	9	21,500,000	306,500,000
Loans made to Debtors	17	139,063	4,980,100
Capital Loss	11	---	3,097,602
TOTAL PAYMENTS		<u>2,840,410,860</u>	<u>2,924,723,985</u>
Surplus for the year		84,658,820	77,322,360
Correction of Fundamental Errors	18(a)	48,853,125	9,568,683
Balance as at 1 January		499,354,326	412,463,283
Balance as at 31 December	refer Schedule 1	<u>632,866,271</u>	<u>499,354,326</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
TRUST FUND
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 3(i)

	Notes	31 December 2011 \$	31 December 2010 \$
RECEIPTS			
Trust Fund Receipts		276,621,059	281,736,018
TOTAL RECEIPTS		<u>276,621,059</u>	<u>281,736,018</u>
PAYMENTS			
Trust Fund Payments		275,996,358	280,778,713
TOTAL PAYMENTS		<u>275,996,358</u>	<u>280,778,713</u>
Surplus/(Deficit) for the year		624,701	957,305
Balance as at 1 January		56,292,229	55,349,705
LESS: Error in Opening Balance		---	(14,781)
Balance as at 31 December	4	<u>56,916,930</u>	<u>56,292,229</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
SINKING FUND
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 3(ii)

	Notes	31 December 2011 \$	31 December 2010 \$
RECEIPTS			
Sinking Fund Receipts		---	---
TOTAL RECEIPTS		---	---
PAYMENTS			
Sinking Fund Payments		68,659,964	---
TOTAL PAYMENTS		68,659,964	---
(Deficit)/Surplus for the year		(68,659,964)	---
Balance as at 1 January		68,659,964	68,659,964
Balance as at 31 December	4(i)	---	68,659,964

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

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

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

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

b) Consolidated Fund Account

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

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

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

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

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

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

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

31 December 2011 \$	31 December 2010 \$
---------------------------	---------------------------

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

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

c) Scope

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

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

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

2. CASH AT BANK

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

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

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

Description of Account		
Domestic Account	84,998,728	82,425,719
Overseas Agencies	161,923,910	106,409,431
Trading and Manufacturing Account	16,840,996	14,133,097
Cash Balance in Departmental Trust	37,383,558	31,245,508
Less: Unpresented Cheques	(50,271,112)	(48,770,140)
Net Cash	250,876,080	185,443,615

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
--	---------------------------	---------------------------

3. INVESTMENTS

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

Investments as at year end were as follows:

Investment Category

Fully Commercial Co. (Profitable)	346,882,245	346,838,026
Fully Commercial Co. (Non-Profitable)	76,131,698	76,131,698
Semi-Commercial (Agro based)	9,412,970	9,412,970
Dormant Companies	2,000,000	2,000,000
Companies in Liquidation	4,480,210	4,480,210
Total Investments	438,907,123	438,862,904

4. TRUST FUND ACCOUNT

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

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

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

Category

Trust Funds	41,100,092	34,766,530
Trust Funds/Payroll Deductions	25,540,469	30,609,680
Less: Overdrawn Accounts	(9,723,631)	(9,083,981)
Total Trust Fund Account	56,916,930	56,292,229

4(i). SINKING FUND ACCOUNT

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

Category

Opening Balance	68,659,964	68,659,964
Transfers to Government	(68,659,964)	---
Dividend on Investment	---	---
Foreign Exchange Gain or Appreciation	---	---
Closing Balance on RBF Sinking Fund	---	---
Total Sinking Fund Account	---	68,659,964

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
5. OPERATING REVENUE		
Operating Revenue consists of Direct Taxes, Indirect Taxes, Fees Fines & Charges, Grant Aid, Interest & Dividends and Other Receipts.		
Direct Taxes	478,807,318	425,983,347
Indirect Taxes	476,000,690	381,252,082
Fees, Fines & Charges	117,513,458	138,863,131
Operating Revenue - Sales	---	45,407
Operating Revenue - TMA	---	(5)
Other Receipts	56,164,477	25,435,733
Reimbursements & Recoveries	16,628,657	(11,815,163)
Grant Aid	6,774,771	8,886,821
Dividends from Investments	10,631,807	12,726,623
Repayments of Term Loans Receivable	60	175
Gain in Exchange Rate	---	---
Interest from Bank Balances	18,867,134	39,728,048
Sales of Government Assets	200,916	---
Return of Surplus Capital from Investment	---	15,783
Total Operating Revenue	<u>1,181,589,288</u>	<u>1,021,121,982</u>

Income tax and Value Added Tax Refunds of \$224 million are expenditures of Government which have been off-set against Direct taxes

6. VALUE ADDED TAX RECEIPTS	<u>618,859,015</u>	<u>494,895,149</u>
------------------------------------	--------------------	--------------------

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

7. BORROWINGS

Thirty Six new loans were raised during the year locally, with their respective repayment periods ranging from 2012 to 2040 whilst five overseas loans were drawn from loans that had been approved in previous years but were yet to be fully drawn.

<i>Domestic Loans</i>	<u>81,470,524</u>	<u>452,734,100</u>
	81,470,524	452,734,100

<i>Overseas Loans</i>		
ADB Loan No.2541 Emergency Flood Recovery	4,721,873	---
ADB Loan No.2514 3RD Road Upgrading Supplementary	11,258,429	6,194,074
EXIM Bank of China Fiji Low Cost Housing	5,474,537	---
EXIM Bank of China Fiji Public Rental Housing	1,144,576	---
BR-2011 EXIM China RDS Sigatoka/Serea	26,018,963	---
BR-2011 EXIM China RDS Buca/Moto	24,654,993	---
Suva Nausori Water Supply 2055-FJ	21,098,810	4,036,928
BR 2011 International Bond Issuance	452,305,199	---
EXIM Bank Malaysia - Queens Highway Rehabilitation	22,365,739	---
Total Overseas Borrowings	<u>569,043,119</u>	<u>10,231,002</u>

TOTAL BORROWINGS	<u>650,513,643</u>	<u>462,965,102</u>
-------------------------	--------------------	--------------------

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
In addition to the above cash loans raised during the year, the following lists the direct cash disbursed to contractors, non-cash loans and other loan payables (interest and commitment fee) due:		
E government Project	---	14,224,429
Fiji Road Upgrading Project Stage III	---	3,991,269
Emergency Food Recovery	---	184,686
Suva/Nausori Water Supply Supp	---	5,228
Fiji Low Cost Housing	---	11,226,939
Fiji Public Rental Housing Project	---	4,494,400
ADB Suva/Nausori Water Supply & Sewage Project	---	17,591,563
Total Direct Disbursement and Non-Cash Borrowing	---	24,326,851

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>411,970,874</u>	<u>687,313,133</u>
Treasury Bills Redemptions during the year	<u>416,019,281</u>	<u>710,064,626</u>

9. WAYS AND MEANS

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

Ways and Means Receipts	<u>21,500,000</u>	<u>306,500,000</u>
Ways and Means Repayments	<u>21,500,000</u>	<u>306,500,000</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
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	245	1,113
Consumer Co-operative Societies	102,066	202,657
Copra Industry for Stabilisation of Earnings	601,119	262,607
Tertiary Education	1,077,400	2,905,041
Private Students	7,670	2,030
Advances to Ministers and Members of Parliament	4,950	6,100
Students Loan Scheme	883,732	3,863,501
Viti Corp Limited	---	258,000
Fiji Sugar Corporation (1998)	---	20,000,000
Fiji Sugar Corporation (1999)	---	100,000
Loan 5 DIGS	817,671	---
FAB (98 FAB Loan)	---	140,000
	<hr/> 3,494,853	<hr/> 27,741,049
Interest	60	175
Total Receipts from Debtors	<hr/> 3,494,913	<hr/> 27,741,224

11. CAPITAL GAIN/LOSS

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

Capital (Loss) Gain	<hr/> 44,218	<hr/> (3,097,602)
---------------------	--------------	-------------------

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
12. REVOLVING FUND ACCOUNT		
Ministries/Departments operating Revolving Fund Accounts have to operate within a ceiling set by the Minister. The limit for the Revolving Fund Accounts in 2011 was \$16,942,000.		
The Revolving Fund Account is made up of the Inter-Departmental Clearance Account (IDC), Imprest, Miscellaneous, Other Administration and the Trading and Manufacturing Accounts. The IDC and Imprest Accounts are cleared to zero at the end of the year. The Trading and Manufacturing Accounts (TMA) are created for the purpose of operating quasi-commercial operations of Ministries and Departments.		
a) <i>Revolving Fund Receipts:</i>		
Revolving Fund Account - Imprests	118,233	115,003
Revolving Fund Account - Other Admin	5,613	3,818
Revolving Fund Account - Miscellaneous	1,048,379,856	292,574,356
Revolving Fund Account - Inter-Departmental Clearance	1,944,908,013	1,831,611,284
Revolving Fund Account - TMA:		
Fiji Maritime Safety Administration	59,926	8,790
Fiji Military Forces	755,671	230,660
Government Printing & Stationery Department	1,278,841	1,234,404
Fiji Procurement Office	999,614	2,208,059
Ministry of Agriculture & Land Resettlement	1,028,127	1,212,854
Ministry of Fisheries and Forests	90,295	147,858
Ministry of Health	591,886	676,414
Prison Farm	631,881	324,793
Public Services Commission	3,185,362	---
Ministry of Trade & Commerce	3,082	23,301
Public Works and Infrastructure	18,888,137	20,322,893
Total	3,020,924,537	2,150,694,487
b) <i>Revolving Fund Payments:</i>		
Revolving Fund Account - Imprests	118,233	114,843
Revolving Fund Account - Other Admin	45,570	49,860
Revolving Fund Account - Miscellaneous	1,010,516,693	286,430,604
Revolving Fund Account - Inter-Departmental Clearance	1,944,931,739	1,831,611,284
Revolving Fund Account - TMA:		
Fiji Maritime Safety Administration	32	4,560
Fiji Military Forces	778,553	297,332
Government Printing & Stationery Department	1,313,948	1,983,796
Fiji Procurement Office	292,100	2,279,416
Ministry of Agriculture & Land Resettlement	1,981,319	1,334,626
Ministry of Fisheries and Forests	241,063	178,799
Ministry of Health	361,349	707,151
Prison Farm	661,007	186,725
Public Service Commission	1,497,967	---
Ministry of Trade & Commerce	46,307	149
Public Works and Infrastructure	21,040,928	24,005,587
Total	2,983,826,808	2,149,184,732
Revolving Fund Account Net (Payments)/Receipts	37,097,729	1,509,755

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
--	------------------------------------	------------------------------------

13. OPERATING EXPENDITURE

The operating expenditure of Government includes the following:

Established Staff	523,150,312	516,827,808
Unestablished Staff	46,112,566	47,273,958
Travel and Communications	20,544,449	18,020,653
Maintenance and Operations	72,408,570	67,717,865
Purchase of Goods and Services	67,059,866	58,308,043
Operating Grants and Transfers	292,301,884	263,155,225
Special Expenditures	39,064,782	51,906,271
Pensions, Gratuities and Compassionate Allowances	33,374,303	33,138,552
Total Operating Expenditure	1,094,016,732	1,056,348,375

14. CAPITAL EXPENDITURE

Capital Expenditures of Government includes capital constructions works; purchases of property, plant and equipment and capital grants & transfer payments.

Capital Construction	181,887,913	143,323,665
Capital Purchase	20,512,530	19,640,531
Capital Grants and Transfers	292,134,480	176,690,151
Total Capital Expenditures	494,534,923	339,654,347

15. VALUE ADDED TAX EXPENDITURE	43,978,964	48,735,276
--	-------------------	-------------------

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

16. REPAYMENTS OF LOANS

Charges on Account of Public Debt is provided for in the Budget Estimates for the payment of interest on domestic and overseas loans and principal repayments on these loans.

Interest Payments:

Overseas Loans	43,104,766	22,901,709
Domestic Loans	213,248,464	190,736,707
Treasury Bills	2,081,244	4,295,960
Total Interest Paid	258,434,474	217,934,376

Principal Repayments:

Overseas Loans	291,113,603	32,850,575
Domestic Loans	213,380,000	198,540,500
Total Principal Repayments	504,493,603	231,391,075

Others	7,293,820	6,018,208
Total Charges on Account of Public Debt	770,221,897	455,343,659

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
--	---------------------------	---------------------------

17. NEW AND ADDITIONAL LOANS

Additional loans and new loans that were provided in 2011 from recurrent loan provisions include the following:

Advances to Public Officers	1,259	3,010
Consumer Co-operative Societies	---	202,132
Copra Industry for Stabilisation of Earnings	---	17,983
Tertiary Education	---	2,189,544
Advances to Ministers and Members of Parliament	---	---
Loan 5 DIGS	137,804	
Students Loan Scheme	---	2,567,431
Private Students	---	---
Total Loans Given	<u>139,063</u>	<u>4,980,100</u>

18. ADJUSTMENTS

a) <i>Correction of Fundamental Errors</i>	<u>48,853,126</u>	<u>9,568,683</u>
--	-------------------	------------------

These are unsubstantiated balances in the General Ledger.

19. OUTSTANDING DEBT OF GOVERNMENT

Government borrows monies either domestically or from overseas to finance its Capital Programmes. Total debt of Government outstanding as at 31/12/11 are as follows:

Domestic Loans	2,627,382,150	2,759,292,150
Treasury Bills	70,921,393	74,969,800
Overseas Loans	832,147,793	548,461,798
Total Government Debt	<u>3,530,451,336</u>	<u>3,382,723,748</u>

The above includes other loans shown below as at 31/12/11

Overseas Loans - interest capitalised and loan-in-kind	---	---
- direct cash disbursed to contractors	---	---
	<u>---</u>	<u>---</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 4

	31 December 2011 \$	31 December 2010 \$
20. ARREARS OF REVENUE		
Arrears of revenue for the government comprises of unpaid taxes by individuals and businesses as well as revenue owed to Ministries and Departments in the form of fees, fines, licences and charges.		
The Arrears of Revenue position of Government as at 31/12/11 are as follows:		
Agriculture	3,979,609	3,995,810
Auditor-General	274,404	427,442
Communications	1,299,929	5,007,611
Co-operatives	---	11,313
Education, Youth & Sports	16,144	18,534
Elections Office	21,091	---
Fiji Islands Maritime Safety Administration	---	47,120
Fiji Revenue & Customs Authority..-Customs	8,331,984	11,530,304
Fiji Revenue & Customs Authority..- Inland Revenue Services	136,069,034	132,520,763
Fiji Procurement Office\	113,548	121,729
Finance(Surcharge)	769,822	469,396
Finance(Pension Office)	2,651	---
Fisheries & Forests	11,078	13,457
Government Printing and Stationery Department	113,192	153,703
Health	427,160	126,196
Immigration	17,994	10,928
Information Technology & Computing Services	1,014	2,500
Judicial	11,397,061	10,970,177
Labour and Industrial Relation	49,924	19,339
Lands	19,561,844	17,970,765
Loans: Rewa Rice Ltd	---	225,382
Meteorological Services	---	4,565,162
Overseas Peace Keeping Missions (MFO)	---	3,368,626
Police	1,993	14,600
Prisons	379	1,349
Public Utilities	---	34,843,653
Provincial Development & Multi -Ethnic Affairs	499,358	507,899
Solicitor General's Office	3,738	---
	182,962,951	226,943,758

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT
AS AT 31 DECEMBER 2011

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2011 \$	Liability as at 31/12/2011 \$
SECTION A -				
Fiji Development Bank	Guarantee of Loans Raised	Approval of House of Representatives 22/02/02; 20/02/03; 30/11/04; 28/11/05; 28/11/06; IGCP 15/01/08; IGCP 02/12/08; CP(10)13 19/01/10	257,270,761	257,270,761
Fiji Electricity Authority	Guarantee of Loans Raised	Approval of House of Representatives Loan Guarantee Decree 1991; IGCP6/02/2001; 16/10/03; 18/08/05; IGCP26/2/08; IGCP 28/07/08; CP(10)291 ..12/10/10	551,000,000	353,969,398
Fiji Hardwood Corporation	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 9/8/06; 9/8/06;16/01/09	14,900,000	16,646,933
Fiji National Provident Fund	Guarantee of Contributors	Act No. 19 of 1966 Section 9; CP(09)325 18/12/09	1,013,520,093	1,013,520,093
Fiji Pine Limited	Guarantee of Loans Raised	Approval of House of Representatives dated 06/12/1994; 17/08/05	15,700,000	13,721,244
Fiji Sugar Corporation	Guarantee of Loans Raised	Approval of House of Representatives 03/03/99, 07/12/01; 25/03/03; 01/04/04; 20/09/04; 17/02/05; 10/8/06;IGCP20/05/08; 05/05/09;CP(10)74 18/03/10	316,000,000	116,408,666
Housing Authority	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02; 27/08/03; 29/11/05; 21/10/08	292,000,000	82,592,964
Fiji Sports Council	Guarantee of Loans Raised	Approval of House of Representatives 19/05/06	2,900,000	926,725
Fiji Ports Corporation Limited	Guarantee of Loans Raised	Approval of House of Representatives 17/09/79; Decree No. 22 of 04/08/89; Decree No. 41 of 14/10/91; 23/05/02	48,066,175	39,948,812
Fiji Broadcasting Corporation Limited	Guarantee of Loans Raised	Approval of Cabinet; 14/7/2009	21,594,693	19,897,802
National Bank of Fiji	Guarantee of Depositors	Act No. 14 of 1996	2,540,459	2,540,459
Pacific Fishing Company Limited	Guarantee of Standby Credit Facility	Approval of House of Representatives 02/01/97, 31/08/00	4,109,700	5,387,361
Public Rental Board	Guarantee of Loans Raised	Decree No. 8 of 20/03/90, Decree No. 9 of 20/03/90; House of Representatives 02/12/02	17,000,000	520,556
Section A Total.....			2,556,601,881	1,923,351,774

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT
AS AT 31 DECEMBER 2011

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2011 \$	Liability as at 31/12/2011 \$
SECTION B-				
International Agencies- Asian Development Bank	Subscription for Membership	Resolutions of Legislative Council 24/3/70; Act No. 34 of 1974.....	32,470,323	---
International Bank for Reconstruction & Development	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	30,099,428	7,937,026
International Development Association	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	507,091	507,091
		Section B Total.....	63,076,842	8,444,117

SUMMARY -

Section A

2,556,601,881

1,923,351,774

Section B

63,076,842

8,444,117

Total

2,619,678,723

1,931,795,891

GOVERNMENT OF THE REPUBLIC OF FIJI
BUDGET RESULT
FOR THE YEAR ENDED 31 DECEMBER 2011

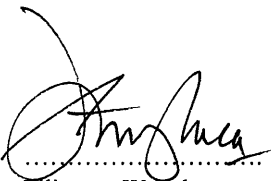
Schedule 6

	Estimate 2011 \$	Actual 2011 \$	Increase / (Decrease) \$
REVENUE			
Operating Revenue	1,667,797,412	1,771,566,057	103,768,645
Investing Revenue	79,675,200	29,699,917	(49,975,283)
Public Debt - New Borrowings	734,801,500	650,513,643	(84,287,857)
TOTAL REVENUE	<u>2,482,274,112</u>	<u>2,451,779,617</u>	<u>(30,494,495)</u>
EXPENDITURE			
Operating Expenditure	1,114,295,606	1,094,016,732	(20,278,874)
Capital Expenditure	516,847,897	494,534,924	(22,312,973)
Value Added Tax	51,741,771	43,978,964	(7,762,807)
Public Debt Repayments	797,586,900	770,221,897	(27,365,003)
TOTAL EXPENDITURE	<u>2,480,472,174</u>	<u>2,402,752,517</u>	<u>(77,719,657)</u>
BUDGET RESULT	<u>1,801,938</u>	<u>49,027,100</u>	<u>47,225,162</u>

Note:

- Operating Expenditure includes in Standard Expenditure Group (SEG) 1 - 7 & 11.
- Capital Expenditure includes SEGs 8 - 10.

Ministry of Finance
Suva, Fiji
12 September 2012


.....
Filimone Waqabaca
Permanent Secretary for Finance

GOVERNMENT OF THE REPUBLIC OF FIJI
SUMMARY OF REVENUE
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 7

Head of Revenue	Estimate	Actual Revenue 2011	Increase	Decrease
	\$	\$	\$	\$
OPERATING REVENUE				
21 Direct Taxes.....	454,520,000	478,807,318	24,287,318	---
22 Indirect Taxes.....	1,044,200,712	1,094,859,705	50,658,993	---
23 Fees, Fines & Charges.....	111,009,200	117,513,458	6,504,258	---
24 Operating Revenue Sales.....	40,100	---	---	40,100
26 Operating Revenue - Trading & Manufacturing Account....	---	---	---	---
27 Other Receipts.....	34,961,900	56,164,477	21,202,577	---
28 Reimbursements & Recoveries.....	14,743,300	17,446,328	2,703,028	---
29 Grant Aid.....	8,322,200	6,774,771	---	1,547,429
Operating Revenue Total.....	1,667,797,412	1,771,566,057	105,356,174	1,587,529
INVESTING REVENUE				
31 Repayments of Term Loans Receivable.....	---	60	60	---
32 Sale of Government Assets.....	40,174,600	200,916	---	39,973,684
33 Dividends from Investments.....	30,149,700	10,631,807	---	19,517,893
34 Interest from Bank Balances.....	8,835,100	18,867,134	10,032,034	---
35 Return of Surplus Capital from Investment.....	15,800	---	---	15,800
38 Gain in Exchange Rate.....	500,000	---	---	500,000
Investing Revenue Total.....	79,675,200	29,699,917	10,032,094	60,007,377
LOAN PROCEEDS				
15. Overseas Loans.....	603,000,000	569,043,119	---	33,956,881
16. Domestic Loans.....	131,801,500	81,470,524	---	50,330,976
Loans Revenue Total.....	734,801,500	650,513,643	---	84,287,857
Investing/Loans Revenue Total.....	814,476,700	680,213,560	10,032,094	144,295,234
Total Revenue.....	2,482,274,112	2,451,779,617	115,388,268	145,882,763

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2011	Increase	Decrease
	\$	\$	\$	\$
OPERATING REVENUE				
21 - DIRECT TAXES				
1. Income Tax				
01. Income Tax.....	449,520,000	475,552,406	26,032,406	---
02. Capital Gains Tax	5,000,000	3,254,912	---	1,745,088
Total.....	454,520,000.00	478,807,318	26,032,406	1,745,088
Net Increase.....			24,287,318	---
22 - INDIRECT TAXES				
1. Value Added Tax				
01. Value Added Tax.....	584,281,400	618,859,015	34,577,615	---
2. Fiscal Duty				
01. Fiscal Duty.....	236,269,781	237,083,384	813,603	---
3. Excise Dues				
01. Excise Dues.....	85,583,532	76,092,319	---	9,491,213
4. Export Duty				
01. Export Duty.....	5,559,000	7,455,645	1,896,645	---
5. Import Duty				
01. Import Duty.....	24,372,231	22,803,106	---	1,569,125
6. Hotel Turnover Tax				
01. Hotel Turnover Tax.....	27,762,500	36,285,368	8,522,868	---
7. Water Resource Tax				
01. Water Resource Tax.....	22,554,700	34,714,524	12,159,824	---
8. Departure Tax				
01. Departure Tax.....	51,000,000	61,288,625	10,288,625	---
10. Fish Levy				
01. Fish Levy	1,800,000	1,034,711	---	765,289
13. Luxury Vehicle Tax				
01. Luxury Vehicle Tax	---	95,000	95,000	---
99. Miscellaneous Fees and Receipts				
01. Miscellaneous Fees and Receipts.....	5,017,568	(851,992)	---	5,869,560
Total.....	1,044,200,712	1,094,859,705	68,354,180	17,695,187
Net Increase.....			50,658,993	---
23 - FEES, FINES & CHARGES				
01. Dues				
01. Light Due - Port & Harbour.....	427,700	---	---	427,700
02. Duty				
01. Stamp Duty.....	22,393,200	17,557,007	---	4,836,193
03. Fees				
01. Agricultural Produce and Inspection.....	922,600	165,782	---	756,818
02. Native Timber Measurement.....	446,500	823,110	376,610	---
03. Land and Survey Fees.....	229,100	506,309	277,209	---
04. Mining Fees.....	223,700	223,110	---	10,590
06. Passports.....	8,550,100	8,674,402	124,302	---
07. Town Planning Fees.....	84,000	102,930	18,930	---
08. Examination Fees.....	13,400	18,206	4,806	---
09. Government Day Schools-Fees.....	22,500	8,388	---	14,112
10. Government Boarding Schools-Fees.....	443,000	454,918	11,918	---
11. Health Fumigation and Quarantine.....	173,900	1,564,660	1,390,760	---
12. Hospital.....	770,200	1,743,678	973,478	---
13. Fiji School of Nursing.....	489,100	299,143	---	189,957
14. Cemetery Fees.....	43,400	42,239	---	1,161
15. Air Licensing Fees.....	8,200	---	---	8,200
17. Audit Fees.....	705,200	237,521	---	467,679
18. Court Fees.....	1,285,100	1,272,820	---	12,280
19. Registration.....	2,849,200	1,137,422	---	1,711,778
20. Management Fee.....	58,500	170,435	111,935	---
21. LTA Fees and Fines.....	28,964,400	22,581,109	---	6,383,291
22. Levy on Unloading of Fish Stocks	1,800,000	---	---	1,800,000
23. LTA Road User Levy	---	20,898,452	20,898,452	---
75. Domestic Air Services License	3,000,000	5,400	---	2,994,600
99. Miscellaneous Fees.....	1,728,500	3,497,980	1,769,480	---
04. Licenses				
01. Arms.....	170,900	61,838	---	109,062

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2011	Increase	Decrease
	\$	\$	\$	\$
03. Coasting.....	13,400	---	---	13,400
05. Liquor.....	966,400	487,430	---	478,970
06. Trading.....	196,000	283,384	87,384	---
07. Dogs.....	7,600	17,492	9,892	---
09. Money Lenders.....	30,000	74,604	44,604	---
10. Hotels and Guest Houses.....	159,600	111,064	0	48,536
12. Telecommunications and Television.....	6,211,300	2,686,095	0	3,525,205
13. Mining.....	---	3,450,000	3,450,000	---
14. Fishing.....	244,100	293,950	49,850	---
99. Other.....	62,200	906,328	844,128	---
05. Rates - Public Works				
01. Water & Sewerage Rates and Charges.....	21,511,200	24,756,057	3,244,857	---
06. Fees Royalties				
01. Royalties Timber	---	3,548	3,548	---
03. Royalties - Sand, Coral, Metal, etc.....	10,800	57,204	46,404	---
07. Fines				
01. Court Fines.....	5,769,900	2,334,059	---	3,435,841
08. Administrative Fines and Penalty				
01. Overdue, lost & damaged library books.....	1,500	2,992	1,492	---
02. Administrative Fines and Forfeitures.....	12,800	2,392	---	10,408
Total.....	111,009,200	117,513,458	33,740,039	27,235,781
Net Increase.....			6,504,258	---
24 - OPERATING REVENUE - SALES				
01. Sales of Government Department.....	40,100	---	---	40,100
Total.....	40,100	---	---	40,100
Net Increase.....			---	40,100
27 - OTHER REVENUE AND SURPLUSES				
01. Surplus/Deficit from Agency				
01. RBF Revaluation Reserve Account.....	15,000,000	17,391,255	2,391,255	---
02. Rent and Hire of Government Property				
01. Rental for Land.....	11,265,900	12,335,108	1,069,208	---
02. Rental for Official Quarters.....	1,601,400	295,238	---	1,306,162
03. Rental for Building.....	29,600	1,422	---	28,178
04. Hire of Plant and Vehicles.....	32,300	22,664	---	9,636
05. Hire of Vessels and Punts.....	1,800	---	---	1,800
06. Revenue from Rest Houses.....	4,900	4,394	---	506
07. Crown Schedule 'A' Land Rents.....	100	50	---	50
08. Rental - Official Quarters - Manual.....	---	10	10	---
03. Commission Revenue				
01. Commission.....	909,600	1,224,433	314,833	---
99. Other Revenue				
01. Sale of Photographs.....	4,000	---	---	4,000
02. Sales of Publications.....	188,100	135,125	---	52,975
03. Revenue from Production of Films.....	2,800	2,639	---	161
04. Survey & Sales of Navigation Publications.....	376,200	5,721	---	370,479
05. Meat Inspection.....	25,300	19,877	---	5,423
06. Veterinary and Animal Quarantine.....	28,600	12,359	---	16,241
07. Freight and Charter Receipts.....	33,800	108,428	74,628	---
08. Chemical Analysis.....	700	804	104	---
09. Valuation Fees.....	13,500	122,093	108,593	---
10. Produce-Agricultural Experimental Stations.....	54,600	36,996	---	17,604
11. Sale of Surplus Farm Produce.....	45,600	56,688	11,088	---
12. Agricultural Commercial Undertakings.....	2,400	522	---	1,878
13. Sale of Fish and Ice.....	205,400	236,773	31,373	---
14. Sale of Sheep and Wool.....	35,400	39,942	4,542	---
15. Irrigation Commercial Undertakings.....	---	---	---	---
17. Agricultural Landlord and Tenant Tribunal.....	3,200	3,567	367	---
20. Board Members Fees	77,000	150,295	73,295	---
99. Other Revenue.....	5,019,700	23,958,074	18,938,374	---
Total.....	34,961,900	56,164,477	23,017,670	1,815,093
Net Decrease.....			21,202,577	---

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2011	Increase	Decrease
	\$	\$	\$	\$
28 - REIMBURSEMENT AND RECOVERIES				
11. Reimbursement of Services				
01. Reimbursement for Meteorological Services.....	552,800	600,686	47,886	---
03. Reimbursement of Debt Servicing.....	1,200,000	---	---	1,200,000
12. Refund of Payments				
01. Training & Productivity Authority of Fiji.....	273,600	8,069	---	265,531
02. Fiji National Provident Fund.....	---	104	104	---
03. Recoveries of Overpayments in Previous Years.....	716,700	2,281,372	1,564,672	---
22. Contributions for Capital Projects				
02. Rural Electrifications.....	200	1,402	1,202	---
23. Contributions for Overseas Peace-Keeping				
02. Multinational Force and Observers.....	6,000,000	14,554,695	8,554,695	---
03. UN International Peacekeeping IRAQ.....	6,000,000	---	---	6,000,000
Total.....	14,743,300	17,446,328	10,168,559	7,465,531
Net Decrease.....			2,703,028	---
29 - GRANTS IN AID				
01. Australian Government Grants.....	95,700	---	---	95,700
02. New Zealand Bilateral Aid Programme.....	---	---	---	---
03. United Nations Development Programme.....	2,600,600	---	---	2,600,600
99. Other Grant Aid.....	5,625,900	6,774,771	1,148,871	---
Total.....	8,322,200	6,774,771	1,148,871	2,696,300
Net Decrease.....			---	1,547,429
Total Operating Revenue.....	1,667,797,412.00	1,771,566,057.00	162,461,725.00	58,693,080.00
INVESTING REVENUE				
31 - REPAYMENTS OF TERM LOANS RECEIVABLE				
11. Interest for Social Services Term Loans				
01. Interest Loans to Public Officers.....	---	60	60	---
21. Interest for Economic Services Term Loans				
01. Interest- Loans to Consumer Co-operatives.....	---	---	---	---
Total.....	---	60	60	---
Net Decrease.....			60	---
32 - SALES OF GOVERNMENT ASSETS				
21. Sales proceeds in Economic Services....	31,600,000	---	---	31,600,000
31. Sales proceeds in Infrastructure services....	4,311,600	200,916	---	4,110,684
41. Sales proceeds in TMA Operations.....	4,263,000	---	---	4,263,000
Total.....	40,174,600	200,916	---	39,973,684
Net Increase.....				39,973,684
33 - DIVIDENDS FROM INVESTMENTS				
01. Investments in Social Services.....	---	754,471	754,471	---
02. Investments in Economic Services.....	20,135,000	2,920,930	---	17,214,070
03. Investments in Infrastructure Services.....	10,014,700	6,956,406	---	3,058,294
Total.....	30,149,700	10,631,807	754,471	20,272,364
Net Decrease.....				19,517,893
34 - INTEREST FROM BANK BALANCES				
01. Interest from Overseas Bank.....	---	---	---	---
02. Interest from Local Banks.....	8,835,100	18,694,542	9,859,442	---
03. Interest from T/D with Local Banks.....	---	172,592	172,592	---
Total.....	8,835,100	18,867,134	10,032,034	---
Net Increase.....			10,032,034	---
35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS				
74. Return of Surplus Capital from TMA Operations.....	15,800	---	---	15,800
Total.....	15,800	---	---	15,800
Net Decrease.....			---	15,800
38 - GAIN IN EXCHANGE RATE				
02. JP Morgan Investment.....	500,000	---	---	500,000

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2011	Increase	Decrease
	\$	\$	\$	\$
Total.....	500,000	---	---	500,000
Net Increase.....				500,000
Total Investing Revenue.....	79,675,200	29,699,917	10,786,565	60,761,848
41 - OVERSEAS LOANS				
1. International Development Bank Loans				
01. ADB Loan No. 1530 Fiji Road Upgrading Project (FRUP III).....	8,000,000	---	---	8,000,000
02. ADB Loan Suva/Nausori Water Supply.....	---	21,098,810	21,098,810	---
03. ADB Loan No. 2541 Flood Recovery.....	---	4,721,873	4,721,873	---
05. ADB Loan No. 2514 Supplementary FRUP III....	10,000,000	---	---	10,000,000
06. Malaysia Exim - Roads Rehabilitation....	22,000,000	11,258,429	---	10,741,571
07. China Exim - E-Government Project....	10,000,000	5,474,537	---	4,525,463
07. EXIM China Low Cost Housing Project.....	6,000,000	1,144,576	---	4,855,424
09. EXIM Malaysia Roads Rehabilitation Project.....	30,000,000	22,365,739	---	7,634,261
10. EXIM China Roads Improvement Sgtka/Serea.....	8,000,000	26,018,963	18,018,963	---
11. EXIM China Roads Improvement Project Buca/Moto...	9,000,000	24,654,993	15,654,993	---
2. Other Overseas Loans				
01. International Bond Market.....	500,000,000	452,305,199	---	47,694,801
Total.....	603,000,000	569,043,119	59,494,639	93,451,520
Net Decrease.....			---	33,956,881
42 - DOMESTIC LOANS				
01. Fiji Development Loans.....	131,801,500	81,470,524	---	50,330,976
Total.....	131,801,500	81,470,524	---	50,330,976
Net Decrease.....				50,330,976
Total Borrowing Proceeds.....	734,801,500	650,513,643	59,494,639	143,782,496
Grand Total.....	2,482,274,112.00	2,451,779,617.00	232,742,929.00	263,237,424.00
Net Decrease.....				30,494,495.00
SUMMARY OF REVENUE				
Operating Revenue.....	1,667,797,412	1,771,566,057	162,461,725	58,693,080
Investing/Loans Revenue.....	814,476,700	680,213,560	70,281,204	204,544,344
Grand Totals.....	2,482,274,112	2,451,779,617	232,742,929	263,237,424

**GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 DECEMBER 2011**

Schedule 9

Heads of Appropriation	Original Budget \$	Redeployment \$	Revised Estimate \$	Actual Expenditure 2011 \$	(Over) / Under Expenditure \$
GENERAL ADMINISTRATION					
Office of the President	1,419,358	---	1,419,358	1,215,199	204,159
Office of the Prime Minister	50,894,202	4,517,791	55,411,993	53,834,934	1,577,059
Attorney General and Solicitor General	7,124,022	---	7,124,022	5,013,050	2,110,972
Ministry of Finance	62,044,401	(1,000,000)	61,044,401	59,065,116	1,979,285
Ministry of Indigenous Affairs	18,203,954	(115,000)	18,088,954	17,652,730	436,224
Ministry of Defence, National Security and Immigration	4,332,638	---	4,332,638	4,012,417	320,221
Ministry of Labour, Industrial Relations and Employment	9,246,879	---	9,246,879	8,910,757	336,122
Ministry of Foreign Affairs, International Co-operation and Civil Aviation	25,153,053	---	25,153,053	22,533,203	2,619,850
Office of the Auditor General	3,200,769	---	3,200,769	2,700,846	499,923
Elections	1,696,126	(815,166)	880,960	650,361	230,599
Judiciary	16,079,265	---	16,079,265	13,635,521	2,443,744
Legislature	1,373,123	(398,608)	974,515	851,402	123,113
Office of Accountability and Transparency	960,711	(200,000)	760,711	556,327	204,384
Office of the Director of Public Prosecutions	3,842,892	---	3,842,892	3,187,584	655,308
Ministry of Justice	22,447,553	(1,725,000)	20,722,553	19,612,703	1,109,850
Ministry of Information	3,998,335	---	3,998,335	3,547,855	450,480
Ministry of National Planning	8,598,037	---	8,598,037	6,138,430	2,459,607
Ministry of Provincial Dev, Disaster Management and Multi-Ethnic Affairs	28,869,657	2,380,013	31,249,670	29,688,266	1,561,404
Fiji Military Forces	108,028,968	(553,050)	107,475,918	109,233,075	(1,757,157)
Fiji Police Force	76,959,564	---	76,959,564	77,972,823	(1,013,259)
Total for General Administration	454,473,507	2,090,980	456,564,487	440,012,599	16,551,888
SOCIAL SERVICES					
Ministry of Education, National Heritage, Culture and Arts	245,096,605	3,531,076	248,627,681	252,281,053	(3,653,372)
Ministry of Health, Women and Social Welfare	137,448,399	---	137,448,399	149,784,032	(12,335,633)
Ministry of Local Government, Urban Development and Housing	12,620,711	(795,789)	11,824,922	10,386,931	1,437,991
Ministry of Social Welfare and Women	37,080,685	---	37,080,685	35,421,022	1,659,663
Ministry of Youth and Sports	3,360,585	---	3,360,585	3,022,700	337,885
Higher Education Institute	64,597,202	---	64,597,202	64,492,052	105,150
Total for Social Services	500,204,187	2,735,287	502,939,474	515,387,790	(12,448,316)

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 9

Heads of Appropriation	Original Budget \$	Redeployment \$	Revised Estimate \$	Actual Expenditure 2011 \$	(Over) / Under Expenditure \$
ECONOMIC SERVICES					
Ministry Primary Industries	57,370,022	(1)	57,370,021	54,759,067	2,610,954
Ministry of Lands and Mineral Resources	25,770,204	(3,990,501)	21,779,703	18,673,976	3,105,727
Ministry of Industry and Trade	13,886,730	(939,246)	12,947,484	10,798,019	2,149,465
Ministry of Public Enterprise, Tourism and Communication	38,448,423	(4,430,000)	34,018,423	31,496,222	2,522,201
Total for Economic Services	135,475,379	(9,359,748)	126,115,631	115,727,284	10,388,347
INFRASTRUCTURE SERVICES					
Ministry of Works and Transport	227,909,897	271,810	228,181,707	220,776,565	7,405,142
Department of Public Utilities and Energy	99,108,635	6,442,644	105,551,279	113,981,010	(8,429,731)
Total for Economic Services	327,018,532	6,714,454	333,732,986	334,757,575	(1,024,589)
UNALLOCABLE					
Miscellaneous Services	228,085,469	(2,180,973)	225,904,496	193,271,069	32,633,427
Pensions, Gratuities and Compensate Allowances	37,628,200	---	37,628,200	33,374,303	4,253,897
Charges on Account of Public Debt	797,586,900	---	797,586,900	770,221,897	27,365,003
Total for Unallocable Services	1,063,300,569	(2,180,973)	1,061,119,596	996,867,269	64,252,327
GRAND TOTALS	2,480,472,174	---	2,480,472,174	2,402,752,517	77,719,657

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS
FOR THE YEAR ENDED 31 DECEMBER 2011

Schedule 10

Heads of Appropriation	Original Budget	Redeployment	Supplementary Appropriation	Virements	Revised Estimate	Actual Expenditure 2011	(Over) / Under Expenditure
SUMMARY BY SEGs							
1. Established Staff	525,139,239	---	---	(6,315,062)	518,824,177	523,150,313	(4,326,136)
2. Unestablished Staff	41,708,706	---	---	1,519,730	43,228,436	46,112,567	(2,884,131)
3. Travel and Communications	20,794,747	---	---	1,362,554	22,157,301	20,544,449	1,612,852
4. Maintenance and Operations	68,170,646	2,798,079	---	4,279,586	75,248,311	72,408,570	2,839,741
5. Purchase of Goods and Services	70,822,068	---	---	361,567	71,183,635	67,059,865	4,123,770
6. Operating Grants and Transfers	286,477,645	10,949,324	---	(1,917,311)	295,509,658	292,301,884	3,207,774
7. Special Expenditures	54,335,244	(5,028,840)	---	1,209,484	50,515,888	39,064,782	11,451,106
8. Capital Construction	192,621,616	(3,588,037)	---	(2,528,878)	186,504,701	181,887,913	4,616,788
9. Capital Purchase	23,866,000	(500,000)	---	(526,914)	22,839,086	20,512,530	2,326,556
10. Capital Grants and Transfers	309,037,500	(3,682,706)	---	2,149,316	307,504,110	292,134,480	15,369,630
11. Pensions, Gratuities and Compassionate Allowances	37,628,200	---	---	---	37,628,200	33,374,303	4,253,897
12. Charges on Account of Public Debt	797,586,900	---	---	---	797,586,900	770,221,897	27,365,003
13. Value Added Tax	52,283,663	(947,820)	---	405,928	51,741,771	43,978,964	7,762,807
Grand Total	2,480,472,174	---	---	---	2,480,472,174	2,402,752,517	77,719,657

GOVERNMENT OF THE REPUBLIC OF FIJI
BUDGET RESULT, ESTIMATE AND PROJECTIONS
FOR THE PERIOD 2009 - 2012

Schedule 11

	Actual 2009 \$	Actual 2010 \$	Estimate 2011 \$	Actual 2011 \$	Projected 2012 \$	Projected 2013 \$
REVENUE						
Operating Revenue	1,352,296,492	1,484,044,676	1,667,797,412	1,771,566,057	1,737,759,900	1,815,057,800
Investing Revenue	60,548,839	52,470,630	79,675,200	29,699,917	41,041,200	42,723,900
Public Debt - New Borrowings	405,389,740	462,965,103	734,801,500	650,513,643	369,481,600	504,417,000
TOTAL REVENUE	<u>1,818,235,071</u>	<u>1,999,480,409</u>	<u>2,482,274,112</u>	<u>2,451,779,617</u>	<u>2,148,282,700</u>	<u>2,362,198,700</u>
EXPENDITURE						
Operating Expenditure	1,061,666,572	1,056,348,375	1,114,295,606	1,094,016,732	1,070,158,500	1,068,245,500
Capital Expenditure	335,014,525	339,654,348	516,847,897	494,534,924	355,387,700	265,558,700
Value Added Tax	51,572,901	48,735,276	51,741,771	43,978,964	44,797,300	41,609,800
Public Debt Repayments	463,148,452	455,343,659	797,586,900	770,221,897	285,676,800	281,872,700
TOTAL EXPENDITURE	<u>1,911,402,450</u>	<u>1,900,081,658</u>	<u>2,480,472,174</u>	<u>2,402,752,517</u>	<u>1,756,020,300</u>	<u>1,657,286,700</u>
BUDGET RESULT	<u>(93,167,379)</u>	<u>99,398,751</u>	<u>1,801,938</u>	<u>49,027,100</u>	<u>392,262,400</u>	<u>704,912,000</u>

Note:

- Operating Expenditure includes in Standard Expenditure Group (SEG) 1 - 7 & 11.
- Capital Expenditure includes SEGs 8 - 10.

GOVERNMENT OF THE REPUBLIC OF FIJI
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE
FOR THE PERIOD 2009 - 2013

Schedule 12

	Actual 2009 \$	Actual 2010 \$	Estimate 2011 \$	Actual 2011 \$	Projected 2012 \$	Projected 2013 \$
REVENUE						
Operating Revenue						
Direct Receipts (Income Tax & Capital Gain T	452,920,274	425,983,347	454,520,000	478,807,318	470,666,800	488,802,800
Indirect Revenue						
Customs	326,357,995	350,170,724	351,784,544	343,434,454	376,774,000	395,338,100
Hotel Turnover Tax	24,960,513	30,611,584	27,762,500	36,285,368	28,845,300	30,027,900
Water Resource Tax	295,888	469,773	22,554,700	34,714,524	23,434,400	24,395,200
Superyacht Charter Fee	---	---	---	---	---	---
Departure Tax	---	---	51,000,000	61,288,625	52,989,000	55,161,500
Fish Levy	---	---	1,800,000	1,034,711		
Luxury Vehicle Tax	---	---	---	95,000		
Miscellaneous Fees & Receipts	---	---	5,017,568	(851,992)		
VAT	404,688,978	494,895,149	584,281,400	618,859,015	609,413,000	638,493,800
Fees, Fines, Charges and Penalties	97,621,724	138,863,131	111,009,200	117,513,458	115,305,200	120,032,700
Operating Revenue Sales	55,622	45,407	40,100	---	41,700	43,400
Other Revenue and Surpluses	24,268,587	25,435,733	34,961,900	56,164,477	36,325,500	37,814,800
Reimbursement and Recoveries	14,897,703	8,683,012	14,743,300	17,446,328	15,318,200	15,946,300
Grant in Aid	6,229,209	8,886,821	8,322,200	6,774,771	8,646,800	9,001,300
Total Operating Revenue	1,352,296,492	1,484,044,681	1,667,797,412	1,771,566,057	1,737,759,900	1,815,057,800
Investing Revenue						
Repayment of Term Loans Receivable	532	175	---	60	---	---
Sale of Government Assets	---	---	40,174,600	200,916	---	---
Dividends from Investment	22,827,214	12,726,623	30,149,700	10,631,806	31,325,600	32,609,900
Interest from Bank Balance	30,747,615	39,728,048	8,835,100	18,867,134	9,179,700	9,556,100
Return of Surplus Capital from Investment	1,164,197	15,783	15,800	---	16,400	17,100
Gain on Exchange Rate	5,509,281	---	500,000	---	519,500	540,800
Total Investing Revenue	60,548,839	52,470,629	79,675,200	29,699,917	41,041,200	42,723,900
TOTAL REVENUE	1,412,845,331	1,536,515,310	1,747,472,612	1,801,265,974	1,778,801,100	1,857,781,700
EXPENDITURE						
General Administration Services						
Operating Expenditure	353,654,562	348,928,113	398,126,425	388,440,222	388,424,700	388,424,700
Capital Expenditure	54,575,137	52,554,339	40,815,317	36,468,921	33,087,000	33,569,000
Total General Administration	408,229,699	401,482,452	438,941,742	424,909,143	421,511,700	421,993,700
Social Services						
Operating Expenditure	441,645,434	461,451,321	471,032,126	485,911,086	464,865,500	464,865,500
Capital Expenditure	38,568,293	24,588,140	21,191,173	20,604,204	14,500,000	11,300,000
Total Social Services	480,213,727	486,039,461	492,223,299	506,515,290	479,365,500	476,165,500
Economic Services						
Operating Expenditure	83,260,753	82,278,453	70,367,237	61,745,672	65,287,000	65,274,000
Capital Expenditure	64,701,753	58,215,099	50,027,836	48,823,454	52,025,100	48,025,100
Total Economic Services	147,962,505	140,493,552	120,395,073	110,569,127	117,312,100	113,299,100
Infrastructure Services						
Operating Expenditure	109,393,028	94,056,950	103,053,337	99,106,220	95,258,000	95,158,000
Capital Expenditure	150,255,448	145,084,112	215,832,356	223,266,766	194,967,000	128,898,000
Total Infrastructure Services	259,648,476	239,141,062	318,885,693	322,372,986	290,225,000	224,056,000
Miscellaneous Services						
Operating Expenditure	37,618,818	36,494,986	34,088,281	25,439,229	18,695,100	16,895,100
Capital Expenditure	26,913,895	59,212,658	188,981,215	165,371,578	60,808,600	43,766,600
Total Miscellaneous Services	64,532,713	95,707,644	223,069,496	190,810,807	79,503,700	60,661,700
Pensions, Gratuities and Compassionate Allowance						
Value Added Tax	36,093,978	33,138,552	37,628,200	33,374,303	37,628,200	37,628,200
Finance Charges on Public Debt	51,572,901	48,735,276	51,741,771	43,978,964	44,797,300	41,609,800
TOTAL EXPENDITURE	1,644,734,197	1,668,690,583	2,480,472,174	1,632,530,620	1,756,020,300	1,657,286,700
NET DEFICIT	(231,888,866)	(132,175,273)	(732,999,562)	168,735,354	22,780,800	200,495,000

**GOVERNMENT OF THE REPUBLIC OF FIJI
ESTIMATE AND ACTUAL BUDGET RESULT
FOR THE PERIOD 2009 - 2011**

Schedule 13

	Actual 2009 \$	Actual 2010 \$	Estimate 2011 \$	Actual 2011 \$
REVENUE				
Operating Revenue	1,352,296,492	1,484,044,681	1,667,797,412	1,771,566,057
Investing Revenue	60,548,839	52,470,629	79,675,200	29,699,917
Public Debt - New Borrowings	405,389,740	462,965,102	734,801,500	650,513,644
TOTAL REVENUE	<u>1,818,235,071</u>	<u>1,999,480,412</u>	<u>2,482,274,112</u>	<u>2,451,779,619</u>
EXPENDITURE				
Operating Expenditure	1,061,666,572	1,056,348,375	1,114,295,606	1,094,016,732
Capital Expenditure	335,014,525	339,654,348	516,847,897	494,534,924
Value Added Tax	51,572,901	48,735,276	51,741,771	43,978,964
Public Debt Repayments	463,148,452	455,343,659	797,586,900	770,221,897
TOTAL EXPENDITURE	<u>1,911,402,450</u>	<u>1,900,081,658</u>	<u>2,480,472,174</u>	<u>2,402,752,517</u>
BUDGET RESULT	<u>(93,167,379)</u>	<u>99,398,754</u>	<u>1,801,938</u>	<u>49,027,102</u>

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

Table of Contents

1.0	FINANCIAL POSITION OF GOVERNMENT	3
1.1	FINANCIAL PERFORMANCE 2011	3
1.2	2011 APPROPRIATION DECREE	4
1.3	OPERATING RESULTS	4
1.4	FINANCING OF OPERATING EXPENDITURES	4
1.5	TREASURY BILLS	5
1.6	AGENCY FINANCIAL STATEMENTS	6
2.0	CASH AT BANK	7
2.1	NON PREPARATION OF BANK RECONCILIATIONS	8
2.2	BANK BALANCES WITHOUT EVIDENCE OF CASH HELD	9
2.3	VARIANCE IN CASH BANK GENERAL LEDGER BALANCE AND CASH HELD WITH BANK	12
2.4	CASH AT BANK WITH NEGATIVE BALANCES	14
2.5	DISCREPANCIES IN DRAWINGS ACCOUNT	15
2.6	UNPRESENTED CHEQUES	16
2.7	NET IMPACT OF ERROR AND OMISSION ON CASH AT BANK BALANCES	18
3.0	INVESTMENT	19
3.1	COMPOSITION OF GOVERNMENT INVESTMENTS	19
3.2	RETURN ON CAPITAL	20
3.3	ANALYSIS OF DIVIDENDS AND INVESTMENTS	20
3.4	DIVIDENDS REMITTED PER ENTITY	21
3.5	INOPERATIVE ENTITIES	23
3.6	FIJI SHIPS AND HEAVY INDUSTRIES LIMITED (FSHIL)	24
3.7	INVESTMENTS NOT REFLECTED IN THE STATEMENT OF ASSETS AND LIABILITIES	24
3.8	MISSING SHARE CERTIFICATES	25
3.9	MANAGEMENT OF GOVERNMENT INVESTMENTS	26
3.10	FAILURE TO PROVIDE INDEPENDENT AUDIT CONFIRMATION	27
4.0	TRUST FUND ACCOUNT	28
4.1	OVERDRAWN TRUST ACCOUNTS	30
4.2	NON SUBMISSION OF RECONCILIATIONS	32
4.3	TRUST FUND ACCOUNT ON OLD APPROPRIATION HEAD	33
4.4	VARIANCE NOTED IN CASH TRUST AND MAIN TRUST	34
5.0	REVENUE	35
5.1	REVENUE FORECAST	35
5.2	GAIN IN EXCHANGE RATE NOT RECORDED IN THE GENERAL LEDGER	38
5.3	INADEQUATE DIRECTION ON RECORDING RECEIPTS THROUGH AR MODULE	39
5.4	ARREARS OF REVENUE	40
5.4.1	Arrears of Revenue - 5 Year Analysis	41
5.4.2	Significant Balances of Arrears by Ministries/Department	41
5.4.3	Aging and Recovery of Arrears of Revenue by Ministries/Department	42
6.0	EXPENDITURE	44
6.1	OVERALL GOVERNMENT EXPENDITURES - 2011	44
6.2	EXPENDITURES IN THE LAST 10 YEARS	45
6.3	OVER-EXPENDITURES	46
7.0	BORROWING FUND	50
7.1	TRENDS IN GOVERNMENT BORROWING BY CATEGORY	50
7.2	BORROWINGS OVER THE 15 YEAR PERIOD	52
7.3	LOAN REPAYMENTS	54
7.4	DOMESTIC LOANS	55
7.4.1	Outstanding Domestic Loans & Interest Payments	56
7.4.2	Future Debt Obligations	57
7.5	OVERSEAS LOANS	59
7.5.1	Yearly Overseas Borrowings	59
7.5.2	Overseas Loans Outstanding & Interest Paid	61
7.5.3	Revaluation of Overseas Loans	62
7.6	TREASURY BILLS	63
7.6.1	Treasury Bills Over a 15-year Period	65

	7.6.2 Treasury Bills Management	66
7.7	WAYS AND MEANS	67
7.8	FLEXIBILITY	67
7.9	VULNERABILITY	69
7.10	SUSTAINABILITY	74
7.11	PUBLIC DEBT PER CAPITA TO GDP PER CAPITA RATIO	75
7.12	INCORRECT SUBMISSION OF BORROWING FUND ACCOUNT	76
7.13	DORMANT GENERAL LEDGER BALANCE	78
8.0	LENDING FUND ACCOUNT	79
8.1	RECOVERIES NOT RECORDED AS REVENUE	79
8.2	SCHOLARSHIP UNIT	80
8.3	ANOMALIES AND RECURRING ISSUES IN THE LENDING FUND	81
9.0	REVOLVING FUND ACCOUNT (RFA)	83
9.1	RFA – SUSPENSE / TRADING AND MANUFACTURING ACTIVITIES (TMA)	83
9.1.1	RFA (Suspense) Receipts Understated	83
9.1.2	Unsubstantiated Equity balances	84
9.1.3	TMA's operating above their Financial Ceiling	85
9.1.4	Misallocations – Fiji Handicraft Centre TMA	86
9.2	RFA – MISCELLANEOUS	87
9.2.1	Outstanding/Overdrawn RFA Miscellaneous Accounts	87
9.2.2	Increasing RFA Miscellaneous Account Balances	90
9.2.3	Analysis of Outstanding Invoices in Accounts Receivable Module	91
9.2.4	Carried Over Projects – SLG 840101	92
9.2.5	FMIS Account Structure not in accordance with Annual Appropriation Act	93
9.2.6	Variance in the 2011 Opening Balance	94
9.2.7	Overdrawn Standard Liability Group (SLG) 85	96
9.2.8	Non Remittance of Provisional Taxes	97
9.2.9	Analysis of Outstanding Advances, Dishonoured Cheque, Unclaimed Monies & Surcharges	99
10.0	CONTINGENT LIABILITIES	101
10.1	CONTINGENT LIABILITIES FOR GOVERNMENT	101
10.2	INCREASED LIABILITIES FOR DOMESTIC LOAN GUARANTEE	102
10.4	GUARANTEE OF MEMBERS CONTRIBUTIONS TO FIJI NATIONAL PROVIDENT FUND	104
11.0	SINKING ACCOUNT FUND AND THE JP MORGAN CASH ACCOUNT	105
11.1	CLEARANCE OF THE JP MORGAN SINKING FUND ACCOUNT	105
11.2	MONTHLY JP MORGAN CASH AT BANK RECONCILIATIONS NOT PROVIDED	106
11.3	MANAGEMENT OF GLOBAL BOND PROCEEDS	108
11.4	RECORDS NOT PROVIDED FOR BOND PROCEEDS FROM JP MORGAN MAIN ACCOUNT	109
11.5	INABILITY TO TRACE THE HISTORY OF THE JP MORGAN BANK ACCOUNT	110
APPENDICES	112
APPENDIX 1:	OPERATING FUND – EXPENDITURES	112
SCHEDULE 1:	APPROPRIATION DECREE 2011	112
APPENDIX 2(A):	MOVEMENT IN TRUST ACCOUNT STILL BEING REFLECTED IN OLD HEAD	113
APPENDIX 2(B):	VARIANCE IN CASH TRUST AND MAIN TRUST FUND ACCOUNT	116
APPENDIX 3:	DETAILS OF OUTSTANDING INVOICES AS AT 31/12/11	117
APPENDIX 4:	UNDER – COLLECTED REVENUE ITEMS (ESTIMATE VS. ACTUAL)	118
APPENDIX 5:	UNDER – COLLECTED REVENUE ITEMS (2010 ACTUAL VS. 2011 (ACTUAL))	120
APPENDIX 6:	OVER – COLLECTED REVENUE ITEMS (ESTIMATE VS. ACTUAL)	122

1.0 FINANCIAL POSITION OF GOVERNMENT

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

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

1.1 Financial Performance 2011

The performance of the Fiji Government for the year 2011 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2011

Item	Original Budget 2011 (\$'000)	Revised Budget 2011 (\$'000)	Actual Results 2011 (\$'000)	Variance ^[1] 2011 (\$'000)	Variance (%)
REVENUE					
Operating Receipts					
Direct Taxes	454,520.0	454,520.0	478,807.3	24,287.3	5.3
Indirect Taxes	1,042,400.8	1,042,400.8	1,094,859.7	52,458.9	5.0
Others	169,076.3	169,076.3	197,899.9	28,823.6	17.0
Total Operating Receipts	1,665,997.1	1,665,997.1	1,771,566.9	105,569.8	6.3
Total Investing Receipts	79,675.2	79,675.2	29,699.9	(49,975.3)	(62.7)
TOTAL REVENUE	1,745,672.3	1,745,672.3	1,801,266.8	55,594.5	3.2
EXPENDITURE					
Operating	1,383,908.0	1,393,127.1	1,359,745	(33,382.1)	(2.4)
Capital	525,525.1	516,847.9	494,534.8	(22,313.1)	(4.3)
Value Added Tax	52,285.2	51,741.8	43,979.0	(7,762.8)	(15.0)
TOTAL EXPENDITURE	1,961,718.3	1,961,716.8	1,898,258.8	(63,458.0)	(3.2)
Net Deficit	216,046.0	216,044.5	96,992.0	(119,052.5)	(54.0)
Debt Repayment	518,755.4	518,755.4	504,493.6	(14,261.8)	(2.7)
Gross Deficit	734,801.4	734,799.9	601,485.6	(133,314.3)	(18.1)
Net Deficit As A Percent of GDP	3.5%	3.5%	1.5%		
Nominal GDP	6,177,333	6,177,333*	6,846,600+		

Original Budget 2011 is sourced from the 2011 Budget Book.

+ Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

The gross deficit for the year totalled \$601.5 million which was \$133.3 million or 18% less than the 2011 revised forecast of \$734.8 million.

This was the result of decline in operating expenditure by \$33.4 million (2.4%), capital expenditure by \$22.3 million (4.3%) and debt repayment by \$14.3 million (2.7%) compared to the revised budget.

The increase in revenue collected by \$55.6 million (3.2%) compared to the revised revenue forecast also contributed to the decline in actual gross deficit against the forecasted gross deficit.

^[1] Variance = Actual Results less Revised Budget

The loans raised in 2011 to finance the budget deficit (Table 1.3) totalled \$693.7 million. In addition, treasury bills were also raised in 2011 to meet short term financing shortfalls. These are discussed in Section 1.5 and Table 1.4.

1.2 2011 Appropriation Decree

There was a total of 34 appropriation heads in the 2011 budget¹. The expenditures under the various heads and their variances are detailed in Appendix 1.

Against a revised budget of \$2,480,472,174, the government spent \$2,402,752,517 resulting in a savings of \$77,719,657. Five agencies however over-spent their budgets totalling \$27.2 million as outlined in Table 1.2 below:

TABLE 1.2 MINISTRY'S WITH OVERSPENT BUDGET

Heads of Appropriation	Original Budget	Redeployment	Revised Estimate	Actual Expenditure 2010	Over-Expenditure	% Over-spent
Fiji Military Forces	108,028,968	(553,050)	107,475,918	109,233,075	1,757,157	1.6
Fiji Police Force	76,959,564	---	76,959,564	77,972,823	1,013,259	1.3
Ministry of Education, National Heritage, Culture and Arts	245,096,605	3,531,076	248,627,681	252,281,053	3,653,372	1.5
Ministry of Health, Women and Social Welfare	137,448,399	---	137,448,399	149,784,032	12,335,633	9.0
Department of Public Utilities and Energy	99,108,635	6,442,644	105,551,279	113,981,010	8,429,731	8.0
Total	666,642,171	9,420,670	676,062,841	703,251,993	27,189,152	4.0

Under the Lending Fund appropriation of \$23.4 million, the loan outstanding to Government as at 31/12/2011 totalled \$70,377,339 compared to the balance as at 31/12/2010 of \$73,833,129, a decrease by 5%.

1.3 Operating Results

A net deficit totalling to \$96.9 million was recorded in year 2011 compared to the forecasted net deficit of \$216 million; a decrease by \$119.1million (54%).

This was attributed to the increase in revenue collection by \$55.6 million and the decrease in expenditure by \$63.5 million compared to the forecasted revenue and expenditure in the budget.

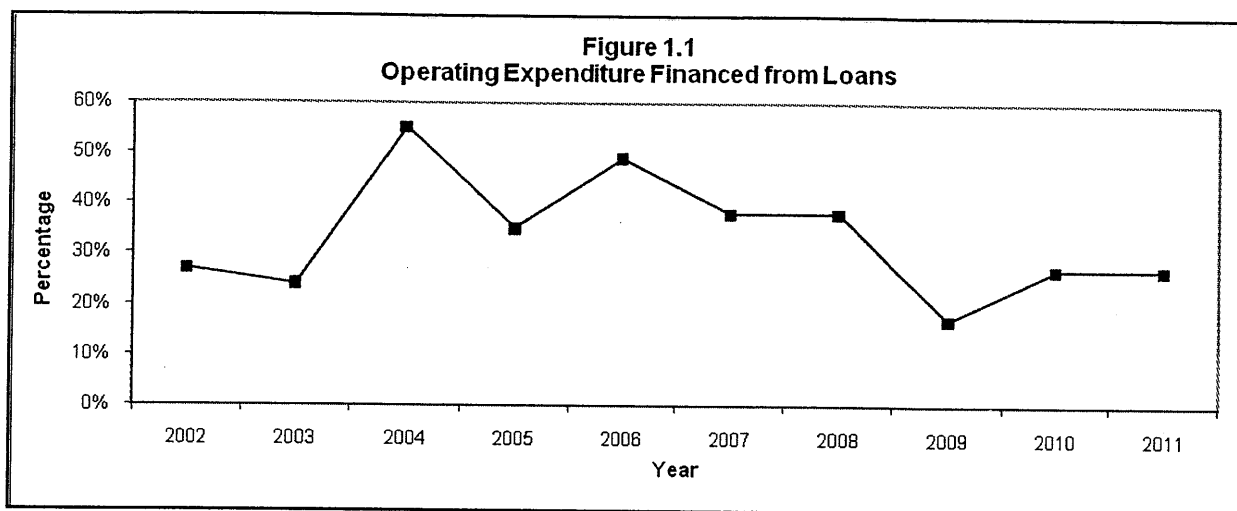
The net deficit for 2011 as a percentage of GDP was 1.5% compared to the forecasted net deficit of 3.5%.

1.4 Financing of Operating Expenditures

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

¹ Schedule 1 of the Appropriation Decree 2011

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



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

TABLE 1.3: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	2001 (\$'000)	2002 (\$'000)	2003 (\$'000)	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)	2009 (\$'000)	2010 (\$'000)	2011 (\$'000)
Total Loans (Domestic & Overseas)	239,248	325,197	319,738	458,468	328,608	417,810	334,937	345,649	405,390	462,965	693,707
Less Capital Expenditures	186,749	238,639	243,692	205,609	213,509	212,642	206,933	212,748	335,014	339,654	503,910
Balance for Operating Expenditures	52,499	86,558	76,046	252,859	115,099	205,168	128,004	132,901	70,376	123,311	189,797
% Loans Utilized for Operating Expenditures	22%	27%	24%	55%	35%	49%	38%	38%	17%	27%	27%

The percentage of loans which financed operating expenditure varied over the years. However, the ratio of loans utilised for operating expenditure remained at 27% from 2010 and 2011.

The continued utilisation of loan funds for operating expenditure reflected constant reliance by government on its financiers for the day to day operations. This has denied government from investment in capital works which would have contributed to increase employment and economic growth.

1.5 Treasury Bills

The Government borrowing for year 2011 shall not exceed the sum of \$734,801,481.²

As government had raised domestic loans in accordance with the approved budgets over the years, the excess borrowing has been in the form of Treasury Bills. Outstanding Treasury Bills as at 31/12/11 amounted to \$70,921,393. Table 1.4 details the loans raised by government to finance its budget deficits over the last 10 years.

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

TABLE 1.4: BUDGET DEFICIT VS. LOANS RAISED

Details	2002 (\$)	2003 (\$)	2004 (\$)	2005 (\$)	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)
Gross Deficit	334,367,718	380,275,486	302,912,124	366,334,030	394,450,200	369,552,279	225,554,800	498,557,100	363,566,600	302,976,000
Domestic Loans	299,000,000	291,000,000	449,200,000	319,965,000	356,778,570	100,536,321	341,266,932	404,239,758	452,734,100	117,370,000
Overseas Loans	26,196,743	28,745,347	9,267,717	8,641,300	61,031,585	234,400,549	4,381,720	1,149,982	10,231,002	576,336,144
Treasury Bills	196,432,453	276,925,838	126,987,822	136,018,387	141,311,687	141,160,433	64,552,990	97,721,294	74,969,800	70,921,393
Loans	521,629,196	596,664,155	585,455,539	464,626,659	559,121,842	476,097,303	410,201,642	503,111,034	537,934,902	764,627,137
Deficit %	64%	64%	52%	79%	71%	78%	55%	99%	68%	79%
Excessive Borrowings %	36%	36%	48%	21%	29%	22%	45%	1%	32%	21%

The 2011 revised budget funding programme³ appropriated \$734.8 million (equal to the forecasted gross deficit) to be loan funds to be borrowed to finance the gross deficit. However, the year 2011 noted a total of \$764.6 million being raised in loan funds, an excess borrowing of \$29.8 million (4%).

Furthermore, despite the gross deficit as at 31/12/2011 being only \$602.9 million, which amount to 79% of the total borrowing, an excess borrowing of \$161.7 million was undertaken in 2011 which included the raising of Treasury bills totalling \$70.9 million.

1.6 Agency Financial Statements

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

Of the 32 Ministries/Departments appropriated in the 2011 appropriation decree, 11 failed to submit their Agency Financial statements (AFS) on 31/3/12 delaying the issue of their audit reports. Refer Table 1.5 for detail of Ministries/Departments that failed to submit their AFS by 31 March.

TABLE 1.5: LATE SUBMISSION OF DRAFT AFS

Ministry/Department	Date AFS Submitted	Appropriated Budget (\$)
Ministry of Health	02/04/12	137,448,351
Ministry of Education	02/04/12	245,098,110
Ministry of Public Utilities and Energy	02/04/12	99,108,629
Fiji Police Force	02/04/12	76,959,564
Office of the Prime Minister & Public Service Commission	02/04/12	50,894,206
Office of Accountability	11/04/12	960,711
Elections Office	13/04/12	1,696,126
Fiji Correctional Services	17/04/12	19,165,900
Department of Fisheries and Forest	30/04/12	13,075,272
Ministry of Agriculture	11/05/12	44,294,785
Total		688,701,654

³ Revised Budget Estimate 2011, Page 8.

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

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

The government is yet to adopt accrual accounting as such, ministries and departments have not been required to submit a statement of assets and liabilities and notes to the statement of assets and liabilities for the operating fund account.

2.0 CASH AT BANK

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorised to operate on it. All agency bank accounts must be kept in the name of the agency or the official title of a unit within the agency.⁴

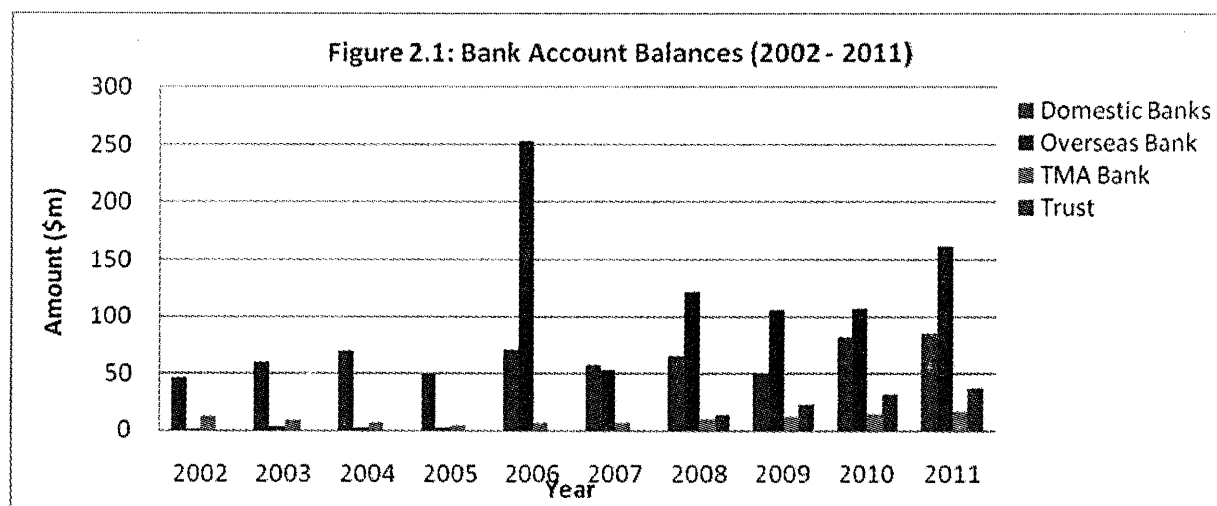
The Cash at Bank balance increased significantly from \$185,443,615 in 2010 to \$250,876,080 in 2011 due to significant increase in overseas bank balance (52%), trading & manufacturing account balance (19%) and trust fund account balance (20%). In addition, there was an increase in domestic bank balances by 3%. Refer to Table 2.1 for details.

TABLE 2.1: CASH AT BANK BALANCE AS AT 31/12/11

Account	2010 Balance (\$)	2011 Balance (\$)	Variance (\$)	Increase/ Decrease	% Change
Domestic Bank	82,425,719	84,998,728	2,573,009	Increase	3
Fiji Overseas Agents	106,409,431	161,923,910	55,514,479	Increase	52
Trading & Manufacturing Account (TMA)	14,133,097	16,840,996	2,707,899	Increase	19
Trust Fund Account	31,245,508	37,383,558	6,138,050	Increase	20
Drawings Account	(48,770,140)	(50,271,112)	(1,500,972)	Increase	3
Net Cash	185,443,615	250,876,080	65,433,465	Increase	35

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

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



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

2.1 Non Preparation of Bank Reconciliations

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

All bank accounts must be reconciled monthly with the bank reconciliation showing all the outstanding cheques and other reconciling items and signed and dated by the responsible officer.⁵

The audit noted that numerous bank accounts for the Domestic, Overseas Agencies, Trading & Manufacturing Accounts, and Trust Fund Accounts did not have bank reconciliation statements for the year ended 31/12/2011. Refer to Table 2.2 for examples of accounts without reconciliations:

TABLE 2.2: BANK ACCOUNTS WITHOUT RECONCILIATIONS

Account ID	Description	GL Balance (\$)
Domestic Bank		
1292446	Australia & New Zealand Banking Ltd	3,872,713
42055600	Westpac Banking Corporation	1,527,972
7347548	Inland Revenue	24,995,733
31501	Reserve Bank of Fiji	4,437,733
719354	Colonial National Bank	(8,429,735)
Overseas Agencies		
10410204202510500	Fiji Trade Commission - LA	194,234
10410204202510700	Sinai	21,956
10410204202510105	FMF-Bank Account in Darwin	5,091
10410204202510904	Taiwan Trade Commission	63,875
10410204202510100	Sydney Trade Commission	(2,027)
104102204202510200	Crown Agents London	(782,405)
13410134101510102	Fiji Consulate Sydney Cabinet	28,231
	Total	25,933,371

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

In spite of the issue of non-reconciliation of the cash at bank raised previously, no effort was made by the Ministry to ensure that monthly bank reconciliation is undertaken for all the cash at bank balances.

In the absence of proper bank reconciliation, correctness of cash at bank balances totalling to \$25.93 million as reflected in the whole of Government Financial Statement of Assets and Liabilities could not be substantiated.

Recommendations

- **The Ministry should ensure that consolidated bank accounts with respect to Domestic, Overseas Agencies, Trading & Manufacturing Accounts, Trust Fund Accounts are regularly reconciled with the entity's records.**
- **Bank reconciliation should be prepared for all the bank accounts.**
- **Officers should be disciplined for failing to prepare timely reconciliations of the account balances.**

Ministry's Comments

No comment received from the Ministry.

2.2 Bank Balances without evidence of Cash Held

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or send for and have the custody of any records, books, accounts, vouchers or documents under the control of any officer, and to keep such records, books, accounts, vouchers or documents for such time as he may require them.⁶

Independent audit confirmation is an audit tool to verify account balances with the bank. The mechanism checks that the audited entity's records are updated and account balances are fairly stated.

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

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

The following anomalies were noted:

1. There were 16 domestic bank accounts in the general ledger totalling to \$11.05 million or 4.4% of the total cash held as at 31/12/11 without any bank audit certificate nor bank statements were produced to confirm the existence and the completeness of these bank accounts;
2. Of the 16 domestic bank accounts, five (5) bank accounts totalling \$42,499 were overdrawn;
3. Cash at bank in the general ledger from account numbers 11 to 16 totalling \$877,643 were indicated to have been closed off;

⁶Audit Act 1998, section 7 (1) (2)

4. Details of those cash at bank accounts totalling \$877,643 that were closed during the year in accordance to the Proforma Finance Manual, section 7.4.4 were lacking;⁷
5. Cash at bank general ledger account balances totalling \$64,501 from number 14 to 16 were brought forward balances from the previous years without any evidence of cash held with that account. Refer to Table 2.3 below for details:

TABLE 2.3: DOMESTIC BANK ACCOUNTS WITHOUT BANK AUDIT CERTIFICATES FOR CASH HELD

No.	General Ledger Account	Name of Bank	Amount (\$)
1	1-04102-04202-520101	Reserve Bank of Fiji	4,437,733
2	Various [2 GL accounts]	Bank of the South Pacific - Nadi	(645)
3	1-02301-02999-520415	Bank of the South Pacific – PSC Scholarship	309,125
4	1-05101-05101-520415	Bank of the South Pacific – Indigenous Affairs Scholarship	(38,889)
5	Various [3 accounts]	Habib Bank Limited - Suva	2,332,260
6	1-24101-24999-520601	Bank of the South Pacific	567,635
7	1-04104-04402-526101	Westpac Bank Corporation – Fixed Deposits	2,500,000
8	1-30101-30999-520412	BSP/CNB - Taveuni	(2,689)
9	1-30101-30999-520303	WBC - Levuka	(10)
10	1-30101-30999-520304	WBC - Tavua	(266)
11	1-30101-30999-590101	WBC (Alternative Livelihood Projects) - Term Deposit	873,950
12	1-21302-91025-590101	Alternative Livelihood Project	1,200
13	1-50101-50999-525201	RBC (Remittance Between Chests) General	5,458
14	1-04102-04202-520103	RBF Special Account IBRD 3188	38,371
15	1-04102-04202-520105	RBF Loan Prepayment Account	1,000
16	1-40601-84999-525282	RBC PWD Western	25,130
		TOTAL	11,049,363

6. There were 19 overseas bank accounts recorded in the general ledger totalling \$1.897 million as at 31/12/11 that did not have any bank statement record or were not made available during the audit for verifications;
7. Of these 19 accounts as shown in Table 2.4, three accounts totalling \$954,769 were overdrawn and general ledger numbers 13 to 19 were brought forward balances from previous years and there was no evidence to substantiate the actual cash held.

TABLE 2.4: OVERSEAS BANK ACCOUNTS WITHOUT BANK STATEMENTS OF EVIDENCE OF CASH HELD

No.	Account ID	Account Description	Amount (\$)
1	1-08103-08102-510106	Fiji Consulate General Sydney	54,567
2	1-04102-04202-510201	Crown Agents London	(782,405)
3	1-08103-81001-510202	Fiji High Commission London	228,062
4	1-08103-80701-510502	Fiji High Commission Wellington	40,255
5	1-08103-80201-510504	Fiji High Commission Beijing	605,542
6	1-08103-81101-510801	Fiji High Commission UN	214,331
7	1-08103-81102-510802	Washington	442,233
8	1-08103-80601-510901	Bank in Kular Lumpur	489,942
9	1-08103-80401-510905	Fiji Embassy Indonesia	(170,337)
10	1-08103-80402-510905	Fiji Embassy Indonesia	170,634
11	1-08103-80403-510905	Fiji Embassy Indonesia	32,220
12	1-08103-80404-510905	Fiji Embassy Indonesia	249,879
13	1-34101-34101-510102	Fiji Consulate Sydney Cabinet	28,231

⁷ Closure of a bank account for public money, other money or trust money must only be carried out with the approval of the Chief Accountant. Prior to closure of public bank accounts, all monies must be transferred to the Consolidated Fund Account, and Chief Accountant must be advised accordingly.

No.	Account ID	Account Description	Amount (\$)
14	1-04102-04202-510105	FMF – Bank A/c in Darwin	5,091
15	1-08101-08101-510106	Fiji Trade Commission Sydney	(2,027)
16	1-34101-34101-510503	Fiji Trade Commission LA	194,234
17	1-04102-04202-510701	Sinai	21,956
18	1-08103-80301-510901	Bank in Kular Lumpur	11,544
19	1-34101-34101-510904	Taiwan Trade Commission	63,875
	TOTALS		1,897,827

8. There were 18 trust fund account balances totalling to \$18.83 million for which bank audit certificate or the bank statements were not made available. This totals to 7.5% of the cash at bank balance in the Whole of Government Financial Statement of Assets and Liabilities.
9. Of the 18 account balances, two (2) account balances totalling to \$1.13 million were overdrawn without any explanation provided;
10. The Ministry/Department general ledger is structured in accordance to the annual budget. The two general ledger accounts at number 16 and 17 of table 2.5 could not be traced to the budgetary allocation from year 2005 to 2011.

Refer to Table 2.5 for details of these:

TABLE 2.5: TRUST ACCOUNTS WITHOUT BANK CONFIRMATIONS/BANK STATEMENT

No.	Account ID	Ministry / Department	Amount (\$)
1	9-33201-33066-520301	Mineral Resources - Mining Trust	3,498,895
2	9-34401-80001-520301	Commerce - Co-op Small Business Institute	55,670
3	9-06201-70002-520301	Immigration Bond	5,420,088
4	9-11101-11065-520501	Judiciary Fund Trust A/c	1,060,039
5	9-14101-14074-520301	Forfeited Assets Fund	100,357
6	9-14101-14999-520301	DPP Trust Bank A/c	79,392
7	9-02101-02084-520401	Non-Profit Organization A/c	463,623
8	9-07101-07003-520301	Workmen's Compensation (Labour)	1,293,299
9	9-07101-07006-520401	OHS Trust A/c	3,344,574
10	9-07101-07009-520401	National Employment Centre	265,278
11	9-07101-07010-520401	Employee Relations Agency TF	3,610
12	9-07101-07011-520401	Child Labour Unit TF	37,343
13	9-07301-07999-520401	CFA - CNB Suva - Environment	3,273
14	9-23401-23006-520301	TF HUD Litter Decree Publicity	(176,001)
15	9-23401-23006-520401	TF HUD Litter Decree Publicity	264,396
16	9-37301-37999-520401	Department of Environment	377,295
17	9-37301-37999-520301	Department of Environment	(953,076)
18	9-07101-07006-520401	OHS Education & Accident Prevention Trust Fund	3,695,826
			18,833,881

11. Cash at bank accounts with respect to the OHS Education and Accident Prevention Trust was recorded in the Statement of cash and bank balances – the cash appendix report and the general ledger⁸ totalling \$3.7 million. Moreover there was no evidence of actual cash held and these accounts were not included with the Whole of Government Cash at Bank in the Statement of Assets and Liabilities as at 31/12/2011.

The above reflects the non-existence of the internal control mechanism for the recording of these cash at bank.

⁸ 9-07101-07006-520401

As a result, a total of \$31.78 million of cash at bank reflected in the statement of assets and liabilities in the Whole of Government Financial Statements could not be substantiated.

Recommendations

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

Ministry's Comments

No comment received from the Ministry.

2.3 Variance in Cash Bank General Ledger Balance and Cash held with bank

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

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

1. The domestic bank balances are understated by \$25.3 million as reflected in the statement of assets and liabilities in the Whole of Government Financial Statements; and
2. The general ledger reflected that the bank account held with BSP – Suva was overdrawn by \$5.6 million while the bank confirmation showed a balance of \$20 million.

Refer to Table 2.6 below for details of these:

TABLE 2.6: CASH IN THE BANK AS PER BANK CONFIRMATION AND GENERAL LEDGER (FMIS) CASH AT BANK BALANCE

Description	GL / Appendix Figures (\$)	Bank Confirmation Figures (\$)	Variance (\$)	GL Overstated / Understated
ANZ – Suva	3,872,713	6,841,021	(2,968,308)	Understated
ANZ Customs Lodgement	12,866,675	6,866,675	6,000,000	Overstated
ANZ Inland Revenue	24,995,733	42,659,246	(17,663,513)	Understated
BSP – Suva	(5,589,779)	20,080,527	(25,670,306)	Understated
BSP – Term Deposit (Sinking Fund)	28,793,602	13,816,030	14,977,572	Overstated
TOTAL	64,938,944	90,263,499	(25,324,555)	Understated

3. The general ledger for overseas bank balances was overstated by \$92.54 million with comparison to the cash at bank balance reflected in the Whole of Government Statement of Assets and Liabilities. Refer to Table 2.7 for details of these:

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

TABLE 2.7: OVERSEAS BANK BALANCE VS. GENERAL LEDGER BALANCE.

Description	GL / Appendix Figures (\$)	Bank Confirmation Figures (\$)	Variance (\$)	GL Overstated / Understated
Fiji High Commission Canberra	6,611	32,959	(26,348)	Understated
Fiji Embassy Tokyo DOM Cash	77,705	78,582	(877)	Understated
Fiji Mission Brussels	268,487	132,420	136,067	Overstated
JP Morgan	22,479,021	21,394,644	1,084,377	Overstated
JP Morgan Collateral	27,342,550	27,344,786	(2,236)	Understated
JP Morgan Interest Account	26,993	27,013	(20)	Understated
JP Morgan Other Offshore Shop	109,231,532	18,216,911	91,014,621	Overstated
Closing Balance for PNG	92,044	79,529	12,515	Overstated
FHC New Delhi	501,039	175,818	325,221	Overstated
Westpac Bank – Australia	147,981	148,884	(903)	Understated
Westpac Bank – New Zealand	46,746	46,799	(53)	Understated
TOTAL	160,220,709	67,678,345	92,542,364	Overstated

4. The bank audit certificate as at 31/12/2011 confirmed that the NBF/AMB accounts did exist with a balance of \$1.06 million. The audit noted that \$1.49 million is reflected in the notes to the Statement of Cash Balances with a variance of \$430,000. Proper explanation was not furnished for not disclosing them in the Whole of Government Financial Statements.

Refer to Table 2.8 below for details:

TABLE 2.8: GENERAL LEDGER VS. BANK AUDIT CERTIFICATE OF CONFIRMATION – NBF/AMB BANK ACCOUNT WITH RBF

Description	Amount (\$)
Balance as Per Statement of Cash Balances [Appendix 3]	1,490,000
Balance as per Bank Confirmation	1,060,000
Variance [Overstated]	430,000

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

Hence, the cash at bank balance reflected in Whole of Government of Financial Statement of Assets and Liabilities was overstated by \$67,217,811 or 27%.

Recommendations

- The Ministry of Finance should ensure that bank reconciliations are prepared on regular basis for all bank accounts, the variances are explained and the general ledger is adjusted accordingly to reflect actual cash held.
- The Ministry should advise Accounting Head of the importance of preparing bank reconciliations as it provides a check mechanism that the cash at bank accounts is materially correct.

Ministry's Comments

No comment received from the Ministry.

2.4 Cash at bank with Negative Balances

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

The audit noted that a total of \$423.6 million in the cash at bank general ledger was recorded as a credit balance, contrary to the nature of cash at bank balances. Refer to Table 2.9 below for details of these:

TABLE 2.9: CASH AT BANK WITH NEGATIVE BANK BALANCE

Account ID	Description	GL Balance (\$)
<i>Domestic Bank Balance</i>		
1-04102-04202-520201	ANZ – Suva	(60,349,813)
1-04102-04202-520301	WBC – Suva	(6,331,905)
1-04102-04202-520401	BSP/CNB - Suva	(306,227,192)
1-16101-16101-520404	BSP/CNB - Nadi	(212)
1-41101-41999-520404	BSP/CNB - Nadi	(433)
1-05101-05101-520415	BSP/CNB - Indigenous Affairs Scholarship	(38,889)
1-04102-04202-520601	Habib Bank Ltd - Suva	(46,255,791)
<i>Overseas Bank Balances</i>		
1-04102-04202-510201	Crown Agents London	(782,405)
1-08103-80401-510905	Fiji Embassy Indonesia	(170,337)
<i>TMA</i>		
4-40263-93011-540201	Public Works and Infrastructure - Labasa (WBC)	(25,446)
<i>Trust Fund Account</i>		
9-30B01-78068-520301	Fisheries Trust - WBC	(25,966)
9-32301-76068-520301	Generated Account	(369,438)
9-05201-68999-520301	Provincial Development	(903,039)
9-18101-68999-520301	Provincial Development	(287,153)
9-02101-02999-520401	Generated A/c	(666,083)
9-23401-23006-520301	TF HUD Litter Decree Publicity	(176,001)
9-37301-37999-520301	Department of Environment	(953,076)
Total		(423,563,179)

Furthermore, these negative balances have been offset with the overdrawn cash at bank balances and reflected in the Whole of Government Financial Statement of Assets and Liabilities.

While there was a lack of reconciliation, satisfactory explanation to support the negative account balances was also not provided by the Ministry of Finance.

Hence, the cash at bank balance in Whole of Government Financial Statement of Assets and Liabilities could not be deduced to be fairly stated.

Recommendation

The Ministry should ensure that the negative cash at bank balances are reconciled and adjusted to reflect the actual held by the Government.

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

Ministry's Comments

No comments received from the Ministry.

2.5 Discrepancies in Drawings Account

The “Drawings Account” will be operated for all payments except for those payable from petty cash bank accounts, TMA bank accounts and trust bank accounts.¹¹ The Accounting Head shall certify the monthly drawings reconciliation statements before submitting to the Ministry of Finance.¹²

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

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

1. 10 drawings account in the general ledger totalled to \$5.475 million or 2% of the total cash at bank recorded in the Whole of Government Financial Statement of Assets and Liabilities which has debit balances contrary to its nature.
2. Drawings account general ledger balances for Water Supplies – WBC Suva (\$1,396,308), Water and Sewerage – CNB Suva (\$299,673) and Works – RBC (\$475,622) were brought forward balances from previous years.
3. The Ministry of Finance has yet to facilitate the reconciliation and clearance of these balances from the general ledger.

Refer to Table 2.10 below for details of these accounts.

TABLE 2.10: MINISTRIES/DEPARTMENTS DRAWINGS DEBIT BALANCE

No.	Account ID	Ministry/Department	GL Balance (\$)
1	1-41201-95991-530201	Water Supplies - WBC Suva	1,396,308
2	1-02103-02999-530301	Cabinet - CNB Suva	832,305
3	1-41201-85999-530381	Water & Sewerage (PWD DECE) - CNB Suva	299,673
4	1-04102-04204-530392	Pensions - CNB Suva	234,200
5	1-06201-70999-530401	Immigration - CNB Suva	41,977
6	1-40501-95991-535001	Works - RBC Suva	475,622
7	1-30701-76999-536101	IDC CNB - Tribunal	23,726
8	1-41201-95991-530201	Water Supplies – WBC Suva	1,396,308
9	1-41201-85999-530381	Water & Sewerage (PWD DECE) – CNB Suva	299,673
10	1-40501-95991-535001	Works – RBC Suva	475,622
		TOTAL	5,475,414

As such the cash at bank balance reflected in the Whole of Government Financial Statement of Assets and Liabilities was overstated by \$5.5 million.

Recommendations

- **Effective control measures should be implemented to ensure that the differences in the drawings account reconciliations for Ministries/Departments are corrected and updated onto the Financial Management Information System before the closure of the accounts.**

¹¹ Proforma Finance Manual 2011 – Section 7.4.3

¹² Proforma Finance Manual 2011 – Section 17.3.1

- The Ministry should adopt a check and review mechanism for all reconciliations to ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.
- Proper supervision should be carried out as reconciliation is an important control check in order to ensure that balances reflected in the accounts are correctly and fairly stated.
- Accounts officers within Ministries/Departments failing to rectify these balances are to be disciplined accordingly.

Ministry's Comments

No comment received from the Ministry.

2.6 Unpresented Cheques

The accounts supervisor shall prepare bank reconciliation within 5 days of the end of the month. Details of unpresented cheques and other reconciling items should be attached to the reconciliation statement.¹³

Permanent Secretaries are requested to advise their Section Heads to plan well ahead for all their proposed purchases of goods and services to ensure their Local Purchase Orders (LPOs) are prepared and approved by 02/12/11 and that all payments are made by 30/12/11. Accounting Heads are also requested to advise various suppliers to present all their unpresented cheques to the bank before or on 30/12/11 to avoid unnecessary large cash balances sitting in the various drawings account.¹⁴

A review of the unpresented cheques balances over the past 10 years as provided in Table 2.11 and Figure 2.2 indicated that these accounted for a significant portion of the domestic cash at bank and total cash holdings of the Government.

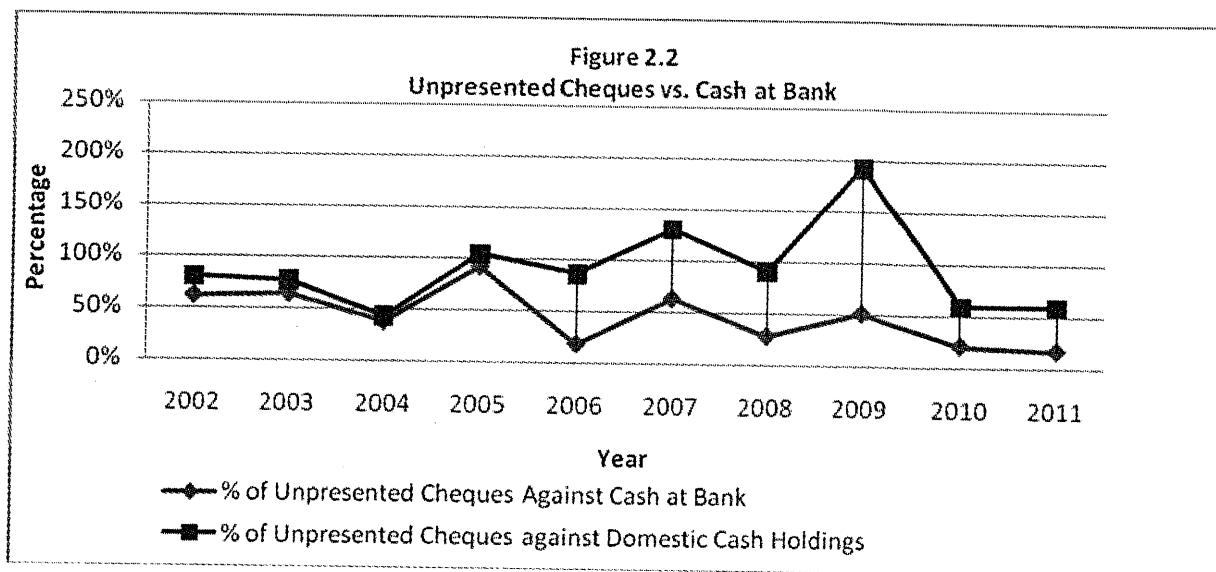
TABLE 2.11: UNPRESENTED CHEQUES

Year	Unpresented Cheques (\$)	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding (\$)	% of Unpresented Cheques against Domestic
2002	36,272,562	58,749,914	62	45,525,054	80
2003	45,687,430	70,886,542	64	59,566,056	77
2004	29,749,633	79,080,721	38	69,771,759	43
2005	51,889,269	56,633,778	92	50,071,389	104
2006	60,501,189	330,250,882	18	70,524,396	86
2007	73,586,193	115,983,879	63	56,774,511	130
2008	59,570,322	211,202,847	28	65,865,376	90
2009	97,864,276	192,376,274	51	50,840,686	192
2010	48,770,140	234,213,755	21	82,425,719	59
2011	50,271,113	301,148,113	17	84,999,748	59

¹³ Proforma Finance Manual 2011 – Part 7 Cash Management Section 7.4.8 & 7.4.9

¹⁴ Finance Circular 14/2011, Closure of Accounts 2011, Paragraph 7.1.4

FIGURE 2.2: UNPRESENTED CHEQUES VERSUS THE CASH AT BANK



The Ministry has maintained the same percentage of 59 % which was the proportion of the unpresented cheques relating to the total domestic bank balance. However there were certain Ministries and Departments that continued to have significant unpresented cheque balances as at 31/12/11 as outlined in Table 2.12.

TABLE 2.12: MINISTRIES AND DEPARTMENTS WITH SIGNIFICANT UNPRESENTED CHEQUE BALANCES

Ministries/Departments	Amount (\$)	% of Total
Agriculture	2,246,170	4
Customs	3,272,452	7
Education	1,347,618	3
Health	2,582,073	5
Inland Revenue	4,547,795	9
Lands	2,010,253	4
Prisons	1,443,642	3
Roads (PWD – HQ)	12,070,995	24
Social Welfare	2,028,665	4
Treasury	11,817,046	24
Others	6,881,227	13
TOTAL	50,247,936	100

Explanation could not be provided by the respective Ministries/Departments of the significant balances of unpresented cheques.

The significant unpresented cheques balances indicated that spending for these Ministries and Departments were concentrated towards the end of the year. Such spending often resulted in uneconomical purchases affecting the following year's budgetary allocations.

Recommendations

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

- The Ministry should monitor such end of year purchases and analysis needs to be prepared for justifications for the non - compliance to Finance Circulars.

Ministry's Comments

No comment received from the Ministry.

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

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

The following errors and omissions on the Statement of Cash at Bank have made a material misstatement of \$460,322,935 as reflected in the Whole of Government Financial Statement of Assets and Liabilities. These are shown in Table 2.13:

TABLE 2.13: DETAILS OF THE NET IMPACT ON THE ERROR AND OMISSION OF CASH AT BANK

Errors and Omissions	Amount (\$)
Non-preparation of bank reconciliations	25,933,371
Bank Balances without evidence of Cash Held	31,781,071
Variance between Cash at Bank in the General Ledger and the Actual Cash held with the bank [Overstated]	67,217,811
Cash at bank with Negative balance	(423,563,179)
Debit balance in the Drawings accounts	5,475,414
Cash Balances not reflected in the Whole of Government Financial Statement	5,380,554
Net Impact on the errors and omissions	(287,774,958)

The net impact on Cash at Bank of the errors and omissions in the 2011 accounts is substantial and reflects the existence of weak internal controls in cash management.

In spite of this reported in the 2010 audit of the Whole of Government Financial Statements and issued with a qualified audit report, the Ministry has failed to instigate the reconciliation of these balances to correctly reflect cash at bank at year end.

Recommendations

- The Ministry should ensure that bank balances are reconciled monthly under adequate supervisions.
- The Ministry should put in strategies to ensure that those omissions are errors are rectified and controls mechanisms are strengthened.

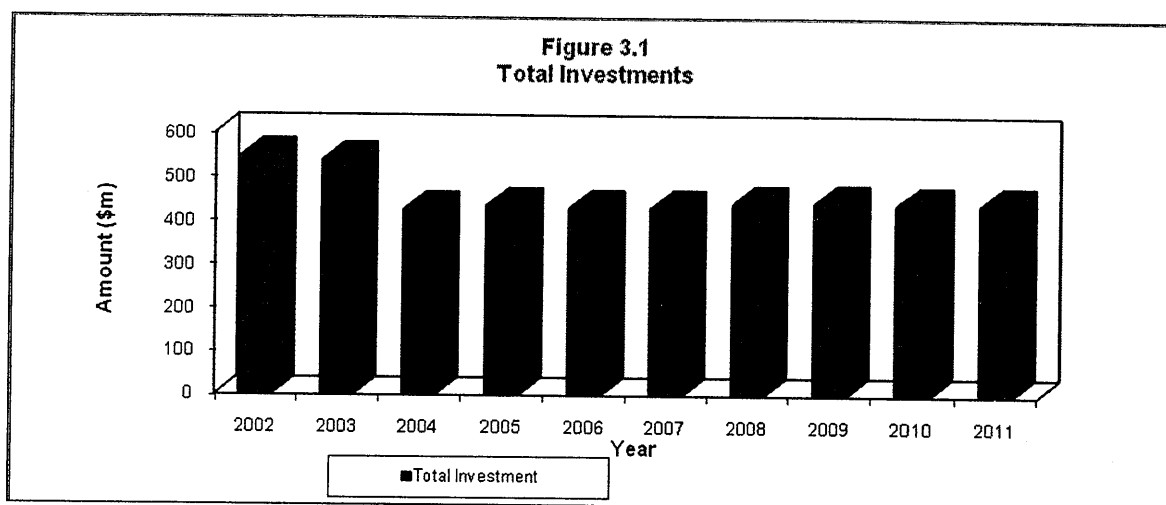
Ministry's Comments

No comment received from the Ministry.

3.0 INVESTMENT

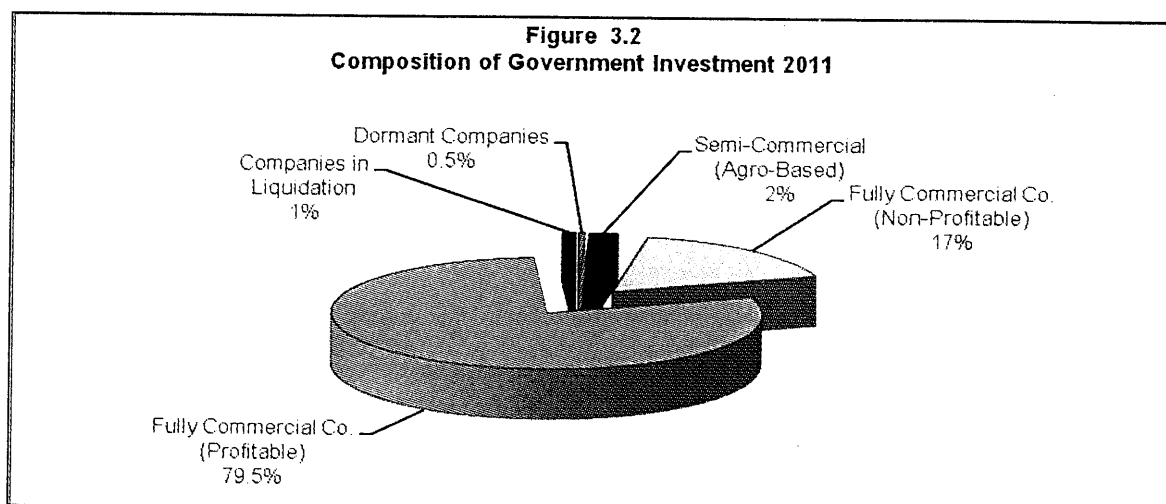
Section 55(1) (b) of the Financial Management Act 2004 empowers the Minister to invest public money (and other money within the meaning of the Act) on deposit with a Bank; in securities issued by a statutory authority; by way of advances authorized by an Act or by resolution of the House of Representatives.

Government investment in 2011 totalled \$438,907,122 held in 30 companies increased by \$44,219 or 0.01% when compared to 2010. A graphical representation of the investment of Government for the last 10 years is shown in Figure 3.1.



3.1 Composition of Government Investments

The graphical composition of Government Investments for 2011 is shown in Figure 3.2 below:



The major component of Government Investments as at 31/12/11 was allocated to profitable fully commercial companies which amounted to \$346,882,245 or 79.5% of total investments.

Fully commercial companies that were not profitable accounted for \$76,131,697 or 17%, semi-commercial (Agro-Based) accounted for \$9,412,970 or 2% whilst the remaining 1.5% or \$6,480,210 was for government investments in dormant companies or companies in liquidation.

3.2 Return on Capital

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

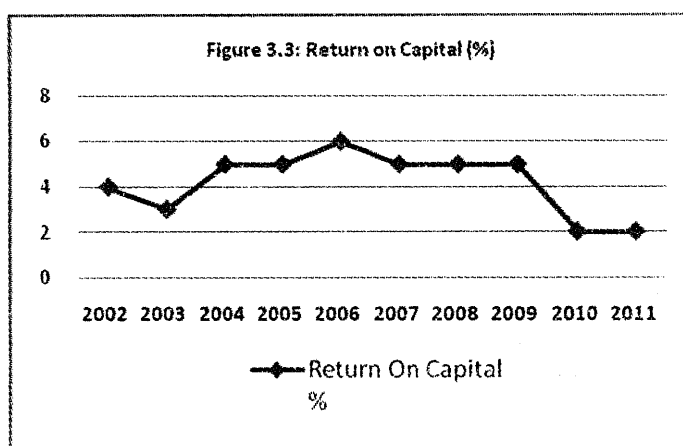
The 2001 Public Enterprises Sector Reform Policy requires corporate entities to remit 10% after tax return on shareholders' fund to be regarded as operating successfully.

The audit noted that during the years 2002 to 2011, the average return on capital was 4.2% with 2006 recording the highest return of 6%. In 2011, the return on capital was 2% which was the same as year 2010.

Table 3.1 shows the return on capital over the years 2002 to 2011 from Government Commercial Companies and Commercial Statutory Authorities as reflected in the Statement of Investments.

TABLE 3.1: RETURN ON CAPITAL 2002 – 2011

Year	Total Government Shareholding (\$)	Dividends On Investment (\$)	Return On Capital %
2002	545,789,484	21,563,220	4
2003	536,950,162	17,552,494	3
2004	425,216,242	20,834,101	5
2005	435,208,218	23,701,130	5
2006	429,778,664	27,619,234	6
2007	429,861,896	21,971,159	5
2008	440,255,991	21,260,842	5
2009	441,960,505	20,832,214	5
2010	438,862,903	9,224,373	2
2011	438,907,123	10,631,806	2



3.3 Analysis of Dividends and Investments

One of the targeted outputs for the Ministry of Finance is the management of financial asset and liability with respect to market and portfolio management of \$1.04 million in 2011.

In addition, forecast for dividend revenue in 2011 was \$30.1 million.

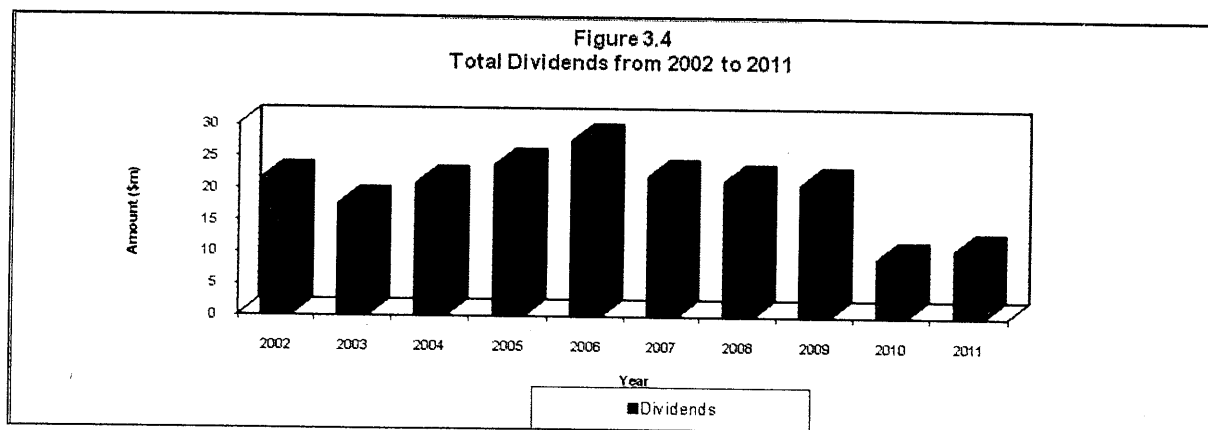
The audit noted that dividends on investments continued to decrease in 2011 compared to 2010, a decrease of \$2.1 million or 16%.

In addition, the forecasted dividend revenue for 2011 has not been attained with a shortfall of \$19.5 million or 35%. Refer to Table 3.2 for details of analysis:

TABLE 3.2: INVESTMENTS AND DIVIDENDS RECEIVED 2002 - 2011

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% of Dividend Entities
2002	545,789,484	21,563,220	96	11	30	37
2003	536,950,162	17,552,494	(19)	12	30	40
2004	425,216,242	20,834,101	19	10	30	33
2005	435,208,218	23,701,130	14	9	30	30
2006	429,778,664	27,619,234	17	12	32	38
2007	429,861,896	21,971,159	(20)	11	30	37
2008	440,255,991	21,260,842	(3)	7	30	23
2009	441,960,505	20,832,214	(2)	8	31	26
2010	438,862,903	12,726,623	(39)	8	30	27
2011	438,907,122	10,631,806	(16)	8	30	27

Refer to Figure 3.4 for the graphical analysis of dividends collected over the 10 year period:



The audit noted that over the past 10 years, an average of 10 entities were paying dividends to Government.

The decrease in dividend revenue indicated the need for non-performing portfolios to be strictly monitored and supervised by the Ministry of Finance to ensure that maximum returns are realised on Government investments.

3.4 Dividends Remitted per Entity

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

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

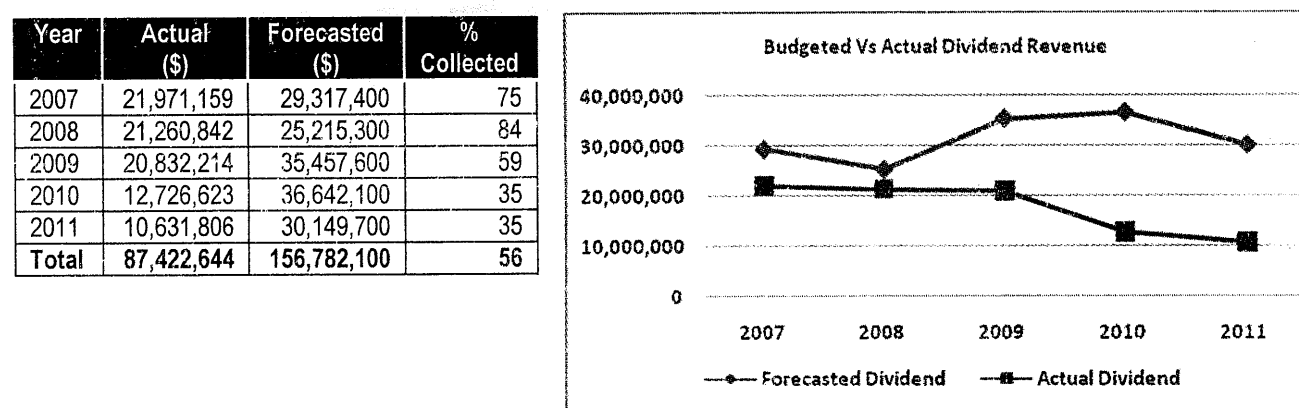
Dividend totalling \$10.6 million were received in 2011 from only 8 entities out of the 30 entities.

TABLE 3.3: DIVIDEND ANALYSIS FOR LAST FOUR YEARS

Entity	Total Shareholding as at 31/12/11	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)	% of Dividend to total Shareholding
Fiji International Telecommunications Limited	3,570,000	6,411,931	4,113,463	---	1,376,559	39
Yaqara Pastoral Company Limited	1,191,846	---	1,068,817	---	279,287	23
Amalgamated Telecom Holding Limited	36,483,052	5,175,183	11,674,577	3,594,494	4,377,966	12
Air Pacific Limited	13,307,075	6,354,128	---	---	---	---
Fiji Television Limited	1,442,000	259,560	201,880	173,040	201,880	14
Fiji Ports Corporation Limited	73,154,852	2,021,040	875,983	1,758,465	2,641,643	4
Air Terminal Services	765,000	---	---	514,248	319,651	42
Airports (Fiji) Limited	92,300,180	1,000,000	2,292,707	3,000,000	1,000,000	1
Fiji Broadcasting Corporation Limited	2	39,000	---	---	---	---
Unit Trust of Fiji (Management) Limited	50,000	---	233,016	---	---	---
Post Fiji Limited	5,600,000	---	371,772	184,126	434,820	8
Total	227,864,007	21,260,842	20,832,215	9,224,373	10,631,806	5

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

FIGURE 3.5: BUDGETED VS ACTUAL DIVIDEND REVENUE



Dividends remitted to Government have diminished over the last 5 years with 2011 recording the lowest collection of dividend revenue for the Government. Also, dividend revenue has remained under-collected from that of the forecasted revenue over the 5 years.

Of the total investment of \$438.91 million¹⁵, only \$214.5 million worth of investment in 2011 paid their dividend to Government. Refer to Table 3.4 for details of 8 Government Entities which paid dividend in year 2011.

¹⁵ Includes all investments in Statement of Investments in Appendix 9

TABLE 3.4: GOVERNMENT ENTITIES WHICH PAID DIVIDEND IN 2011

Entity	Total Shareholding as at 31/12/11 (\$)	Divided 2011 (\$)
Amalgamated Telecom Holding Limited	36,483,052	4,377,966
Fiji International Telecom Limited	3,570,000	1,376,559
Fiji Television Limited	1,442,000	201,880
Fiji Ports Corporation Limited	73,154,852	2,641,643
Air Terminal Services	765,000	319,651
Airports (Fiji) Limited	92,300,180	1,000,000
Post Fiji Limited	5,600,000	434,820
Yaqara Pastoral Company Limited	1,191,846	279,287
Total	214,506,930	10,631,806

3.5 Inoperative Entities

The Statement of Investments (Appendix 9) as at 31/12/11 showed those entities that are dormant or in liquidation or have ceased operations. Refer Table 3.6 for details:

TABLE 3.6: INOPERATIVE ENTITIES

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

These inoperative entities are being reflected in the Statement of Investments over the years without any remedial action. This issue has been highlighted in previous reports but to date no action has been taken.

Furthermore, there has been no response from Fiji Development Bank (FDB) which holds 50% shares on the status of the International Hotels of Fiji Limited.

Recommendation

The Ministry should review the status of these inoperative entities and ensure that the Statement of Investment only reflects those entities which are in existence and in operation.

Ministry's Comment

Comments are noted, we are currently liaising with Solicitor-General and the Official Receiver on the processes to be undertaken for dissolution of in-operative companies, before we can make amendments to our records.

3.6 Fiji Ships and Heavy Industries Limited (FSHIL)

The Whole of Government Financial Statements where reliable accrual information is not available should include a Statement of Assets and Liabilities, including those cash balances, investments, sinking funds and borrowings.¹⁶

The audit noted that Fiji Ship and Heavy Industries Limited (FSHIL) was acquired by the Fiji Ports Corporation Limited (FPCL) in 2009 that remit a consolidated dividend to the Government of Fiji.

The following anomalies were noted:

- The change in ownership structure of FSHIL after being acquired by FPCL continued to be reflected as Government of Fiji investment in the Statement of Assets and Liabilities; and
- The Ministry did not provide any approvals for the restructure of the ownership of FSHIL despite requests made during the audits.

In the absence of the authority for the acquirement, investments were overstated by \$7.66 million in the Whole of Government Financial Statement of Assets and Liabilities.

Recommendations

- **The Ministry of Finance in consultation with the Ministry of Public Enterprise should make available those necessary authority and documentation for audit;**
- **The accounting records should be updated for changes and correctly reflect those investment balances with consultations between Ministry of Finance and Ministry of Public Enterprise.**

Ministry's Comment

Comments are noted, we will work towards getting the necessary authority and documents for audit review.

3.7 Investments not reflected in the Statement of Assets and Liabilities

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

- a) on deposit with a bank;
- b) in securities issued by a statutory authority;
- c) by way of advances authorized by an Act or by resolution of the House of Representatives;
- d) in any way in which trustees are authorized to invest money under the Trustee Act;
- e) in any way in which the particular money may be invested under the authority of another Act.¹⁷

The following investments totalling 4.86 million shares were not included in the accounts. Refer to Table 3.7 for details.

¹⁶ Financial Management Act 2004, Section 46 (1) (b), 2(a)

¹⁷ Financial Management Act 2004, Section 55 (1)

TABLE 3.7: INVESTMENTS NOT REFLECTED IN THE STATEMENT OF ASSETS AND LIABILITIES

Entities	Certificate No.	Shareholding
International Bank for Reconstruction & Development	A-162	111,000
International Finance Corporation	213	74
International Finance Corporation	752	54
Fiji Shipbuilding Corporation Limited	Not Stated	3,831,117 @ \$1
Yaqara Group Limited	14	915,673 @ \$0.10
Total Shares		4,857,918

As such investments reflected in the Statement of Assets and Liabilities cannot be deduced to be fairly stated.

Recommendation

The Ministry of Finance in consultation with the Ministry of Public Enterprise should ensure all investments are fully and correctly reflected.

Ministry's Comment

Comments noted, will work towards identifying the investments and ensuring that the Appendix 9 is fully and correctly reflected.

3.8 Missing Share Certificates

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

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

- on deposit with a bank;
- in securities issued by a statutory authority;
- by way of advances authorized by an Act or by resolution of the House of Representatives;
- in any way in which trustees are authorized to invest money under the Trustee Act; and
- in any way in which the particular money may be invested under the authority of another Act.¹⁸

Investment totalling \$52.6 million reflected in the Statement of Assets and Liabilities did not have share certificates. Refer to Table 3.8 below for details:

TABLE 3.8: MISSING SHARE CERTIFICATES

Entity	Description	Amount (\$)
Fiji Ports Corporation Ltd	36,577,426 Shares @ \$1 - PSPE	36,577,426
Pacific Fishing Company Limited	5,000,000 Shares @ \$2	10,000,000

¹⁸ Financial Management Act 2004, Section 55 (1)

Entity	Description	Amount (\$)
Rewa Rice Ltd	2 Shares @ \$2	4
Unit Trust Of Fiji (Management) Ltd	25,000 Shares @ \$1 - PSPE	25,000
Airports (Fiji) Ltd	5,225,136 Shares @ \$1 - PSPE	5,225,136
Fiji Shipping Corporation Ltd	5,000 A and B ordinary \$1 shares	10,000
Food Processor Fiji Ltd	387,680 shares @ \$1	687,680
Rewa Co-operative Dairy Company Ltd	Allotted shares	27,218
Total		52,552,464

Shares certificates are vital to verify the existence and completeness on government shareholding in these entities.

Recommendation

The Ministry should ensure that these share certificates are securely locked and readily made available during audit for verification.

Ministry's Comment

Noted. We will contact the Company Secretaries and the Companies Registrar on issuance of new share certificates.

3.9 Management of Government Investments

The Public Enterprise Minister has overall ministerial responsibility for Government Commercial Companies and the Commercial Statutory Authorities.¹⁹

A Government Commercial Company shall have only 2 shareholders. One shareholder shall be nominated by the Public Enterprise Minister and the other shareholder shall be nominated by the Minister of Finance.²⁰

The Whole of Government Financial Statements with relevant reliable accrual information not made must have a Statement of Assets and Liabilities including details of cash balances, investments, sinking fund and borrowings.²¹

The audit noted that all enquiries in relation to the performance, monitoring, acquisition/disposal and reforms initiatives for Government investments had to be directed to the Ministry of Public Enterprise.

Also, in spite of all dividend revenues being remitted to Ministry of Finance, the Ministry of Finance does not monitor or manage these investments for sustainable and maximum collection of the dividend revenue.

As such, the following anomalies have not been resolved resulting in the returns from Government investment diminishing:

- Return on capital being below (2%) compared to the 2001 Public Sector reform policy (10%) to be regarded as operating successfully; [Paragraph 3.2]

¹⁹ Public Enterprise Act 1996, Section 49 and Section 78.

²⁰ Public Enterprise Act 1996, Section 61 and 62 (1) (2)

²¹ Financial Management Act 2004, Section 46 (1) (b), 2(a)

- Dividends remitted by the entities is the lowest for 2011 over the 10 year period;
- Number of entities paying dividends are diminishing; [Paragraph 3.3];
- Actual dividend remitted were below the forecasted dividends collections [Paragraph 3.4];
- Inoperative entities reflected in the Statement of Assets and Liabilities, overstating Government investments [Paragraph 3.6];
- Absence of documentation of the sale of Government investments [Paragraph 3.8];
- Unexplained justification for the non-recording of Government investments despite the share certificates being available [Paragraph 3.9] and
- Missing share certificates for the investments recorded in the statement of assets and liabilities [Paragraph 3.10].

There was a lack of co-ordination between the Ministry of Public Enterprise which has been charged with the responsibility of the effective management of the Government entities and the Ministry of Finance which is responsible for the preparation of the statement of investments for Government.

In the absence of effective co-ordination of the Government investments between the two Ministries, it has become difficult for the Ministry of Finance to monitor the investment portfolio on the return on Government shareholding which has been diminishing over the last ten years.

Recommendation

The Ministry of Finance in co-ordination with Ministry of Public Enterprise should have a joint committee to monitor these Government investments on a regular basis.

Ministry's Comments

Comments are noted, this is currently under discussions with MPE on improving their monitoring role on the sustainability of the enterprises and Ministry of Finance role in ensuring minimum fiscal implications to Government on its investments and increased returns (dividends).

Discussions are underway in improving monitoring of entities which should improve returns to government.

3.10 Failure to Provide Independent Audit Confirmation

In the exercise of his duties under this Act, the Auditor-General may call upon any officer for any explanation and information he may require or send for and have the custody of any records, books, accounts, vouchers or documents under the control of any officer, and to keep such records, books, accounts, vouchers or documents for such time as he may require them.²²

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

Independent audit confirmations dated 09/05/12 were sent out to various entities in which Government shares were held requesting for the following information:

- No. of Government shares held;
- The market value of the share/unit as at 31/12/11; and
- The dividends paid to Government in year 2011.

²² Audit Act 1998, section 7 (1) (2)

However, at the time of finalisation of the report during August 2012, ten (10) entities failed to respond to the audit confirmation sent out. Refer to Table 3.9 for details of these:

TABLE 3.9: INDEPENDENT AUDIT CONFIRMATION NOT RECEIVED

Entity	Total Value of Investments (\$)
Air Pacific Limited	13,307,075
Airports Fiji Limited	92,300,180
Fiji Hardwood Corporation	90,000,000
Fiji Television Limited	1,442,000
Ports Terminal Limited	3,084,300
Unit Trust of Fiji (Management) Ltd	50,000
Fiji Broadcasting Corporation Ltd.	2
Food Processor Fiji Limited	687,680
Viti Corporation Company Limited	6,000,000
Yaqara Pastoral Company Limited	1,191,846
Total	208,063,083

Furthermore, the Ministry of Finance only prepares the financial statements from the previous records it holds and do not check with these entities for any changes through acquisition or sale of the Government shares. One such example is the Fiji Ships and Heavy Industries Limited (FSHIL) as discussed in paragraph 3.7 above.

In the absence of the receipt of independent confirmation for investments, investment totalling to \$208 million or 47% of the total investment reflected in the Statement of Assets and Liabilities could not be deduced to be fairly stated.

Recommendation

The Ministry of Finance in consultation with the Ministry of Public Enterprise should ensure that the Government entities does confirm of any changes in share structure, dividend payment during the year at the end of each financial year to ensure that the investment balances are fairly stated.

Ministry's Comment

MOF will work towards getting confirmation from the respective SOE's on the recommendation on changes in share structure during the year.

4.0 TRUST FUND ACCOUNT

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

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

Main Trust refers to an obligation enforceable in equity which rests on a person (the trustee) as owner of some specific property (the trust property) to deal with that property for the benefit of another person (the beneficiary) or for the advancement of certain purposes.²³

Accounts in the Main Trust Fund include tender deposits, bonds and aid monies from overseas agencies.

Operating Trust Fund Accounts facilitate transactions relating to the Department's administrative role as an employer. These transactions include deductions from employees' salaries/wages with regards to contributions to the Fiji National Provident Fund, housing loan repayments, insurance premiums and other deductions for onward payment to the respective payees.

The balances in the Trust Fund Account totalled \$56,916,930 as at 31/12/11, an increase of \$624,701 or 1.10% compared to 2010.

The increase in the balances of Trust Fund Account was the net effect of an increase in Main Trust Account balance by \$4,897,646 or 14% compared to \$33,952,892 in 2010 and the decrease in Operating Trust Fund Account balance by \$4,272,945 or 19% from \$22,339,336 in 2010.

The increase in the Main Trust Fund Account balance as at 31 December 2011 by \$4,897,646 was due to the increase in the balances of eleven out of the seventeen Main Trust Accounts maintained by various Ministries and Departments. Five of the Main Trust Accounts with the highest increases are tabulated below:

TABLE 4.1: FIVE HIGHEST INCREASES IN MAIN TRUST FUND BALANCES

Trust Fund Account	Opening Balance (\$)	Closing Balance (\$)	Increase (\$)	% Increase
Public Enterprise	---	3,010,826	3,010,826	100%
Immigration Department	4,252,422	6,046,512	1,794,090	42.2%
Min. Labour & Industrial Relations	3,121,940	4,584,214	1,462,274	46.8%
Fiji Procurement Office	(36,502)	715,559	752,061	2,060%
Mineral Resources	2,935,965	3,498,895	562,930	19.2%

The decrease in Operating Trust Fund was attributed to the major decrease in twenty of the fifty Operating Trust Fund Accounts maintained by Ministries and Departments. Five of the Operating Trust Fund Accounts with highest decreases are provided in Table 4.2.

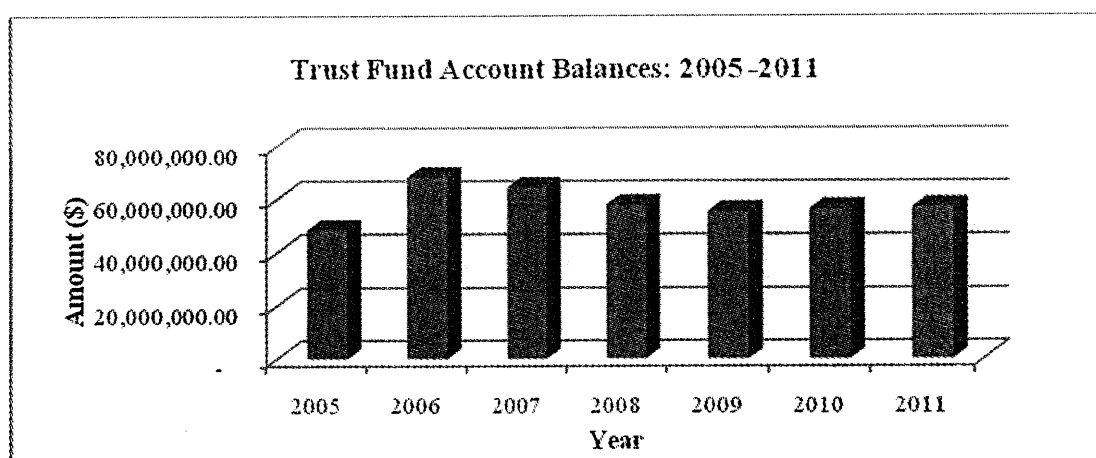
TABLE 4.2: FIVE HIGHEST DECREASES IN OPERATING TRUST FUND BALANCES

Trust Fund Account	Opening Balance (\$)	Closing Balance (\$)	Decrease (\$)	% Decrease
Ministry of Finance	3,338,789	1,689,535	1,649,254	49%
Police	2,449,206	832,535	1,616,671	66%
Department of National Roads	13,458,875	12,423,406	1,035,469	8%
Department of Lands & Environment	2,067,488	852,387	1,215,101	59%
Ministry of Health	449,757	283,026	166,731	37%

A graphical analysis of the Trust Fund Account maintained by Ministries and Departments over the last seven years is shown below.

²³ Solicitor General's opinion of 17/10/05

FIGURE 4.1: TREND IN THE TRUST ACCOUNT BALANCES OVER THE LAST 7 YEARS



The Main Trust Fund Accounts of 17 Ministries/Department comprised 68% or \$38.8 million of the total trust monies of \$56.9 million as at 31/12/11.

The balance of \$18.1 million or 32% relate to the Operating Trust Fund Accounts of 50 Ministries/Departments. Refer to Table 4.3 for the summary of these trust fund details.

TABLE 4.3: SUMMARY OF TRUST FUND ACCOUNT

Title	Amount (\$)	
Main Trust Fund	41,100,091.67	
Operating Trust Fund	25,540,469.26	
Total Monies held in Trust		66,640,560.93
Overdrawn Account		
Main Trust Fund	(2,249,553.94)	
Operating Trust Fund	(7,474,076.99)	
Total Overdrawn		(9,723,630.93)
Total Trust Fund		56,916,930.00

The actual monies held in Trust Fund Account as at 31/12/11 totalled \$66,640,561 of which \$9,723,630.93 being the overdrawn trust accounts with a net balance \$56,916,930.

4.1 Overdrawn Trust Accounts

Trust money is to be accounted for separately from public money and other money,²⁴ and by convention should always have credit balances. Thus, the trust fund accounts should not at any time be overdrawn.²⁵

The following Ministries/Departments had their Trust Fund Accounts overdrawn as at 31 December 2011 contrary to the Finance Circular 4 of 1998.

²⁴ Section 25(1) of the Financial Management Act

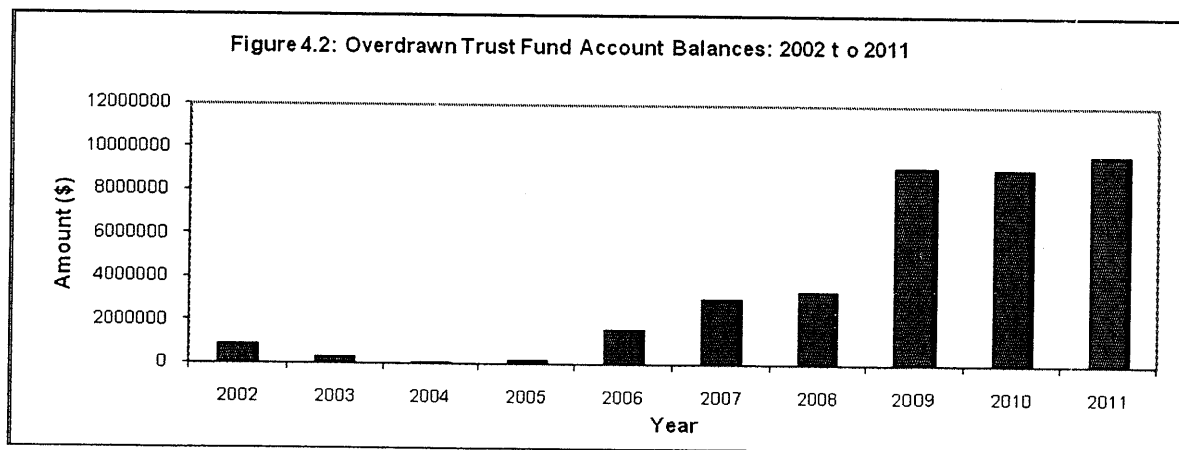
²⁵ Finance Circular No. 4/98 of 30/03/98

TABLE 4.4: OVERDRAWN TRUST FUND

Title of Account	Balance 31/12/11 Amount (\$)
Main Trust Fund	
Department of Energy	311,254.56
Provincial Development	1,589,708.13
Ministry of Fisheries & Forestry	348,591.25
Operating Trust Fund	
Agriculture	1,348,102.87
Elections Office	520,616.70
FMF	5,230,360.08
Meteorological Services	116,903.67
Presidents Office	99,614.19
Public Enterprise	88,689.25
Social Welfare	69,790.23
Total	\$ 9,723,630.93

The Accounts Officers were not exercising proper control measures nor checking the reconciliations to eliminate overdrawn accounts. The audit was not able to obtain the comments from Ministries/Departments for these overdrawn accounts.

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



While the overdrawn accounts improved in 2004, during the year 2006 it started to increase until 2011. The overdrawn trust funds could be the result of misposting due to lack of adequate supervision and non preparation of reconciliation on a timely basis.

Recommendations

The Ministry should provide advice and assistance to these Ministries and Departments to ensure that accounts are not overdrawn.

Reconciliations are to be submitted as required and scrutinised thoroughly by the Ministry and other irregularities or mis-postings noted are rectified appropriately on a timely basis.

Ministry's Comments

- *Poor recordkeeping by ministries and departments leads to difficulties in reconciliations. Locating the source of a mistake becomes more and more difficult the longer it goes undiscovered.*
- *Lack of supervision by the Accounting Head's while endorsing the monthly reconciliation by not verifying entries for errors or miss-posting as they are in a better position to identify error or miss-postings.*

4.2 Non Submission of Reconciliations

Within 5 days after the end of each month, the Trust Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.²⁶ The Trust Officer must submit the trust reconciliation to the Accounting Head within 10 days of the end of the month.²⁷

Contrary to the above regulation, three departments failed to submit to Ministry of Finance their monthly Main Trust Fund reconciliation in 2011. Refer to Table 4.5 showed those Ministries/Departments which did not submit their reconciliation.

TABLE 4.5: TRUST RECONCILIATION STATUS -2011 – NOT SUBMITTED TO MINISTRY OF FINANCE

Departments/ Ministries	Reconciliation Status
Commerce	Not Submitted to Ministry of Finance
Co-operative	Not Submitted to Ministry of Finance
Public Enterprise	Not Submitted to Ministry of Finance

The Department of Co-operatives are in the process of preparing the Main Trust reconciliation dating back to 2010.

In the absence of 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 reminded the importance of submitting reconciliations as a control check of amounts reflected in the general ledger system.**

Ministry's comment

Ministries & Departments are given two weeks from the closing of each months accounts to reconcile and submit their reconciliation to FMIS. Accounting Heads are reminded every time during the monthly meetings the importance of submitting the reconciliation on time and it is their responsibility to make sure accounts are reconciled correctly and signed by the Permanent Secretary before it is submitted to FMIS.

²⁶ Section 15.4.1 – Proforma Finance Manual 2011

²⁷ Section 15.4.4 – Proforma Finance Manual 2011

4.3 Trust Fund Account on old Appropriation Head

The Trust Officer shall properly file correspondences, reports, trust agreements and other relevant trust documents. Each trust account shall have its own file.²⁸

Main Trust refers to an obligation enforceable in equity which rests on a person (the trustee) as owner of some specific property (the trust property) to deal with that property for the benefit of another person (the beneficiary) or for the advancement of certain purposes.²⁹ Operating Trust Fund Accounts facilitate transactions relating to the Department's administrative role as an employer.

Some trust fund accounts were still reflected under the old heads of appropriation for some Ministries and Departments instead of the new appropriation heads. Details are tabulated below.

TABLE 4.6: TRUST ACCOUNTS STILL BEING REFLECTED UNDER OLD HEAD

Ministry/Department	Old Head	New Head	Balance as at 31/12/11 (\$)	Trust Fund Type
Public Enterprise	4	36	89,452.16	Operating Trust
Bureau of Statistics	4	17	13,666.32	Operating Trust
FMF	40	19	175.34	Operating Trust
Cabinet	1	2	48,641.21	Operating Trust
Local Government, Housing & Environment	33	23	17,611.46	Operating Trust
Social Welfare	22	24	640.59	Operating Trust
Tourism	34	36	904.16	Operating Trust
Energy	40	41	16,495.84	Operating Trust
Water & Sewerage	23	41	12,753.93	Operating Trust
President	60	1	6,570.04	Operating Trust
Cabinet	1	2	147,248.31	Main Trust
Provisional Development	5	18	894,605.90	Main Trust
Fisheries & Forestry	30	32	107,186.04	Main Trust
Total			1,355,951.30	

Refer to Appendix 2(a) on the movement in Trust Accounts that were reflected under old heads.

The FMIS unit of the Ministry of Finance has agreed to the transfer of the balances under the old heads of appropriation to the new heads of appropriation during the 2010 audit. However this was yet to be done by FMIS unit.

This has led to the variances in Ministries/Departments reconciliation and the FMIS General Ledger.

Recommendation

The Ministries/Departments with the assistance of the FMIS section should transfer the accounts to the appropriate head and ensure that these accounts are closed off properly.

Ministry's comment

Comments noted, FMIS team are working on transferring of these balances to the correct accounts and all accounts will be corrected in 2012.

²⁸ Section 15.3.1 – Proforma Finance Manual 2011.

²⁹ Solicitor General's opinion of 17/10/05.

4.4 Variance noted in Cash Trust and Main Trust

Trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account pending its withdrawal for use or investments.³⁰

Trust monies totalling \$38,850,538 were not properly supported by cash at bank indicating that trust monies were being used for the operations of government contrary to the provisions of the Act.

Review of cash trust contained in the Cash Appendix revealed certain variances against the Main Trust Fund balances. Provided below are details of the Main Trust Fund account balance that varies from the cash trust balances in the Cash-Appendix of Ministry of Finance.

TABLE 4.7: CASH VERSUS MAIN TRUST FUND

Trust Accounts	Cash Trust Balances (\$)	Main Trust Accounts (\$)	Variance (\$)
Prime Minister's Office - Chinese Aid -	694,729.95	715,559.02	(20,829.07)
Department of immigration - Immigration Bond	5,420,087.91	6,046,512.09	(626,424.18)
Ministry of Labor-Workmen's Compensation	4,944,104.77	4,584,214.32	359,890.45
Department of Environment	(452,386.93)	360,836.76	(813,223.69)
Fisheries Trust	(395,403.19)	(348,591.25)	(46,811.94)
Energy -Rural Electrification	(1,117,209.47)	(311,254.56)	(805,954.91)
Judiciary Trust Account	12,453,302.73	13,234,088.44	(780,785.71)
Director of Public Prosecution	179,749.33	179,783.83	(34.50)
Agriculture	729,284.45	188,973.18	540,311.27
Ministry of Finance – Immigration Bond	8,091,993.54	8,000,000.00	91,993.54
Government Supplies	1,163,982.19	1,147,930.94	16,051.25
Provincial Development	(1,190,191.40)	(1,589,708.13)	399,516.73
Commerce	55,670.12	55,699.92	(29.80)
Mineral Resources	3,720,005.07	3,498,895.15	221,109.92
Ministry of Commerce.	-	1,758.91	(1,758.91)

In addition, the main trust fund balance of \$38,850,538 exceeded the cash trust balance of \$37,383,558 by \$1,466,980, which was kept in separate bank accounts for the abovementioned Ministries and Departments. Refer to Appendix 2(b) of this report for the details of the variance.

The above implied that the above funds would not be able to be paid should a demand for payment is received.

Recommendation

The Ministry of Finance should examine and assists these Ministries and Department in correcting their records and ensuring that sufficient cash is held to meet government's obligation for monies kept in trust.

³⁰ Section 25, Financial Management Act (2004)

Ministry's comments

- *Accounting Heads takes responsibility of any separate bank accounts opened under their ministry and must make sure they keep proper records and reconciliations for those accounts.*
- *FMIS officers do send reminders every time they receive unbalanced reconciliation.*
- *All Ministries and departments will now be informed to reconcile and re-submit proper reconciliation.*

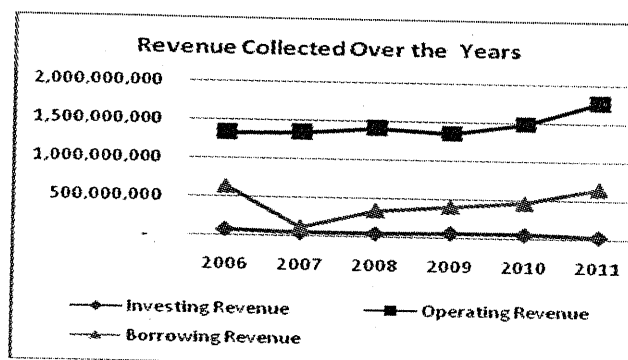
5.0 REVENUE

A total of \$2,482,274,112 was forecasted to be collected in revenue for the year ended 31st December 2011. This comprised of \$1,667,797,412 in operating receipts \$79,675,200 in investing receipts and \$734,801,500 in borrowing revenue³¹.

Table 5.1 shows the actual revenue collected over the last 6 years.

TABLE 5.1: REVENUE BY TYPE OVER THE LAST 6 YEARS

Year	Investing Revenue (\$)	Operating Revenue (\$)	Borrowing Revenue (\$)	Total (\$)
2006	71,416,432	1,329,907,255	633,884,155	2,035,207,842
2007	43,383,515	1,347,871,149	118,862,870	1,510,117,534
2008	42,524,394	1,412,410,799	345,648,652	1,800,583,845
2009	60,548,838	1,352,296,492	405,389,740	1,818,235,070
2010	52,470,630	1,484,044,676	462,965,102	1,999,480,408
2011	29,699,917	1,771,566,940	650,512,760	2,451,779,617



Revenue collected in total surpassed \$2 billion dollars in 2006 and 2011 as a result of the global bonds raised totalling US\$150 million and US\$250 million respectively.

The second (2011) global bonds were raised through Cabinet decision number CP (10) 320, dated 9th November 2010 for the repayment of the 2006, US\$150 million global bonds.

5.1 Revenue Forecast

The budget estimates and budget supplements are to be prepared as far as practicable (realistic) in accordance with internationally accepted standards.³²

Within one week of the end of each month, the Accounting Head shall submit to the Deputy Permanent Secretary, a financial performance report providing an analysis of the financial and budget position of the agency.³³ One such report is the actual revenue collected against forecast.³⁴

These reports must be submitted to the Ministry of Finance within the timeframe set by the Ministry.³⁵

³¹ Whole of Government Financial Statements, Schedule 8

³² Financial Management Act 2004, Section 13.3

³³ Proforma Finance Manual 2011 – Section 17.1.5

³⁴ Proforma Finance Manual 2011 – Section 17.1.6

³⁵ Proforma Finance Manual 2011 – Section 17.3.2

The following is an example of how revenue performance may be reported in the financial performance report.³⁶

TABLE 5.2 REVENUE PERFORMANCE FOR THE MONTH OF XXX

Revenue Type	Monthly Revenue Forecast (\$)	Actual Collection for the Month (\$)	Variance (\$)	Variance (%)	Reason for Variance
Fees	xxx	xxx	xxx	xx%	Shortfall is due to no. of students that have not been able to pay their fees. Other options are now being pursued to recover the outstanding amount.

Our review of the revenue collected against the forecasted revenue noted the following anomalies:

- Government collected revenues totalling \$30.2 million that were not budgeted during the 2011 National Budget. This was 4.1% of the gross deficit financed through Government borrowing. Gross deficit for the 2011 was \$734.8 million³⁷. Refer to Table 5.3 for details.

TABLE 5.3: UNBUDGETED REVENUE ITEMS

Allocation	Description	Revised Estimate (\$)	Actual 2010 (\$)	Actual 2011 (\$)
1-04201-04351-230413	Licenses-Mining	---	---	3,450,000
1-04102-04999-330100	Investment in Social Services	---	700,624	754,471
1-04104-04402-340301	Interest from term deposits with local banks	---	---	172,593
1-04104-04402-410310	ADB loan Suva/Nausori water supply	---	---	21,098,810
1-04104-04402-410315	ADB loan no. 2541 flood recovery	---	4,036,928	4,721,873
TOTAL			4,737,552	30,197,747

Note that allocations which the head, programme, activity and cost centre were zero meant that the revenue amount was collected by more than one Ministry/Department.

- In addition, forecasted revenue totalling \$48.5 million were not collected which was equivalent to 6.6% of the gross deficit financed through Government Borrowing. Refer to Table 5.4 for details.

TABLE 5.4: NIL COLLECTION ON BUDGETED REVENUE

Allocation	Description	Revised Estimate 2011 (\$)	Actual 2010 (\$)	Actual 2011 (\$)
1-00000-00000-230104	Light Due Port & Harbour	427,700	520,588	---
1-32301-78999-230324	Levy on Unloading of Fish & Stock	1,800,000	---	---
1-00000-00000-230403	Licenses – Coasting	13,400	14,566	---
1-15201-71999-240171	Sales of Government Department	14,100	45,326	---
1-00000-00000-281103	Reimbursement of Debt Servicing	1,200,000	---	---
1-04102-04202-282303	UN International Peacekeeping – IRAQ	6,000,000	---	---
1-00000-00000-290101	Australian Government Grants	95,700	---	---
1-00000-00000-290301	United Nations Development Programme	2,600,600	---	---
1-04102-04201-322102	Sales Proceeds in Economic Services	31,600,000	---	---
1-00000-00000-324100	Sales Proceeds in TMA Operations	4,263,000	---	---

³⁶ Proforma Finance Manual 2011 – Schedule 1

³⁷ 2011 Budget Estimate, Page 1

Allocation	Description	Revised Estimate 2011 (\$)	Actual 2010 (\$)	Actual 2011 (\$)
1-04102-04202-357440	Return of Surplus Capital from TMA Operations	15,800	15,783	---
1-04104-04402-380201	JP Morgan Investment	500,000	---	---
TOTAL		48,530,300	596,263	---

Note that allocations which the head, programme, activity and cost centre were zero meant that the revenue amount was collected by more than one Ministry/Department.

- There was shortfall in revenue collections from 25 revenue items totalling \$46.3 million or 54.5% of the forecasted revenue. Refer to **Appendix 4** for these details which comprised 6.3% of the gross deficit to be financed from Government borrowing.
- The review of 24 revenue items noted that the revenue collected during 2011 were unsatisfactory and declined by \$33.9million or 43% compared to 2010. This is outlined in **Appendix 5**.
- However, there were 35 revenue items that exceeded the forecasted revenue by \$87.6 million totalling \$234.9 million or 59.4% of the total forecast which was \$147.3 million. This was 11.9% of the gross deficit to be financed through Government borrowing. Refer to **Appendix 6** for details of these.
- The Ministry of Finance was not monitoring responsible Ministries/Departments which did not collect any of the forecasted revenues.

Unrealistic forecast of revenue is a burden to the timely cash flow of the Government to carry out planned Government expenditure hence resulting in unplanned borrowing, in terms of Treasury bills and the borrowing through the RBF facility of the ways and means.

Recommendations

- The Ministry should ensure that all expected avenues of revenue are accurately identified during national budget preparation process.
- The Ministry of Finance should ensure that Ministries/Departments submit their financial performance report at the end of each month providing an analysis of the financial and budget position of the agency.
- The Ministry should closely monitor the collection of anticipated revenues by various Ministries/Departments and obtain explanation for variance between actual and forecasted revenue on regular basis.
- The Ministry should liaise with individual Ministries/Departments in identifying ways to maximize revenue collection.

Ministry's Comments

- *The Ministry of Finance always ensures that all the expected revenues are identified and reflected in the national budget during the budget preparation process. However, during the fiscal year, new revenues may incur due to changes in economic activities which may not have been predicted during the budget preparation process. For example, in 2011, revenue from mining licences was received resulting from significant foreign investments in the mining sector.*
- *Obtaining a financial performance every month from every ministry/department would be a cumbersome task. The revenue received by agencies is deposited into the consolidated fund account and*

the Budget Division of the MOF extracts information on revenue collected from the FMIS and analyses the performances monthly.

- *In terms of revenue maximization, the comments of OAG are noted. However, the MOF during the budget process undertakes relevant forecast of the revenues to be collected for the budgeted year.*

5.2 Gain in Exchange Rate Not Recorded in the General Ledger

The Minister may invest public money, and other money on deposit with a bank.³⁸ The Minister may, on behalf of the State, borrow money on such terms and conditions as the Minister thinks fit and whether within or outside the Fiji Islands.³⁹ A total of \$500,000 was the forecasted revenue as a result of the gain in exchange rate from JP Morgan investment for the year 2011.⁴⁰

Cabinet through its decision dated 9th November, 2010 approved to raise US\$250 million through the issue and sale of Fiji Government Global bonds to repay the US\$150 million global bonds issued in 2006 and to partially finance the 2011 Government budget deficit.⁴¹

As a result, a total of US\$250 million was raised through the JP Morgan bank account on 15/03/11 and the proceeds were separated by investing sums into the various bank accounts as outlined in Table 5.4.

However, the Ministry failed to recognize the exchange rate gain/loss as a result of foreign investments held for the year ended 31 December, 2011. Refer Table 5.5 below for details of these:

TABLE 5.5: EXCHANGE RATE GAIN NOT RECORDED IN THE STATEMENT OF RECEIPTS AND PAYMENTS

Account Description	Balance as at 04/01/11 (USD)	Exchange Rate as at 04/01/11	Balance as at 04/01/11 (\$FJD)	Balance as at 31/12/11 (\$USD)	Exchange Rate as at 31/12/11	Balance as at 31/12/11 (\$FJD)	Gain on Exchange Rate
J.P Morgan Bank -Main Account	11,749,636	0.5509	21,328,074	11,752,078	0.5493	21,394,644	66,570
JP Morgan Interest	14,827	0.5509	26,915	14,838	0.5493	27,103	98
JP Morgan Pledge	15,019,253	0.5509	27,263,120	15,020,491	0.5493	27,344,786	8,366
Deposit with ING	25,000,000	0.5509	45,380,287	25,000,000	0.5493	45,512,470	132,183
Deposit with ANZ	25,000,000	0.5509	45,380,287	25,000,000	0.5493	45,512,470	13,183
JPM Managed Reserves	10,000,841	0.5509	18,153,642	10,006,549	0.5493	18,216,911	63,269
Total	86,784,557		157,532,325	86,793,956		158,008,294	475,969

As a result, the statement of receipts and payments (Schedule 2 of Whole of Government Financial Statements) was understated by \$475,969.

Recommendation

The Ministry of Finance should ensure that gain or losses arising as a result of the foreign investments are recognized in the statement of receipts and payments in accordance with accounting standards.

³⁸ Financial Management Act 2004, Section 55 (1) (a)

³⁹ Financial Management Act 2004, Section 59

⁴⁰ Budget Estimate 2011, Page 346

⁴¹ Cabinet decision number CP(10) 320

Ministry's Comment

The MOF notes the comments of the OAG and would ensure that gains and losses arising from foreign investments are recognized and captured accordingly in the statement of receipts and payments.

5.3 Inadequate Direction on Recording Receipts through AR Module

When a customer is invoiced through the Accounts Receivable (AR) module, a sales journal is created⁴², where a debtor is added and the respective revenue allocation, entered by the user, is affected in the general ledger. When receipting against an invoice⁴³, cash is debited and the relevant debtor credited.

Table 5.6 shows the accounts affected when invoicing and receipting are done through the AR module:

TABLE 5.6: ACCOUNTS AFFECTED WHEN USING ACCOUNTS RECEIVABLE MODULE

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

Revenue totalling \$27.3 was recorded in the general ledger of Ministries/Departments using AR module in 2011. This amount was inclusive of both accrued sales and cash sales. As such, the general ledger did not accurately reflect the cash revenue collected by the Ministries/Departments to be consistent with cash basis of accounting adopted in Government.

TABLE 5.7: MINISTRY/DEPARTMENT USING ACCOUNTS RECEIVABLE MODULE

Ministry/Department	Amount (\$)
Public Service Commission	292,383
Attorney General Office	196,753
Bureau of Statistics	11,704
Government Printing	119,034
ITC	25,033
Auditor General Office	237,782
Police	1,855,777
Agriculture	432,665
Fisheries	851,723
Forests	740,837
Lands	15,688,484
Environment	178,154
Works	345,502
Ministry of Health	6,171,775
Department of National Roads	131,753
Total	27,279,359

⁴² AR Test Plan - 19 September 2007

⁴³ AR Test Plan - 19 September 2007

This is because the Accounts receivable test plan failed to consider the impact the Accounts Receivable on the cash basis of Government accounting. It recognized revenue in the general ledger irrespective of whether it was received or not.

Refer to Table 5.8 for the accounting entry that the Ministry of Finance should emphasise for the recording of these revenues:

TABLE 5.8: SUGGESTED ACCOUNTING ENTRIES WHILE USING ACCOUNTS RECEIVABLE MODULE

Invoicing			Receipting					
To record Credit Sales			To record Cash			To record Revenue		
GL Account	Dr	Cr	GL Account	Dr	Cr	GL Account	Dr	Cr
AR companies (560202)	xxx		Cash	xxx		Credit Sales (240202)	xxx	
Credit Sales (240202)		xxx	AR companies (560202)		xxx	Vat Allocation (Natural Account 86)		xxx
						Ministry/department revenue natural account (for example, audit fees allocation)		xxx

Failure to record cash revenue only as required by the cash basis of accounting has overstated the revenue being recorded in the accounts.

Recommendations

- The Ministry of Finance should advise all the Ministry/Departments of the posting of the invoices and receipts in accordance to the journal entries outlined in Table 5.8.
- Training sessions should be held with Accounting Heads and responsible officers within the Ministries/Departments which are utilizing the Accounts Receivable Module.

Ministry's Comments

The MOF now ensures that the method of posting invoices and receipts is in accordance to the journal entries outlined in Table 6. The FMIS Unit as part of its output provides regular training to users of the various FMIS modules. The following Accounts Receivable sessions were conducted in 2012:

- Lautoka – 21st to 22nd May 2012; and
- Labasa – 28th to 29th May, 2012.

5.4 Arrears of Revenue

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

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

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

5.4.1 Arrears of Revenue - 5 Year Analysis

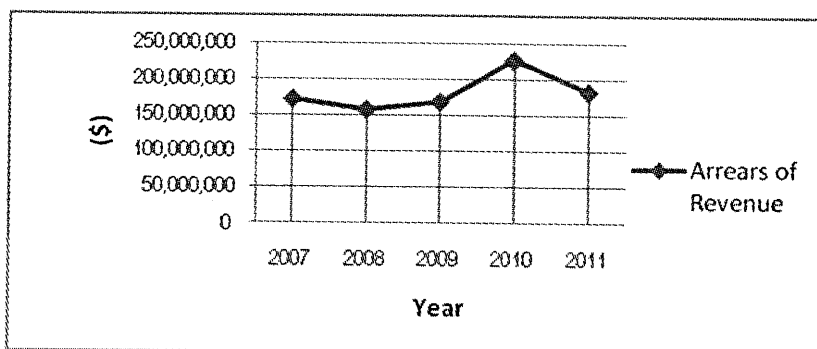
The total arrears of revenue as at 31st December 2011 amounted to \$182,962,951, a decline of \$43,980,807 or 19.4% compared to 2010.

This resulted from some Ministries/Departments that have made significant collections effort. Tabulated and graphed below are the movements in the balances of arrears in the last five years.

TABLE 5.9: 5 YEAR ANALYSIS

Year	Arrears of Revenue Balances \$
2007	172,337,495
2008	157,733,856
2009	169,021,351
2010	226,943,758
2011	182,962,951

FIGURE 5.1: ARREARS OF REVENUE TREND



Four Ministries/Departments did not submit 4th Quarterly Report to the Ministry of Finance for the year 2011 thus the total arrears of \$182,962,951 may not have correctly reflected the total arrears of revenue owed to the Government.

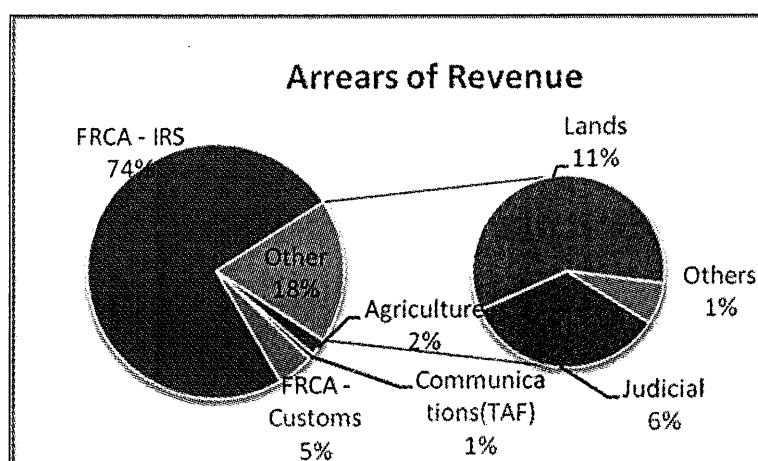
The four Ministries and Departments that did not submit the 4th Quarter Arrears of Revenues Report were the Fiji Maritime Safety Administration, Meteorological Services, Overseas Peacekeeping Missions (MFO) and the Water Authority of Fiji.

5.4.2 Significant Balances of Arrears by Ministries/Department

The total arrears reported as at 31 December 2011 was \$182,962,951. The huge proportion of debt were in relation to the Income Tax, VAT and Customs arrears for FRCA which have accumulated to \$144,401,018 or 79% followed by Lands department of \$19,561,844 or 11% with the various Ministries and Departments making up the remaining arrears balance of \$19,000,089 or 10%. Refer to Table 5.10 for details and a graphical representation of the allocation of the arrears of revenue.

TABLE 5.10: ARREARS OF REVENUE BY MINISTRIES AND DEPARTMENTS

Ministry/Dept	2011 \$	% of Total Arrears of Revenue
Agriculture	3,979,609	2%
Communications	1,299,929	1%
FRCA – Customs	8,331,984	5%
FRCA – IRS	136,069,034	74%
Judicial	11,397,061	6%
Lands	19,561,844	11%
Others	2,323,490	1%
Total	\$182,962,951	100%



5.4.3 Aging and Recovery of Arrears of Revenue by Ministries/Department

Arrears aging for a longer period of time have higher chances of becoming irrecoverable.

Table 5.11 details the aging of arrears of revenue by Ministries and Departments.

TABLE 5.11: ARREARS OF REVENUE

Ministry/Department	Less than a year	1 Year & Over	2-5 Years	Over 5 Years	Total Arrears	Arrears over 5 years as % of Total arrears
Agriculture	6,006	830	167,719	3,805,054	3,979,609	96%
Auditor-General	178,467	12,282	---	83,655	274,404	30%
Communication (Telecommunication Authority of Fiji)	246,683	1,053,246	---	---	1,299,929	0%
Education, Youth & Services	16,144	---	---	---	16,144	0%
Elections	21,091	---	---	---	21,091	0%
Fiji Revenue & Customs Authority.- Customs	2,839,647	1,589,056	3,903,281	---	8,331,984	0%
Fiji Revenue & Customs Authority.-IRD	14,706,031	60,410,266	29,830,694	31,122,043	136,069,034	23%
Fiji Procurement Office	---	---	113,548	---	113,548	0%
Finance (Surcharge)	241,825	177,595	301,107	49,296	769,822	6%
Finance (Pension Office)	2,651	---	---	---	2,651	0%
Fisheries & Forests	11,078	---	---	---	11,078	0%
Government Printing & Stationery Department	35,512	1,308	76,371	---	113,192	0%
Health	336,707	3,757	41,764	44,932	427,160	11%
Immigration	---	7,000	279	10,715	17,994	60%
Information Technology & Computing Services	1,014	---	---	---	1,014	0%
Judicial	191,294	535,992	2,538,432	8,131,343	11,397,061	71%
Labour and Industrial Relation	33,247	---	946	15,732	49,924	32%
Lands	2,464,301	6,953,222	5,961,769	4,182,552	19,561,844	21%

Ministry/Department	Less than a year	1 Year & Over	2-5 Years	Over 5 Years	Total Arrears	Arrears over 5 years as % of Total arrears
Police	307	---	1,380	307	1,993	15%
Prisons	379	---	---	---	379	0%
Provincial Development & Multi Ethnic Affairs	3,575	184,875	207,337	103,571	499,358	21%
Solicitor General's Office	3,738	---	---	---	3,738	0%
Total	21,339,696	70,929,429	43,144,627	47,549,199	182,962,951	26%

The following analyses and comments were obtained from the abovementioned Ministries and Department concerned:

- Arrears of revenue which were more than a year old amounted to \$161.6 million or 88% of the total arrears of which the FRCA-Inland Revenue Department has the highest arrears of \$121,363,003 as at 31/12/2011 consisting taxes outstanding to Government.
- 96% of the arrears of revenue for Agriculture still remained uncollected for over 5 years. The Ministry declared that arrears deemed irrecoverable amounting to \$3,153,260 which has been approved by Cabinet for write off in 2012. These were soft loans assistance provided to farmers to establish cocoa development project given under the Crop Development Loan Schemes in 1981 which was administered by the Ministry.
- Arrears of revenue outstanding for over 5 years for the Judicial Department stood at 71% of total arrears of revenue as at 31/12/11. The Department is continuing to pursue recovery despite the unavailability of resources for the execution of warrants for revenue collection with assistance of the Fiji Police Force.
- The Department of Immigration arrears of revenue amounting to \$10,715 is outstanding for more than 5 years and is 59.6% of its total arrears of revenue. This debt of \$10,715 is made up of dishonoured cheques, bonds and advances owed to the Immigration Department and have been requested for write off with the Debt Management Unit of the Ministry of Finance.
- The Department was unable to pursue recovery due to the limited resources in locating debtors as most of them changed address without informing the Department and some of the companies were facing financial difficulties and have since closed down operations.
- The supplementary loan of \$200,000 to Rewa Rice in 1985 was also reflected as arrears to Government in the past years. The Rewa Rice Ltd is facing financial difficulties and is unable to repay its debt.

Despite the decrease in the amount of arrears recorded in 2011 compared to 2010, Ministries and Departments should be encouraged to follow up on their debtors until all recovery measures are exhausted.

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

Recommendation

The Ministry of Finance should continue to encourage Ministry's and Departments to pursue recovery of arrears until all recovery avenues have been exhausted and assess debt that can be written off.

Ministry's comments

The Ministries of Finance fully agrees with the recommendation.

FRCA's balance declined in 2011 by \$19.2m and this showed that the following have been solved quickly.

- *Audit cases under- objection-further actions required.*
- *Where recovery actions have been "Put on Hold"*
- *Audit cases that are awaiting Court Rulings*

Agriculture's write off amounting to \$3.15m was approved by Cabinet on 6th December 2011 and the amount was written from the books after the formal letter signed by PM on 2nd February 2012. As at 2nd Quarter Report for 2012, the arrears figures declined to \$0.8m.

Judicial-It was noted that after the 1st and 3rd quarterly visit in 2011, inadequate human and capital resources still exist at the Fine Enforcement Team which was established in 2009.

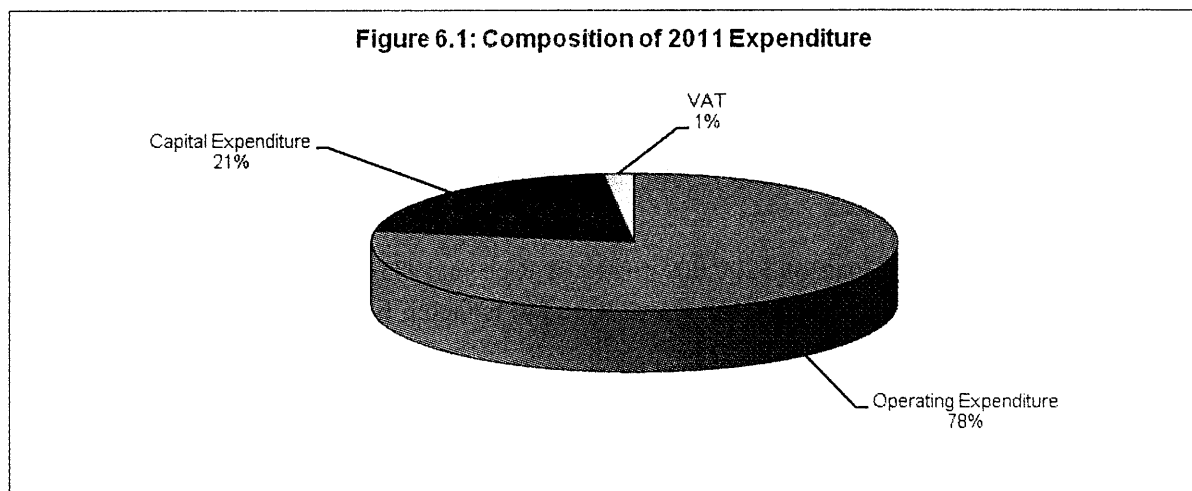
Quarterly visits to the Ministries/Departments is still ongoing so that Accounting Heads are reminded every now and then about the write off of arrears of revenue and the procedures.

6.0 EXPENDITURE

6.1 Overall Government Expenditures - 2011

Government spending for the year ending 31st December 2011 totalled \$2,402,752,517 an increase of \$502.7 million or 21% from the previous year.

Total operating expenditures amounted to \$1,864,238,629 or 78%, capital expenditures totalled \$494,534,924 or 21% and VAT totalled \$ 43,978,964 or 1%.



Compared to 2010, total operating expenditure increased by \$352.5 million or 23% and capital expenditure increased by \$154.9 million or 46% from \$339.6million to \$494.5million. There was a decrease of \$4.8million or 10% in VAT expenditure from \$48.7million in 2010 to \$43.9million in 2011.

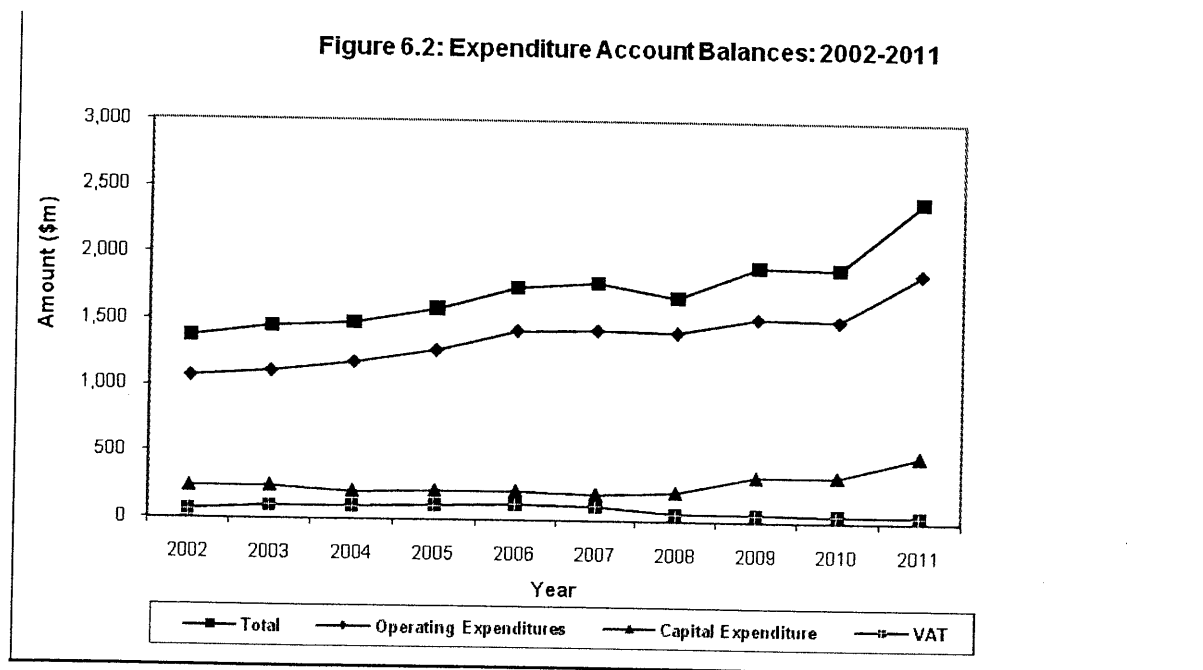
6.2 Expenditures in the Last 10 years

Government's total expenditure for the last 10 years has been increasing at a steady rate even though there was a marked decrease in 2008 and 2010.

From 2002 to 2011 the operating expenditure increased by \$793.97 million with an average increment of \$88 million or 10%. Operating expenditures compared to 2010 recorded an increase of \$352.55 million or 23% in 2011.

Furthermore capital expenditure and VAT payment of Government had a fluctuating trend over the past 10 years. Capital Expenditure increased by \$4.64m or 1% in 2010 and increased further by \$154.88m or 46% in 2011. VAT decreased by \$4.76m from 2010 to 2011.

A graphical analysis of the total and expenditure account components for the past 10 years is summarized in Figure 6.2:



In 2011 there was an overall budget saving of \$77.7 million compared to \$93.9 million of savings in 2010. Total revised budget in 2011 increased by \$486.50 million from \$1.994 million in 2010 to \$2.480 million in 2011. Table 6.1 provides details of these savings or excess spending made in the past three years.

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

SEG	2011			2010			2009		
	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	518.82	523.15	4.33	507.60	516.83	9.23	540.01	537.26	(2.75)
2	43.23	46.11	2.88	45.22	47.27	2.05	60.32	59.96	(0.36)
3	22.16	20.54	(1.62)	19.89	18.02	(1.87)	20.32	18.42	(1.89)
4	75.25	72.41	(2.84)	68.31	67.72	(0.59)	101.92	93.24	(8.69)
5	71.18	67.06	(4.12)	57.04	58.31	1.27	67.81	67.43	(0.40)
6	295.51	292.30	(3.21)	262.68	263.16	0.48	209.98	202.60	(7.38)
7	50.52	39.06	(11.46)	58.45	51.91	(6.54)	63.87	46.66	(17.20)
8	186.50	181.89	(4.61)	158.58	143.32	(15.26)	178.29	162.63	(15.67)
9	22.84	20.51	(2.33)	26.88	19.64	(7.24)	39.98	40.23	0.25
10	307.50	292.13	(15.37)	194.18	176.69	(17.49)	140.03	132.26	(7.88)
11	37.63	33.38	(4.25)	37.63	33.14	(4.49)	37.63	36.09	(1.53)
12	797.59	770.22	(27.37)	507.98	455.34	(52.64)	523.02	463.15	(59.87)
13	51.74	43.98	(7.76)	49.51	48.74	(0.77)	61.71	51.57	(10.14)
Total	2,480.47	2,402.74	(77.73)	1,993.95	1,900.09	(93.86)	2,044.88	1,911.40	(133.48)

The surplus recorded in 2011 was due to the savings made from the following standard expenditure group allocations:

- Travel and Communications (SEG 3) recorded savings of \$1,612,852 (2%);
- Maintenance and operations (SEG 4) \$2,839,741 (3.7%);
- Purchases of goods and services (SEG 5) \$4,123,770 (5.3%);
- Operating grants & transfers (SEG 6) \$3,207,774 (4.1%);
- Special expenditures (SEG 7) \$11,451,106 (14.7%);
- Capital construction (SEG 8) \$4,616,788 (5.9%);
- Capital purchases (SEG 9) \$2,326,556 (3%);
- Capital grants and transfers (SEG 10) \$15,369,630 (19.8%);
- Pensions and gratuities \$4,253,897 (5.5%);
- Finance charges on public debt \$27,365,003 (35.2%); and
- Value Added Tax (SEG 13) \$7,762,807 (10%).

Furthermore the Government overspent in the following allocations:

- Established staff (SEG 1) - \$4,326,135; and
- Unestablished staff (SEG 2) - \$2,884,130.

6.3 Over-Expenditures

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without proper authorisation of the Ministry of Finance, pending approval by Parliament.⁴⁴

⁴⁴ Finance Instruction 2010 Part 3 Div 1(7)

The Accounting Head or accounts supervisor must not certify a payment correct unless they are satisfied that sufficient uncommitted funds are available for payment of the account.⁴⁵

When a transaction is entered which will bring the committed expenditure beyond the established Error threshold (100%), the system will issue an Error to the screen. The transaction is NOT allowed.

For processing to continue, more funds must be allocated or a different account used.⁴⁶

The Ministry of Education, National Heritage, Culture and Arts, Fiji Military Forces, Fiji Police Force, Ministry of Public Utilities and Energy and the Ministry of Health overspent their total budget appropriations in 2011. Details are shown in Table 6.2.

TABLE 6.2: EXCESS EXPENDITURE

Ministry	Original Budget	Revised Budget	Actual Expenditure	Over Expenditure
	(\$)	(\$)	(\$)	(\$)
Fiji Military Forces	108,028,973	107,475,918	109,233,074.76	1,757,156.76
Fiji Police Force	76,959,564	76,959,564	77,972,822.14	1,013,258.14
Ministry of Education, National Heritage, Culture and Arts	245,098,110	248,627,681	252,281,053.37	3,653,372.37
Ministry of Health	137,448,351	137,448,399	149,784,032	12,335,633
Ministry of Public Utilities and Energy	99,108,629	105,551,279	113,981,009.69	8,429,730.69

TABLE 6.3: EXCESS EXPENDITURE BY SEGS

Ministry	SEG	Description	Revised Estimate (\$)	Actual Expenditure (\$)	Amount Overspent (\$)
Fiji Military Forces	1	Established Staff	81,002,866	83,911,913.66	2,909,047.66
	2	Un-established Staff	1,779,496	2,173,583.10	394,087.10
Fiji Police Force	1	Established Staff	62,561,109	64,391,677.39	1,830,568.39
	5	Purchases of Goods & Services	2,080,292	2,093,660.57	13,368.57
Ministry of Education, National Heritage, Culture and Arts	1	Established Staff	194,247,546	198,244,860.63	3,997,314.63
	5	Purchase of Goods & Services	4,809,178	4,871,483.14	62,305.14
	7	Special Expenditures	1,562,134	1,596,219.83	34,085.83
	13	Value Added Tax	1,359,014	1,381,210.10	22,196.10
Ministry of Health	1	Established Staff	61,835,100	72,989,484.22	11,154,384.22
	2	Un-established staff	9,571,089	12,909,145.16	3,338,056.16
	5	Purchase of Goods & Services	25,699,824	27,161,304.93	1,461,480.93
	9	Capital Purchases	5,802,676	5,861,255.47	58,579.47
Ministry of Public Utilities and Energy	10	Capital Grants and Transfers	56,637,991	66,537,338.47	9,899,347.47

TABLE 6.4: SUMMARY OF TOTAL EXPENDITURE BY SEGS

⁴⁵ Part 2.8.3(iii) Finance Manual 2005

⁴⁶ FMIS User Manual – Fund Accounting, Scenario 5: Fund Accounting Error – Exceed 100% of Appropriation - Requisition

SEGS	Account Description	Revised Estimate (\$)	Actual Expenditure (\$)	Increase (\$)	Decrease (\$)
1	Established Staff	518,824,177.04	523,150,312.09	4,326,135.05	---
2	Unestablished Staff	43,228,436	46,112,565.80	2,884,129.96	---
3	Travel and Communications	22,157,301	20,544,449.13	---	1,612,851.87
4	Maintenance & Operations	75,248,311	72,408,570.28	---	2,839,740.72
5	Purchase of Goods & Services	71,183,635	67,059,865.49	---	4,123,769.60
6	Operating Grants & Transfers	295,509,658	292,301,884.18	---	3,207,773.82
7	Special Expenditures	50,515,888	39,064,782.09	---	11,451,105.91
	Total Departmental Operating	1,076,667,406	1,060,642,429.06	7,210,265.01	23,235,241.92
	Net Increase				16,024,976.91
11	Pensions, Gratuities and Compassionate Allowances	37,628,200	33,374,303.21	---	4,253,896.79
12	Finance Charges on Public Debt	797,586,900	770,221,896.58	---	27,365,003.42
	Total Operating	1,911,882,506	1,864,238,628.85	7,210,265.01	54,854,142.13
	Net Decrease				47,643,877.12
8	Capital Construction	186,504,701	181,887,913.10	---	4,616,787.90
9	Capital Purchase	22,839,086	20,512,530.32	---	2,326,555.68
10	Capital Grants & Transfers	307,504,110	292,134,480.35	---	15,369,629.65
	Total Capital	516,847,897	494,534,923.77	---	22,312,973.23
	Net Decrease				22,312,973.23
13	Value Added Tax	51,741,771	43,978,964.39	---	7,762,806.61
	Total Expenditure	2,480,472,174	2,402,752,517.01	7,210,265.01	77,719,656.96

Furthermore the audit also noted that SEGs 1 and 2 were still being excluded from Fund Accounting as these SEGs could not be monitored effectively because they involved the payment of salaries and wages through the payroll system.

Explanation provided by the FMIS Unit of the Ministry on the overspending was that the system was not able to show error as expected, as some accounts in the General Ledger have not been set up properly for fund control and therefore could accept any amount that came through.

When a new account is created, the FMIS Officer responsible should set up the account in the system as fund control. It is not a system error but a human error. The controls for SEGs 1 and 2 were in the payroll system and not with FMIS as they were both big accounts.

Additionally, virements out of an allocation could have been done without checking the actual amount already incurred.

The above indicated laxity by FMIS Unit in not properly setting up these accounts for fund control and the lack of checks on new accounts and virement forms before changing the system.

This also indicated laxity and lack of responsibility of Accounts Officers from the above Ministries and Departments and FMIS in failing to check the actual amounts already incurred before requesting for further funds to be vired.

As a result of the above, such Ministries and Department have recorded over expenditures for the year 2011 as the amounts being inputted into the system are not being rejected automatically when their actual expenditures exceed the revised figures.

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

The following explanations were provided by the Ministry of Health and Fiji Military Forces and without any response from the other concerned Ministries/Departments mentioned in Table 6.3.

Ministry of Health

Over Expenditure in Payroll

Over expenditure was due to the payment of wages to urban hospitals in 2011, payment of acting allowances to Nurses and Doctors, payment of environmental On Call allowances payable to Principal Officers and below including Dental Officers in hospitals and Nursing Practitioners in Health Centers (Without Medical Hospitals) who are doing calls, payment of night allowances, Consolidated allowances payable to Staff Nurses and payment of locational's allowances. Personnel Emoluments vote was overspent by paying overtime to nurses and salary for relievers and for locum doctors.

Over Expenditure on Capital Purchases

Over Expenditure on capital purchases incurred on the allocation for MRI(purchase of equipment) that total to FJD\$2,075,564.03 cost of equipment plus \$41,150 and other charges raised by FPO for clearance of item and clearing payment.

The other allocation that was overspent was the Bio Medical Equipment for Sub-divisional Hospitals that items and clearance charges exceed the allocation. These are charges that passed through IDC which we need to clear to the allocation.

Fiji Military Forces

In SEG 1 the over- expenditure was due to the following:

- *The budgeted FNPF is calculated on the PE only, however other allowances are also subject to FNPF like service allowance and lodging allowance*
- *Lodging allowance is paid to approximately 75% of service persons and is an entitlement however the budget provided is insufficient to support this payment*
- *Location allowance – there was an increase in personnel of approximately 55 persons in Iraq which agreed to (UN and Government of Fiji) from July 2011 for which no additional budget was given.*
- *PE in the case of Sinai does not accommodate the period of March in which is approx. 4wks and march out after deployment. The total period for which the TF normally serve is as follows:*
 - March in preparation, training for Sinai - 4weeks and 1 month*
 - Deployment to Sinai - 6months*
 - March out administration admin - 1 month*

Therefore an extra 2 months per service person. Budget is for only 6 months deployment in Sinai

For SEG 2 like in SEG 1 FNPF is budgeted on PE only and not overtime. Overtime for GSS was overspent due to the demands for shipping services to the maritime zones subsequently the allowances is also effected

Recommendations

- **FMIS should properly set up all accounts for fund controls in the General Ledger so that the system automatically rejects those amounts that are still being inputted when actual expenditures exceed revised estimates.**

- All Officers handling virements should make proper checks on the actual amounts already incurred before further funds are being requested to be vired.

Ministry's Comments

Comments have been noted. Budget Officer in FMIS has been advised to make sure all new allocations created are set up properly for fund control at the beginning of each financial year. Also, Virements will be thoroughly checked before posted into the FMIS.

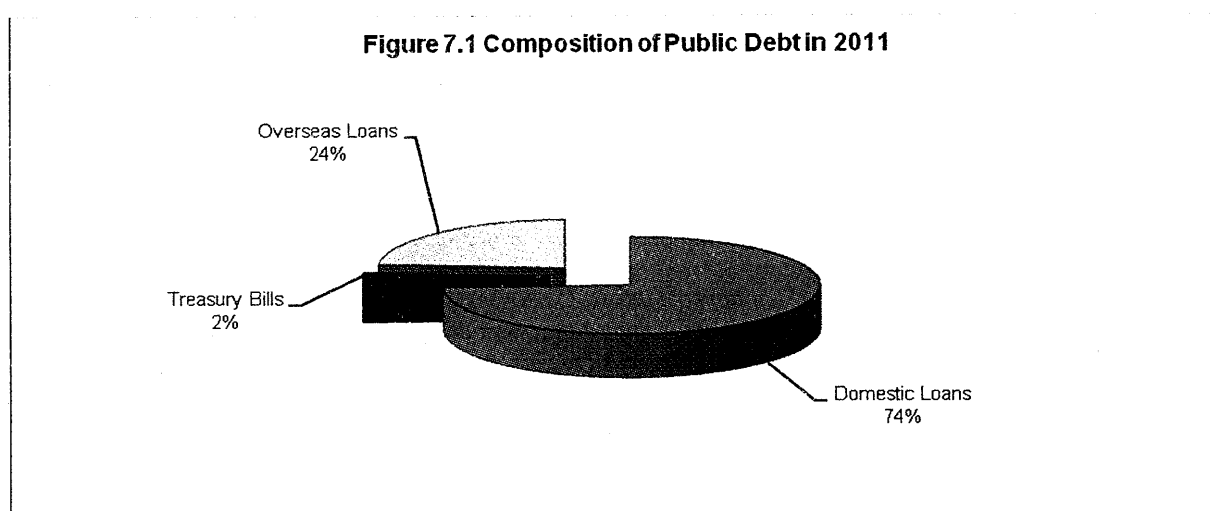
7.0 BORROWING FUND

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 2011 totalled \$3,530,451,336 and comprised of domestic loans of \$2,627,382,150 or 74% of total debt; overseas loans of \$832,147,793 or 24%; and Treasury Bills \$70,921,393 or 2%.

These are illustrated in Figure 7.1 below.

FIGURE 7.1: COMPOSITION OF PUBLIC DEBT IN 2011



The government also received short term advances from the Reserve Bank of Fiji (RBF) referred to as Ways and Means. The advances are raised to meet immediate cash needs of government and cleared within a day. During the year, government borrowed a sum of \$21.5 million from RBF through this facility which was all cleared within the year.

7.1 Trends in Government Borrowing by Category

The total Government borrowings outstanding at the end of each year from 1997 to 2011 and its composition for the last 15 years are summarised in Table 7.1.

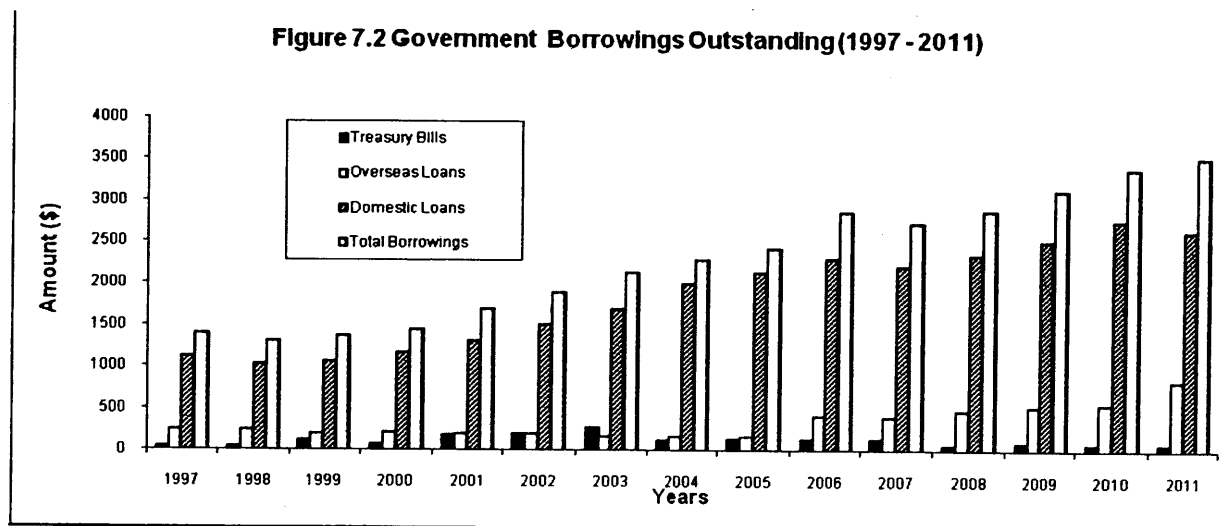
TABLE 7.1: GOVERNMENT OUTSTANDING BORROWINGS (1997 – 2011)

Year	Domestic Bond (\$)	% of Total Borrowing	Treasury Bills (\$)	% of Total	Overseas Loan (\$)	% of Total Borrowing	Total (\$)
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	79	196,432,453	10	193,505,879	10	1,891,033,982
2003	1,682,718,650	79	276,925,838	13	174,125,752	8	2,133,770,240
2004	1,986,515,650	87	126,987,822	6	168,665,379	7	2,282,168,851
2005	2,121,422,650	88	136,018,387	6	164,050,924	7	2,421,491,961
2006	2,300,672,650	80	141,311,687	5	416,729,200	15	2,858,713,537
2007	2,196,208,150	80	141,160,433	5	397,103,384	15	2,734,471,967
2008	2,346,258,150	81	64,552,990	2	475,994,415	16	2,886,805,555
2009	2,505,092,150	80	97,721,294	3	527,248,475	17	3,130,061,919
2010	2,759,292,150	82	74,969,800	2	548,461,798	16	3,382,723,748
2011	2,627,382,150	74	70,921,393	2	832,147,793	24	3,530,451,336

Government bonds mature between 3 to 15 years whilst the term of Treasury Bills ranges between 14 days to 254 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.

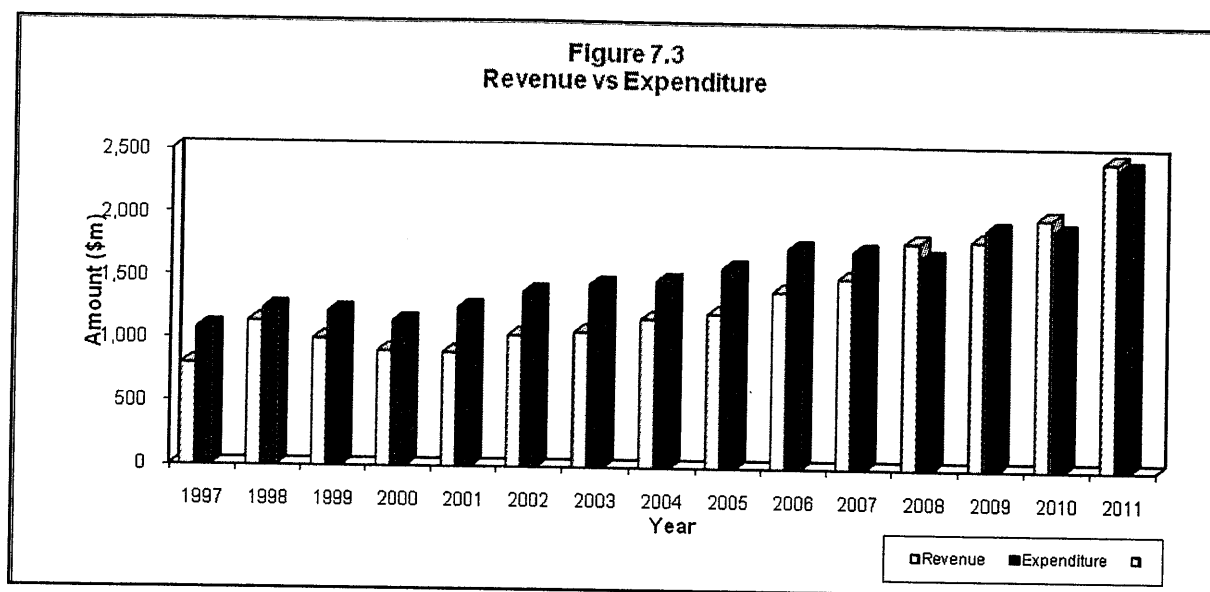
FIGURE 7.2: GOVERNMENT BORROWINGS OUTSTANDING TREND



Government borrowings have increased by 4% compared to the 8% increase during 2010, after it surpassed three and a half billion dollars in 2009. This was due to the increase in overseas loans by \$284m in 2011.

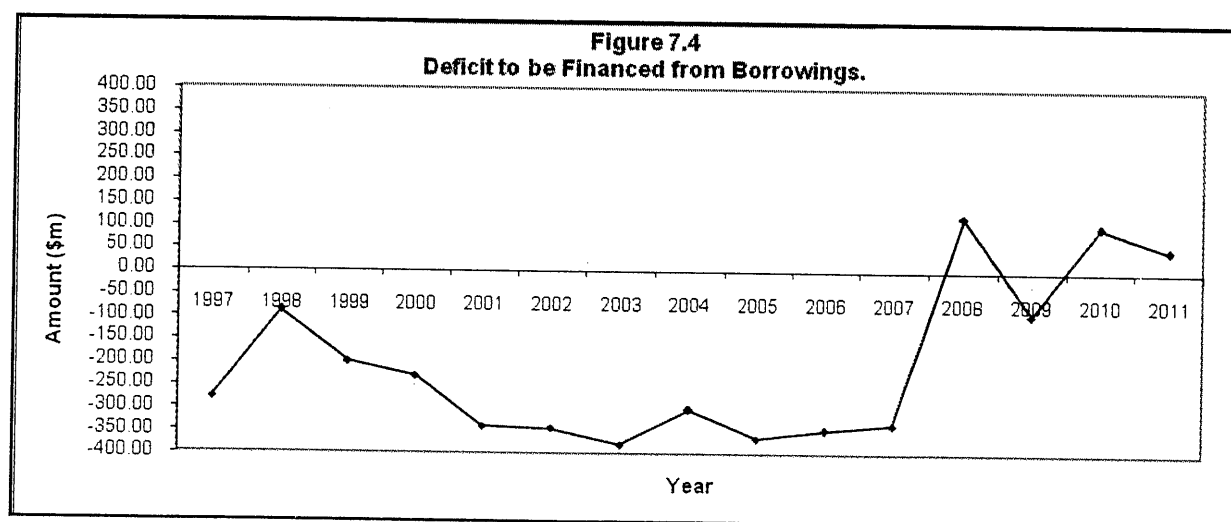
Figure 7.3 shows the relationship between actual revenues and expenditures over the last 15 years.

FIGURE 7.3: REVENUE VS EXPENDITURE



In 2011 government revenue (\$2,451,779,617) exceeded expenditure (\$2,402,752,517) resulting in a surplus of \$49,027,100 in 2011.

FIGURE 7.4: DEFICIT FINANCED FROM BORROWINGS



The surplus of \$49.03 million in 2011 is attributed to the increase in government revenue by \$452,299,209 or 23%.

7.2 Borrowings over the 15 Year Period

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

TABLE 7.2: ADDITIONAL BORROWINGS PER YEAR 1997 – 2011

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
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	3,178	141,311.7	4	781,320.4	68
2007	100,527.5	(71)	18,326.5	(93)	141,160.4	(0.1)	260,014.4	(66)
2008	341,260.0	239	4,381.7	(76)	64,553.0	(54)	410,194.7	57.8
2009	404,239.0	18	1,150.0	(74)	97,721.30	51	503,110.3	23
2010	452,740.5	12	10,231.0	790	74,969.8	(23)	537,941.3	7
2011	81,470.0	(82)	569,043.1	5,462	70,921.4	(5)	721,435.5	34

The Government's financing needs in 2011 were largely met from overseas borrowings.

Government borrowings in 2011 totalled \$721.43 million of which \$81.47 million was funded through domestic bonds, \$70.92 million in treasury bills and \$569.04 million in overseas loans.

The audit noted the following anomalies:

- The Ministry failed to reconcile its *overseas loan balances* as reflected in the Financial Management Information System (FMIS) general ledger to the Commonwealth Secretariat Debt Recording Management System (CS – DRMS) and the Loan Financial Management Information System (LFIS);
- The Ministry failed to account for the *overseas loans* received in three categories, cash through the consolidated fund account, direct disbursement of loan balances made to contractors, the interest and commitment fee capitalized on the overseas loans;
- Failure to account for the \$35 million being *domestic loans* into the FMIS general ledger; and
- Account balance in overseas loans totalling to \$7.5 million were not fully supported with source documents.

Hence, debt balances may not have been fairly stated due to the lack of control checks on the correctness of the recording of debt for the year ended 31/12/2011.

Recommendation

The Ministry should ensure that proper supervision and control mechanism for the recording of debts are strengthened and reconciliation of debts is carried out regularly.

Ministry's Comments

Comments noted. The supervision and control mechanism for recording of debt data will be strengthened in 2012.

7.3 Loan Repayments

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

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

TABLE 7.3: REPAYMENT OF LOANS PER YEAR 1997 – 2011

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)
1997	61,307,457	87,911,269	15,760,301	10,184,128	86,666,545	1,233,455
1998	225,991,847	99,232,714	24,273,114	12,209,299	397,939,413	2,163,843
1999	152,913,211	82,728,811	36,130,378	12,958,164	280,400,000	1,440,656
2000	84,500,000	81,846,108	33,342,934	11,404,967	173,910,978	2,505,365
2001	87,000,000	88,493,634	20,294,173	9,755,046	320,504,093	2,207,889
2002	100,500,000	95,284,124	20,772,240	9,297,644	417,637,927	2,362,073
2003	109,377,000	101,997,794	16,265,941	7,150,813	500,141,175	2,597,656
2004	145,403,000	108,597,234	11,173,546	6,114,485	339,194,733	4,310,352
2005	185,058,000	120,220,533	12,721,412	5,473,517	317,920,558	2,392,788
2006	177,500,000	129,455,783	13,459,979	5,737,600	523,422,114	5,746,278
2007	204,992,000	148,023,033	17,126,498	22,201,747	686,040,488	10,514,012
2008	191,210,000	147,383,717	12,473,769	20,787,406	468,333,380	566,620
2009	245,405,000	165,287,007	21,211,637	24,410,365	220,653,349	1,971,651
2010	198,540,500	190,736,707	32,850,575	22,901,709	710,064,626	4,295,961
2011	213,380,000	213,248,464	291,113,603	43,104,766	416,019,281	2,081,244

Principal payments on government borrowings in 2011 totalled \$920,512,884 whilst interest payments amounted to \$258,434,474. Refer to Table 7.4 below for details.

TABLE 7.4: LOANS AND INTEREST REPAYMENTS IN 2011

Description	Principal Repayment (\$)	Interest Repayment (\$)
Domestic Bonds	213,380,000	213,248,464
Overseas Loans	291,113,603	43,104,766
Treasury Bills	416,019,281	2,081,244
Total	920,512,884	258,434,474

The interest on domestic loans for 2011 was \$213,248,464 compared to \$43,104,766 for overseas loans and \$2,081,244 for treasury bills. The interest rate on domestic borrowings ranges from 2% to 14.0% whilst interest rates for overseas loans range from 1% to 10.25%.

7.4 Domestic Loans

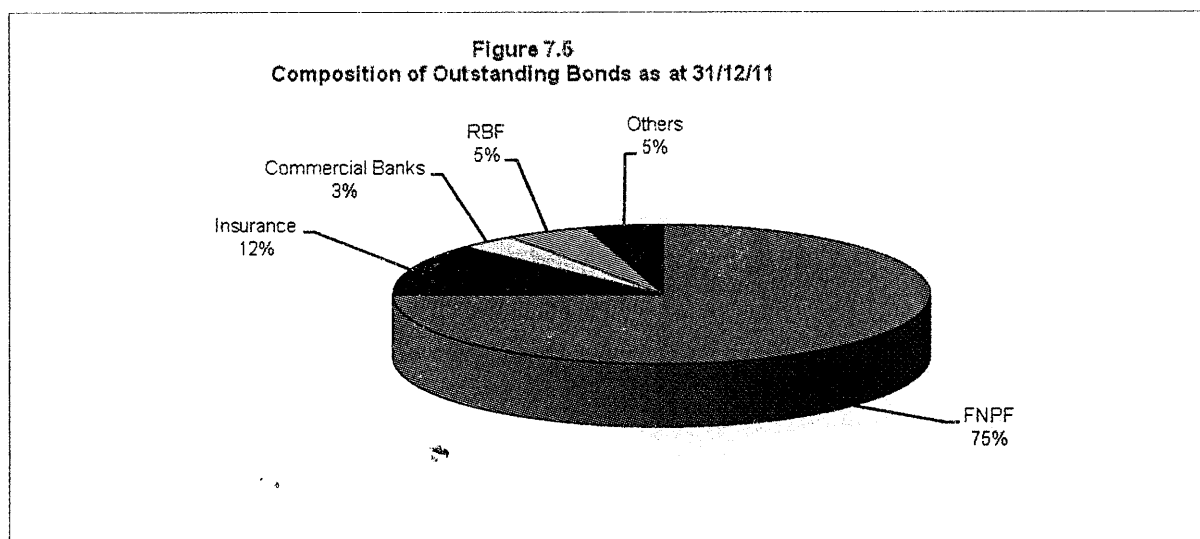
The total domestic loans as at 31/12/11 amounted to \$2,663,282,150 or 75% of total Government borrowings. Table 7.5 shows the amounts that are owed by the Government of Fiji to bond holders.

TABLE 7.5: COMPOSITION OF OUTSTANDING GOVERNMENT BONDS

Bond Holder	Amount (\$)	% of Outstanding Debt
FNPF	1,993,993,200	74.9
Insurance	323,297,500	12.1
Commercial Banks	91,295,000	3.4
RBF	130,505,000	4.9
Trust Fund	21,992,050	0.8
Unit Trust of Fiji	24,379,200	0.9
Credit Corporation	900,000	0.0
Home Finance	14,610,000	0.5
Merchant Finance & Investment Ltd	6,500,000	0.2
Others	55,810,200	2.1
Total	2,663,282,150	100.00

Fiji National Provident Fund hold 74.9% of the bonds as at 31/12/11; Insurance Companies 12.1%; Commercial Banks 3.4%; RBF 4.9%; the remaining 4.7% of the bonds are held by Trust Fund, Unit Trust of Fiji, Merchant Bank of Fiji, Credit Corporation, Home Finance and others.

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



During the year the Government had borrowed \$117,370,000 through the issue of domestic bonds to the public. Table 7.6 shows the amounts that were borrowed by the Government of Fiji from bond holders.

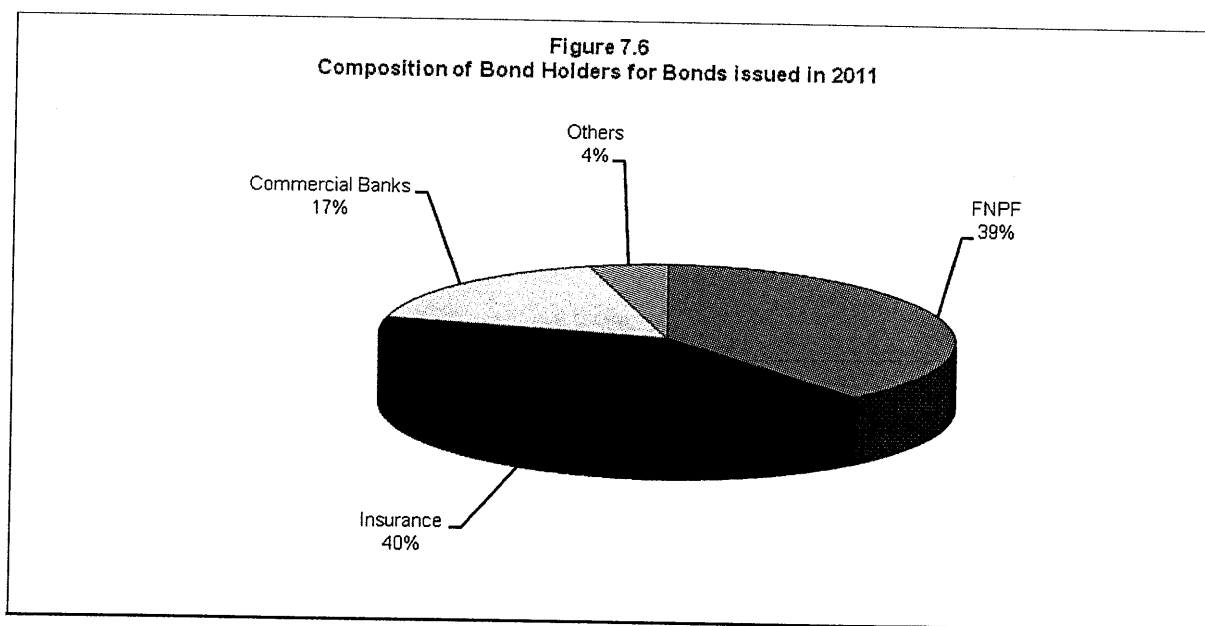
TABLE 7.6: BONDS PURCHASED IN 2011

Bond Holder	Amount (\$)	% of Total Bonds
FNPF	45,233,000	38.5
Insurance	47,252,000	40.3
Commercial Banks	19,665,000	16.8
Trust Fund	780,950	0.7
Unit Trust of Fiji	3,600,000	3.0
Others	839,050	0.7
Total	117,370,000	100

A total of \$45.2 million or 39% of the Government bonds issued in 2011 were purchased by the Fiji National Provident Fund, while 40% were purchased by insurance companies, and the remaining 21% was purchased by commercial banks, Unit Trust of Fiji, Guardian Trustee Ltd and other finance entities.

The composition of domestic government bonds is shown in Figure 7.6.

FIGURE 7.6: COMPOSITION OF BOND HOLDERS IN 2011



7.4.1 Outstanding Domestic Loans & Interest Payments

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

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

Year	Domestic Loans \$m	% Increase / (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1997	1,115.1	21	87.9	23	88.0	0.1
1998	1,016.3	(9)	99.2	13	100.3	1.1

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

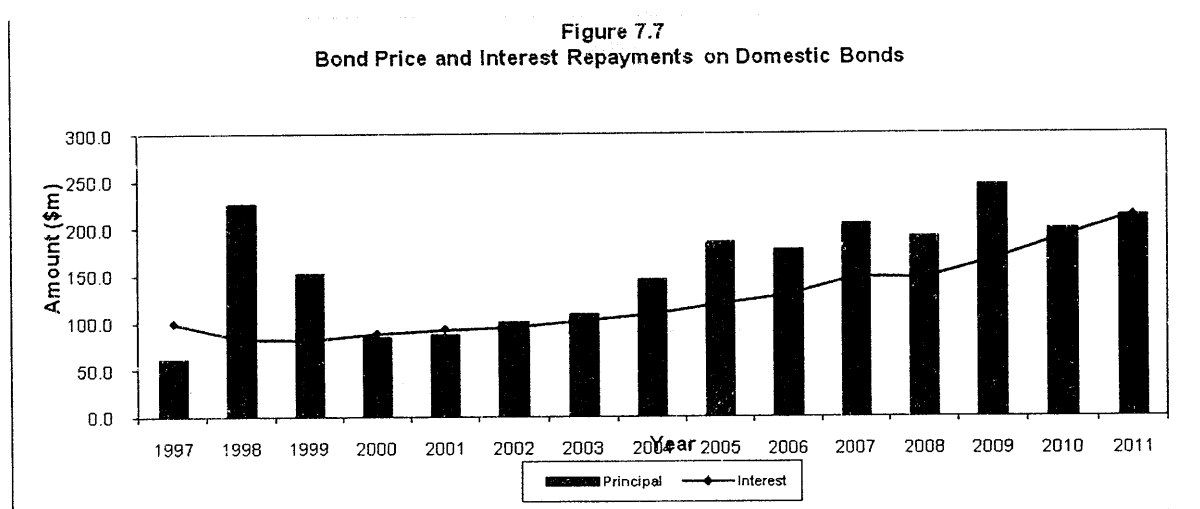
Total domestic loans decreased by 5% in 2011 compared to 2010. The new loans obtained by the Government on an annual basis led to an increase in interest expenses.

The Government had allocated \$225.4 million for interest payments during 2011. However, actual interest payments for the year totalled \$213.2 million.

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

The audit noted that 54 domestic bonds were either fully or partially redeemed or repaid in 2011 amounting to \$213.38 million resulting in bond redemptions exceeding the interest payments during the year.

FIGURE 7.7: BOND PRICE AND INTEREST REPAYMENTS ON DOMESTIC BONDS



7.4.2 Future Debt Obligations

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

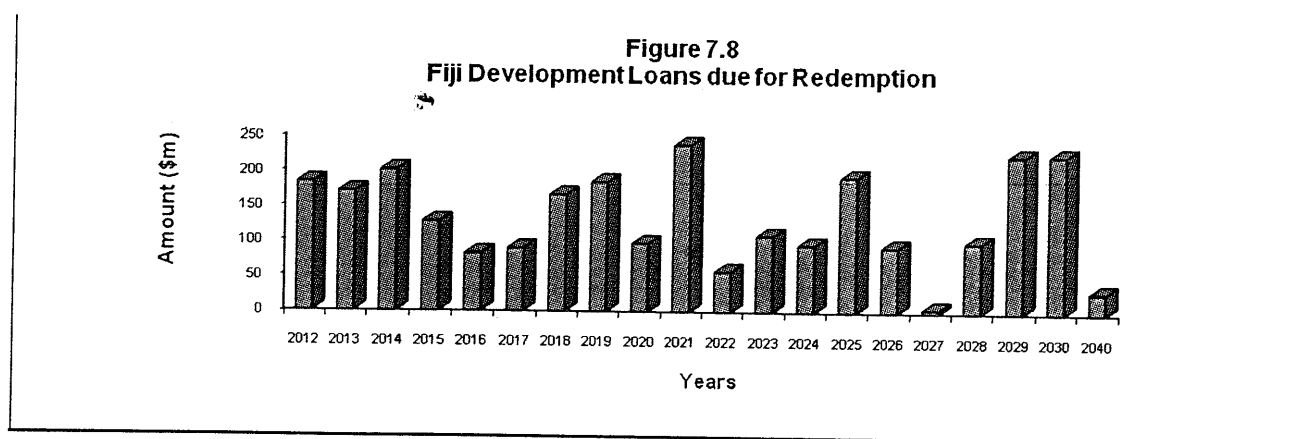
Table 7.8 reflects the redemption schedule of these loans. The audit noted that as at 31/12/2012, a total of \$183,248,000 for Fiji Development Loans (Government Bonds) will be redeemed.

TABLE 7.8: FIJI DEVELOPMENT LOANS REDEMPTION SCHEDULE

Year Fully Redeemed	No. of Loans	Amount (\$)
2012	62	183,253,150
2013	43	170,668,000
2014	52	201,020,000
2015	37	126,935,000
2016	29	81,805,000
2017	28	89,000,000
2018	36	165,470,000
2019	45	184,800,000
2020	26	96,580,000
2021	30	237,465,000
2022	8	57,447,500
2023	15	107,615,000
2024	25	94,500,000
2025	18	192,300,500
2026	19	91,870,000
2027	1	5,100,000
2028	15	99,572,000
2029	31	223,441,000
2030	20	224,340,000
2040	2	30,100,000
Total	542	2,663,282,150

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

FIGURE 7.8: FIJI DEVELOPMENT LOANS DUE FOR REDEMPTION



A variance of \$35.9 million existed between the FMIS general ledger and the total loans confirmation from Reserve Bank of Fiji after carrying out independent audit calculation with the available source documents. Refer to Table 7.9 below for details of these variances:

TABLE 7.9: VARIANCE BETWEEN FMIS GL AND THE AUDIT CALCULATION OF LOAN OUTSTANDING

Description	Loans Raised (\$)	Loan Outstanding (\$)
Loan Balances as per Audit Calculation	117,370,000	2,663,282,150
Balances as per GL [1-00000-00000-42000]	81,470,000	2,627,382,150
Variance	35,900,000	35,900,000

Loan balances reflected in the Whole of Government Financial Statement were taken from the FMIS general ledger and therefore has resulted in the understatement of the loan raised and loan outstanding as at 31/12/11 in Note 7 and 19 respectively by \$35.9 million.

Ministry's Comments

Comments noted. We have moved away from the past practice of reconciling the loan accounts on a year end basis. For 2012, we have started to reconcile on monthly basis.

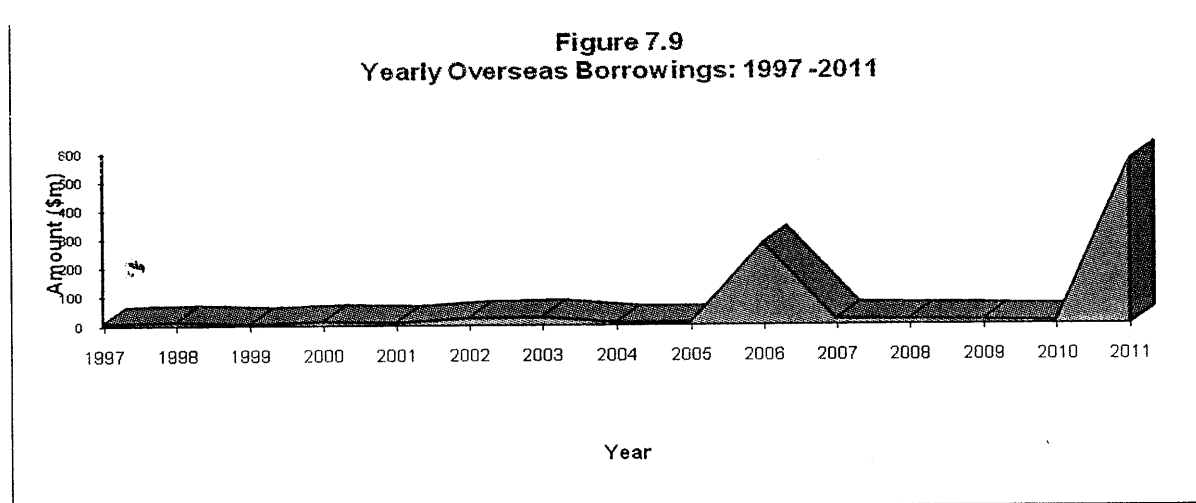
7.5 Overseas Loans

The total outstanding overseas borrowing of Government as at 31 December 2011 was \$832,147,793 which represents 24% of the total outstanding borrowings. Majority of the overseas loans obtained were to finance capital projects.

7.5.1 Yearly Overseas Borrowings

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

FIGURE 7.9: YEARLY OVERSEAS BORROWINGS 1997 -2011



Overseas borrowings in 2006 and 2011 were high due to the issues of the \$US150 million and \$US250 million global bonds.

The Government had borrowed \$576.3 million in 2011 whilst loan repayments totalling \$334,218,369 were made, comprising of \$43,104,766 in interest and \$291,113,603 in principal payments. Refer to Table 7.10 for the details of overseas loans raised in year 2011.

TABLE 7.10: AUDIT VERIFIED OVERSEAS LOAN DISBURSEMENTS – 2011

Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	Total (\$)
Fiji Road Upgrading – Supplementary	1,803,919	102,174	9,736,551	11,642,644
Emergency Flood Recovery Loan	3,484,139	57,978	1,237,688	4,779,805
Fiji Low Cost Housing	---	---	5,474,537	5,474,537
Fiji Public Rental Housing Project	---	---	1,144,576	1,144,576
Suva/Nausori Water Supply Supplementary	---	64,420	7,229,344	7,293,764
Buca/ Moto Roads	---	---	24,654,993	24,654,993
Sigatoka / Serea Roads	---	---	26,018,963	26,018,963
Queens Highway Rehabilitation	---	---	22,365,739	22,365,739
ADB Suva/Nausori Water Supplementary	---	567,956	13,843,735	14,411,691
International Bond Issuance	451,302,685	---	---	451,302,685
Total	456,590,743	792,528	111,706,127	569,089,397

Cash borrowing through the Consolidated Fund Account (\$569,043,119) in the general ledger was overstated by \$112,452,377 or 20%. This is because the Ministry recorded the direct disbursement made to the contractors as borrowing received through the Consolidated Fund Account.

In addition, a total of \$7.5 million variances existed between the verified loan balances and the general ledger (FMIS) balances. In the absence of the supporting documents, variances reflected in the Whole of Government Financial Statements in Note 7 and 19 totalling \$7.5 million could not be verified. Refer to Table 7.11 for details of these loan balances:

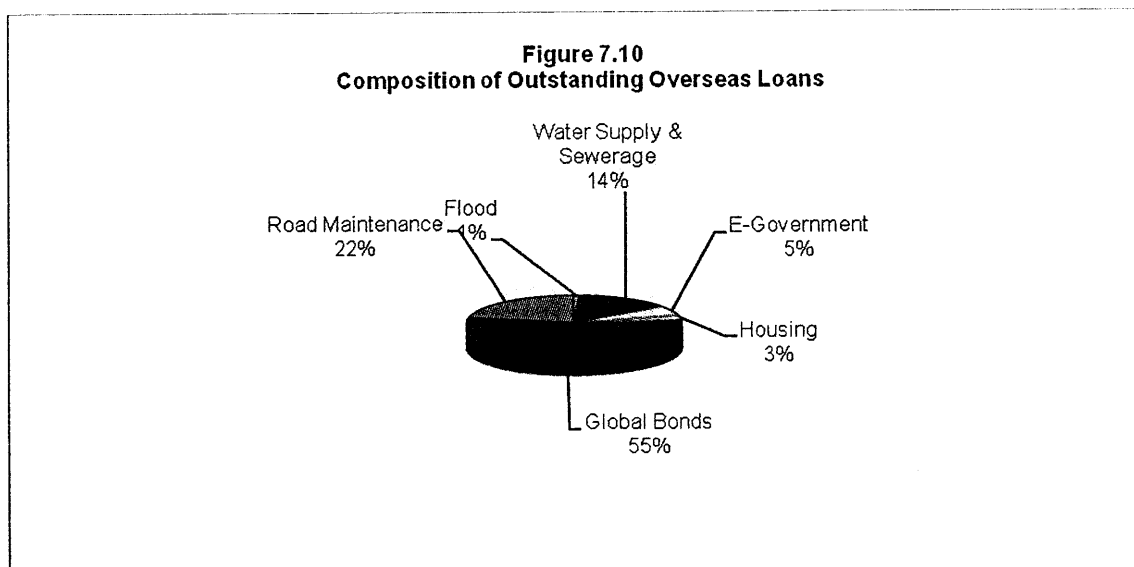
TABLE 7.11: VARIANCE IN LOAN BALANCE – AUDIT VERSUS GENERAL LEDGER

Loan	FMIS General Ledger (\$)	Audit Verified (\$)	Variance (\$)
Suva – Nausori Water Supply, Loan 2055	21,098,810	14,162,581	6,936,229
Emergency Flood Recovery, Loan 2541	4,721,873	4,779,805	(57,932)
Third Road Upgrading Supplementary, Loan 2514	11,258,429	11,642,644	(384,215)
International Bonds Issuance	452,305,199	451,302,685	1,002,514
Total	489,384,311	481,887,715	7,496,596

Furthermore details of outstanding loans by Government as at 31st December 2011 are outlined as follows:

- (a) Loans in relation to the Road Upgrading Project comprised 22% or \$180.4 million of the total outstanding overseas loans. The funds obtained for this project were to be used in improving the efficiency of the road sector through road upgrading and rehabilitation, and the management of road assets and sector resources.
- (b) Loans for Water Supply Projects, namely, the Nadi/Lautoka Regional Water Supply and Suva/Nausori Water Supply & Sewage Scheme accounted for 14 % or \$118.96 million of the total loans, which were mainly used for improving the water supply services. The composition of the overseas loans is illustrated in Figure 7.10.

FIGURE 7.10: COMPOSITION OF OUTSTANDING OVERSEAS LOANS



- (c) E-government Project had an outstanding balance of \$46.1 million or 6% of the overseas loans as at 31/12/11. The project is being implemented with Information and Technology and Computing Services (ITCS) of US\$20 million with disbursements in the form of goods, technology and services purchased from China.
- (d) The International Global Borrowing had outstanding balance of \$455.1 million or 54% of the overseas loans as at 31/12/11. This was the second Fiji Government Global Bond raised from the International Bond Market.
- (e) Housing loan totalled to \$23.8 million or 3% of the outstanding loan. These are loans facilitated for low cost housing and public rental housing project.
- (f) Emergency Flood Recovery loan totalled to \$7.67 million or 1% of the overseas loan outstanding as at 31/12/11.

7.5.2 Overseas Loans Outstanding & Interest Paid

Table 7.12 provides details on the overseas loans outstanding over the past 15 years with the total interest paid each year.

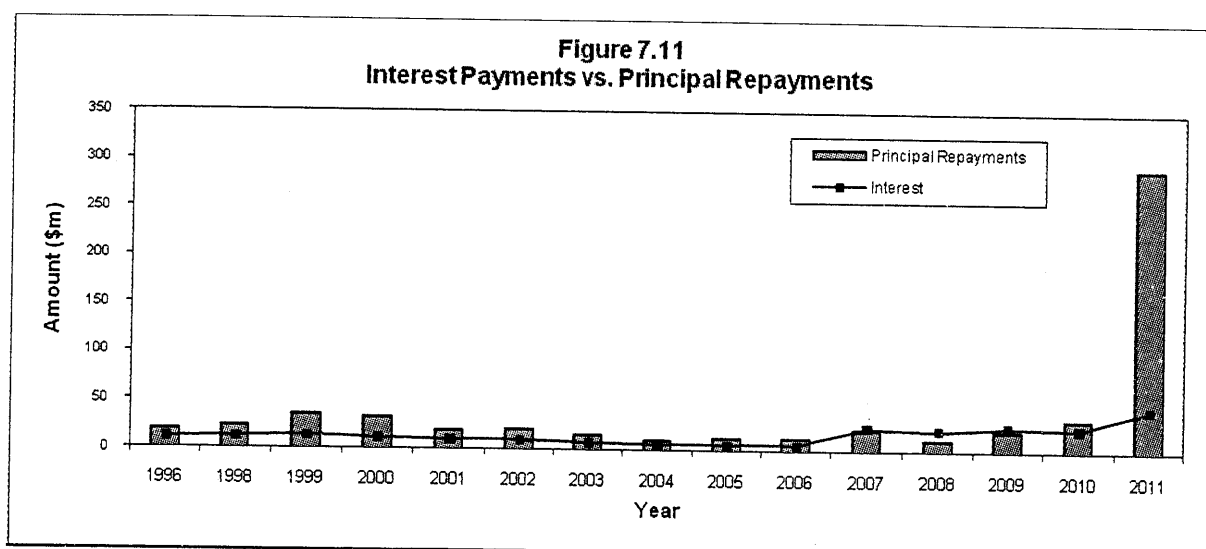
TABLE 7.12: OVERSEAS LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISION

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

Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
2005	164.1	(3)	5.5	(10)	6.7	1.2
2006	416.7	154	5.7	4	6.4	0.7
2007	397.1	(5)	22.2	289	23.4	1.2
2008	476.0	20	20.8	(6.3)	24.8	4
2009	527.2	11	24.4	17	29.1	4.7
2010	548.5	4	22.9	(6)	28.2	5.3
2011	832.1	52	43.1	88	45.1	2

In 2011, the outstanding overseas loans increased by \$283.6 million or 52% compared to 2010. A sum of \$45,048,700 was provided in the 2011 budget for interest expense on overseas loans. Interest payments on overseas loans during the year totalled \$43,104,766. The principal and interest payments are illustrated in Figure 7.11.

FIGURE 7.11: INTEREST PAYMENTS VS PRINCIPAL REPAYMENTS



Principal payment for 2011 amounted to \$291,113,603. This is an increase by \$258,263,028 or 786.2% compared to 2010. The increase was due to repayment of the 2006 Global Bond maturing in 2011 amounting to \$266,051,791.

7.5.3 Revaluation of Overseas Loans

Overseas loans are revalued each year by the RBF using the exchange rate as at 31/12/11. Table 7.13 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 7.13: REVALUATION OF OVERSEAS LOANS & EXCHANGE GAINS/LOSS

Year	Revaluation Increase/ (Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1997	62,842,240	243,748,816	26

Year	Revaluation Increase/ (Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1998	11,964,370	245,557,713	5
1999	9,068,963	206,036,450	4
2000	(19,589,702)	207,697,167	(9)
2001	(9,239,298)	206,889,315	(4)
2002	(18,905,125)	193,505,881	(10)
2003	(31,859,534)	174,125,752	(18)
2004	(3,554,545)	168,665,379	(2)
2005	(534,342)	164,050,924	(0.3)
2006	(17,120,505)	416,729,200	(4.1)
2007	(21,844,864)	397,103,384	(5.5)
2008	70,352,312	475,994,415	15
2009	46,988,862	527,248,475	9
2010	22,885,617	548,461,798	4
2011	1,537,285	832,147,104	0.2

A downward revaluation of \$1,537,285 or 0.2% of the overseas loans was noted for 2011, as a result of exchange rate movement.

7.6 Treasury Bills

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

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

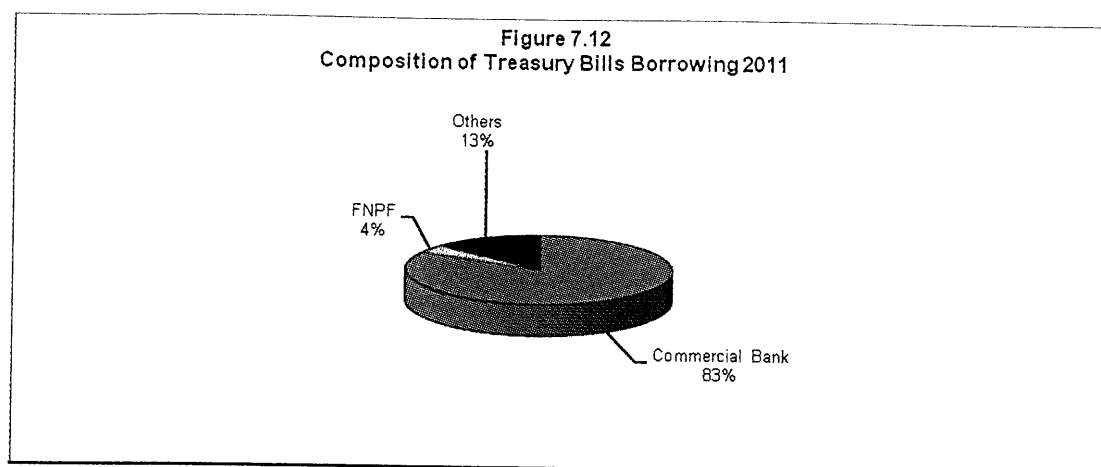
During the year, the government raised \$413,800,000 in Treasury Bills of which \$411,970,874 constituted net borrowings by the government whilst \$1,829,126 represented discount, as summarised in Table 7.14.

TABLE 7.14: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2011

Bank	Face Value	%	Discount \$	%	Net Receipts \$	%
Commercial Banks	342,922,500	83	1,162,581	64	341,759,919	83
FNPF	15,400,000	4	303,464	17	15,096,536	4
Others	55,477,500	13	363,081	20	55,114,419	13
Total	413,800,000	100	1,829,126	100	411,970,874	100

Moreover, 83% of the Treasury Bills raised were purchased by commercial banks, 4% by FNPF, and the remaining 13% purchased by other entities and individuals.

FIGURE 7.12: COMPOSITION OF TREASURY BILLS BORROWED FOR 2011

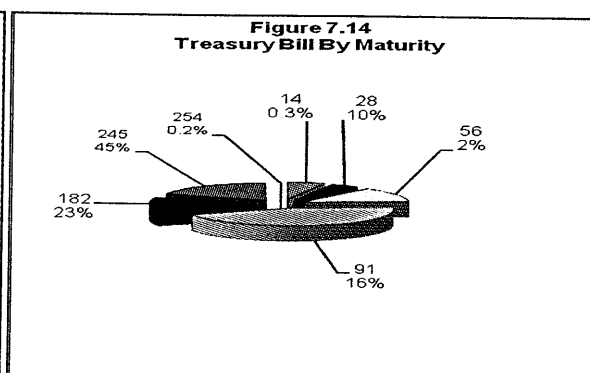
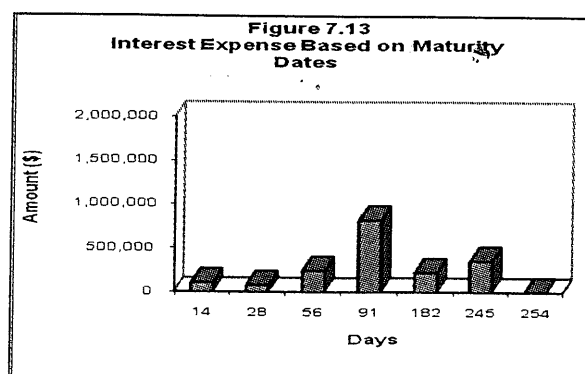


The Treasury Bills, which are issued by the Government through the RBF, have a maturity period of 14 to 254 days. Table 7.15 details the total Treasury Bills that were raised in 2011 together with their maturity dates and interest.

TABLE 7.15: MATURITY OF TREASURY BILLS ISSUED IN 2011

Maturity in Days	Treasury Bill Cost (\$)	Interest (\$)	Face value (\$)
14	31,293,762	106,238	31,400,000
28	98,469,275	77,725	98,547,000
56	69,965,465	244,535	70,210,000
91	168,126,369	818,631	168,945,000
182	25,636,503	223,497	25,860,000
245	18,282,735	355,265	18,638,000
254	196,764	3,236	200,000
Total	411,970,873	1,829,127	413,800,000

The amount raised by the Government through Treasury Bills with varying maturity dates were bought largely by the Commercial Banks and Fiji National Provident Fund (FNPF) as reflected in the pie chart. The interest expense has been fluctuating as the maturity date increases. Refer to Figure 7.13 and 7.14 for details:



7.6.1 Treasury Bills Over a 15-year Period

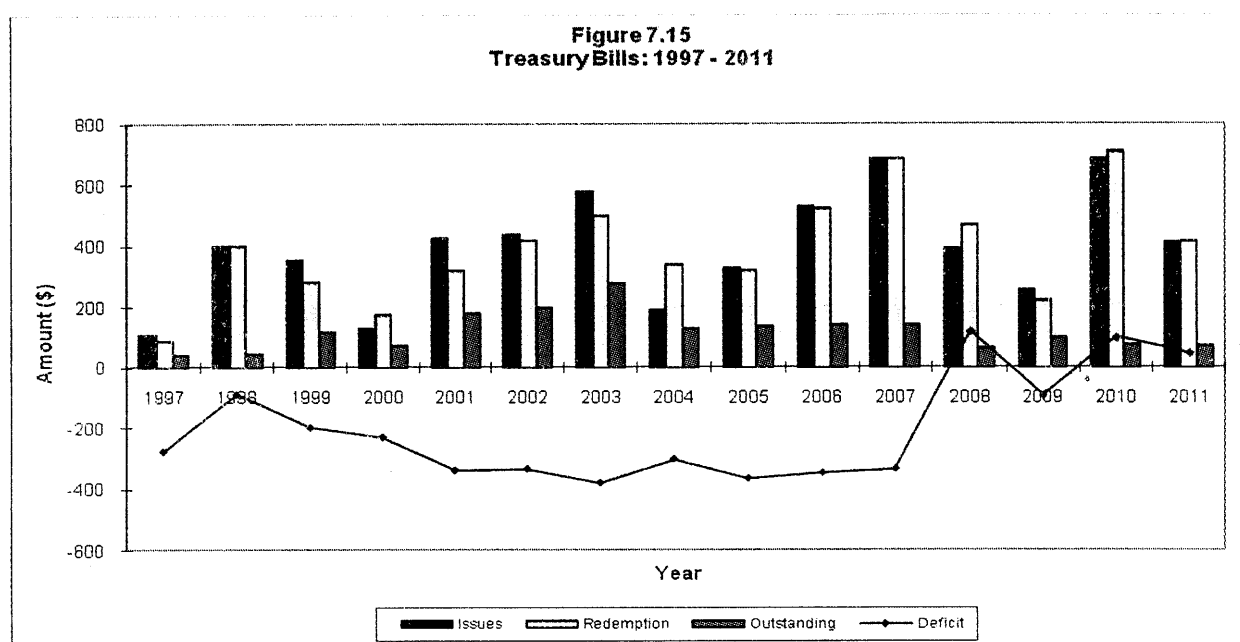
Treasury Bills issued and redeemed over the last 15 years is summarised in Table 7.16.

TABLE 7.16: TREASURY BILLS 1997 – 2011

Year	Balance Brought Forward (\$)	Issues (\$)	Redemption (\$)	Outstanding (\$)
1997	20,232,908	106,961,439	86,666,545	40,527,802
1998	40,527,802	401,201,683	397,939,413	43,790,072
1999	43,790,072	353,841,599	280,400,000	117,231,671
2000	117,231,671	129,129,145	173,910,978	72,449,838
2001	72,449,838	424,654,868	320,500,093	176,604,613
2002	176,604,613	437,465,767	417,637,927	196,432,453
2003	196,432,453	580,634,561	500,141,176	276,925,838
2004	276,925,838	189,256,716	339,194,733	126,987,822
2005	126,987,822	326,951,124	317,920,558	136,018,388
2006	136,018,388	528,715,414	523,422,114	141,311,687
2007	141,311,687	685,889,234	686,040,488	141,160,433
2008	141,160,433	391,725,937	468,333,380	64,552,990
2009	64,552,990	253,821,653	220,653,349	97,721,294
2010	97,721,294	687,313,133	710,064,626	74,969,800
2011	74,969,800	411,970,874	416,019,281	70,921,393

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

FIGURE 7.15: GRAPHICAL ILLUSTRATION OF TREASURY BILLS 1997 -2011



In spite of recording a budget surplus of \$49 million, Treasury Bills outstanding totalled \$70.9 million.

7.6.2 Treasury Bills Management

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

The analysis of budgeted revenue and expenditure as provided in the Budget and the Treasury Bills for the year are as follows:

TABLE 7.17: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenue	1998 \$m	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m
Budgeted Revenue														
Operating Receipts & Investing	1006.8	999.0	816.3	951.7	1,011.8	1,115.8	1,149.7	1,257.4	1,346.6	1,430.0	1,411.5	1,522.4	1,496.5	1,745.7
Loan Receipts	147.9	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0	370.2	522.5	497.5	734.5
Total	1,154.7	1,192.9	1,051.0	1,204.8	1,350.3	1,431.0	1,611.2	1,627.4	1,741.1	1,801.0	1,781.7	2,044.9	1,994.0	2,480.2
Actual Revenue														
Operating Receipts & Investing	1141.2	1004.5	911.0	900.5	1,038.4	1,066.3	1,176.2	1,221.9	1,401.3	1,391.3	1,454.9	1,412.8	1,536.5	1,801.3
Loan Receipts	116.5	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9	345.6	405.4	463.0	693.4
Total	1,257.7	1,196.7	1,136.0	1,139.7	1,363.6	1,386.0	1,634.7	1,550.5	2,035.2	1,510.2	1,800.5	1,818.2	1,999.5	2,494.7
Revenue Variance	103.0	3.8	85.0	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	(290.8)	18.8	(226.7)	5.5	14.5
Treasury Bills as at 31 st Dec	43.8	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2	64.6	97.7	75.0	70.9
Excess	146.8	121.0	157.4	111.5	209.7	231.9	150.5	59.1	435.4	149.6	83.4	(129.0)	80.5	85.4

The operating and investment receipts should pay for operational costs of Government which include SEGs 1 - 7, 11 & 12 and capital development programs. Treasury Bills are raised to cover operational deficits provided that they are no more than the estimated operating and investing receipts to be collected during the year.

The actual revenue collection in 2011 was more than the budgeted revenue by \$14.5 million. Government revenue and loans from the domestic and the overseas market were sufficient to meet the actual expenditure. However, Treasury Bills amounting to \$411,970,874 was raised in 2011.

While there has been an improvement in cash management, the issue of Treasury Bills could be further reduced to avoid additional debt burden. Excess Treasury bills amounted to \$70.9 million in 2011.

The Government should avoid raising Treasury Bills when sufficient cash is available.

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

Ministry's Comments

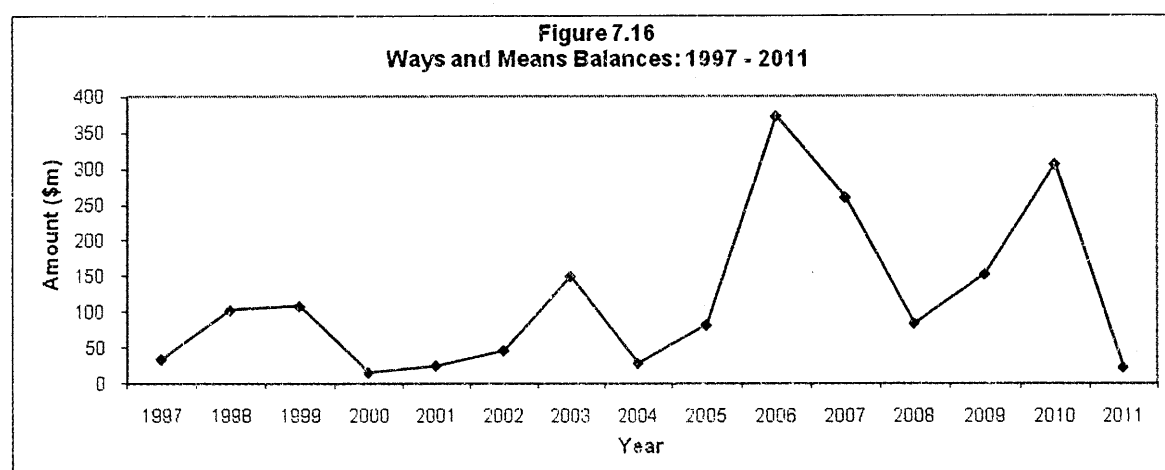
The comments in regards to the raising of Treasury bills are noted. The Ministry has taken initiatives in trying to minimize the raising of T Bills as possible as part of our debt management strategy. In 2011, total outstanding T-Bills were \$71m compared to \$75m in 2010 and \$99m in 2009. Further audit should note that Treasury bills are raised on a weekly basis to cover revenue shortfall and to offset timing difference between inflows of revenue and major payments by Government. Further, daily deposits from FRCA vary with an average of \$5m while bulks of revenue are deposited at the end of the month.

7.7 Ways and Means

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

An analysis of Ways and Means balances for the past 15 years is illustrated in Figure 7.16.

FIGURE 7.16: TREND ANALYSIS OF WAYS AND MEANS BALANCES FOR 1997 - 2011



The Government borrowed \$21,500,000 from RBF through this advance facility during the year, which was a decrease of \$285,000,000 or 93% compared to 2010.

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.

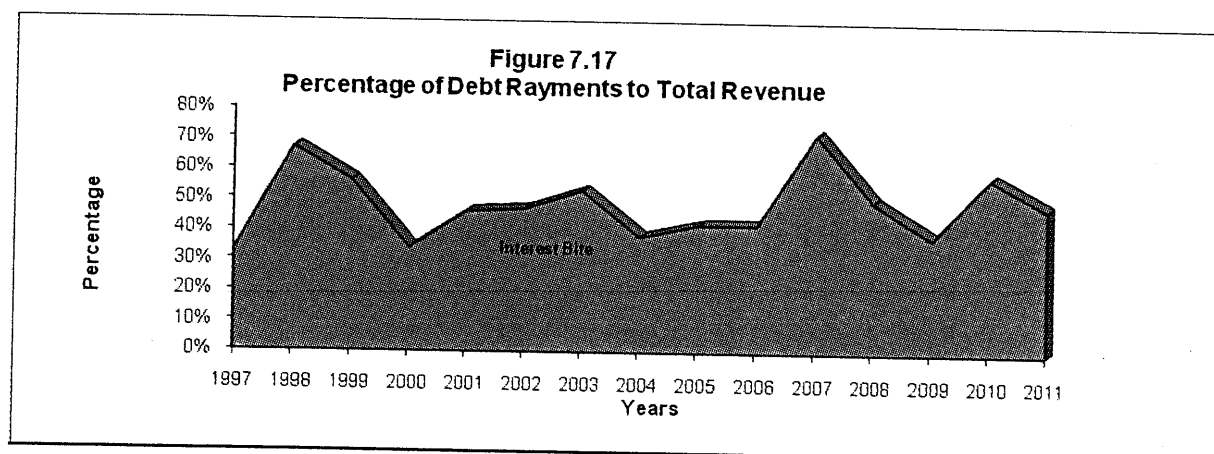
Table 7.18 contains data for the total revenue and the debt repayments of Government for a period of 15 years. The revenue derived by the Government included a significant portion which was derived from loans. The revenue data included in the analysis of flexibility included the loan component.

TABLE 7.18: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue (\$)	Repayments (\$)	Interest Bite %
1998	1,141,199,759	764,384,830	67
1999	1,004,505,216	567,251,420	56
2000	1,135,964,892	387,869,552	34
2001	1,139,754,743	528,250,835	46
2002	1,363,992,433	647,020,349	47
2003	1,386,009,960	737,597,477	53
2004	1,634,663,320	617,152,850	38
2005	1,550,489,828	646,463,603	42
2006	2,035,207,842	857,682,649	42
2007	1,510,117,953	1,091,633,056	72
2008	1,800,583,846	896,317,497	50
2009	1,818,235,071	683,801,800	38
2010	1,999,480,409	1,155,094,117	58
2011	2,451,779,618	1,176,866,114	48

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

FIGURE 7.17: PERCENTAGE OF DEBT REPAYMENTS TO TOTAL REVENUE



In 2011, the flexibility measure was 48% indicating that the total debt repayment was equivalent to 48% of the revenue received by the Government during the year compared to 58% during 2010.

Hence, 52% of revenues collected were available for government programs compared to 42% in 2010.

Ministry's Comments

Government is committed to reduce its debt to ensure a relatively larger component of fund is invested in the capital expenditure programme.

7.9 Vulnerability

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

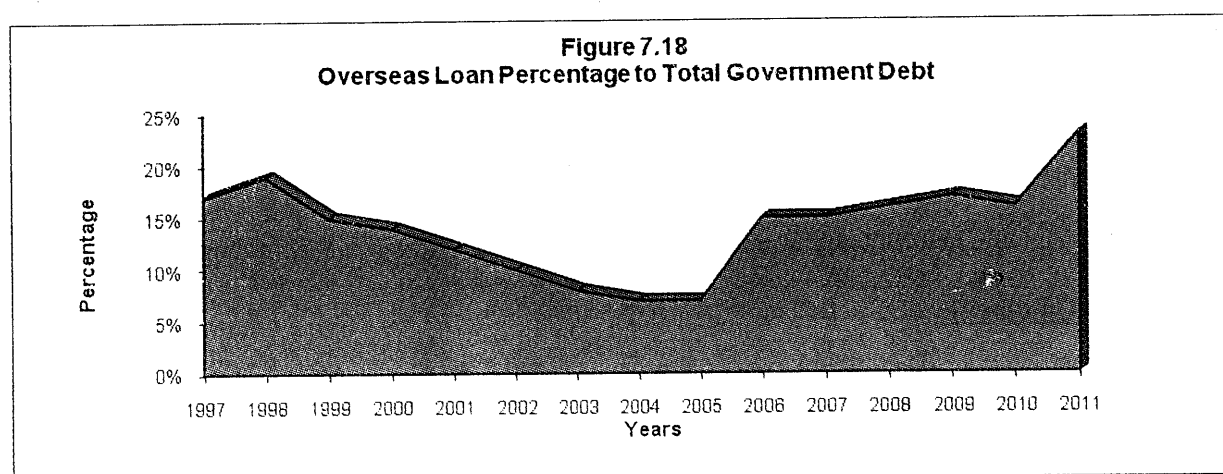
A measure of vulnerability is the comparison of overseas loans to the total Government debt. Table 7.19 compares overseas loans to total Government Borrowings for a period of 15 years.

TABLE 7.19: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Loans (\$)	Total Borrowings (\$)	%
1997	243,748,816	1,399,369,068	17
1998	245,557,713	1,305,621,035	19
1999	206,036,450	1,369,863,771	15
2000	207,697,167	1,438,742,654	14
2001	206,889,315	1,686,089,578	12
2002	193,505,879	1,891,033,984	10
2003	174,125,752	2,133,770,240	8
2004	168,665,379	2,282,168,851	7
2005	164,050,924	2,421,491,962	7
2006	416,729,200	2,858,713,537	15
2007	397,103,384	2,734,471,967	15
2008	475,994,415	2,886,805,555	16
2009	527,248,475	3,130,061,918	17
2010	548,461,798	3,382,723,748	16
2011	832,147,793	3,566,351,336	23

In 2011, overseas loans made up 23% of outstanding government borrowings which increased by 7% compared to 2010.

FIGURE 7.18: PERCENTAGE OF DEBT REPAYMENTS TO TOTAL REVENUE



The overall trend indicated an increased reliance on overseas borrowings from 2006. The sharp increase during 2006 and 2011 resulted from the international bond issuance of US\$150m and US\$250m respectively.

Another measure of vulnerability is the comparison of overseas loans to GDP. Table 7.20 compares overseas loans to GDP for a period of 10 years.

TABLE 7.20: COMPARISON OF OVERSEAS BORROWINGS AND GDP

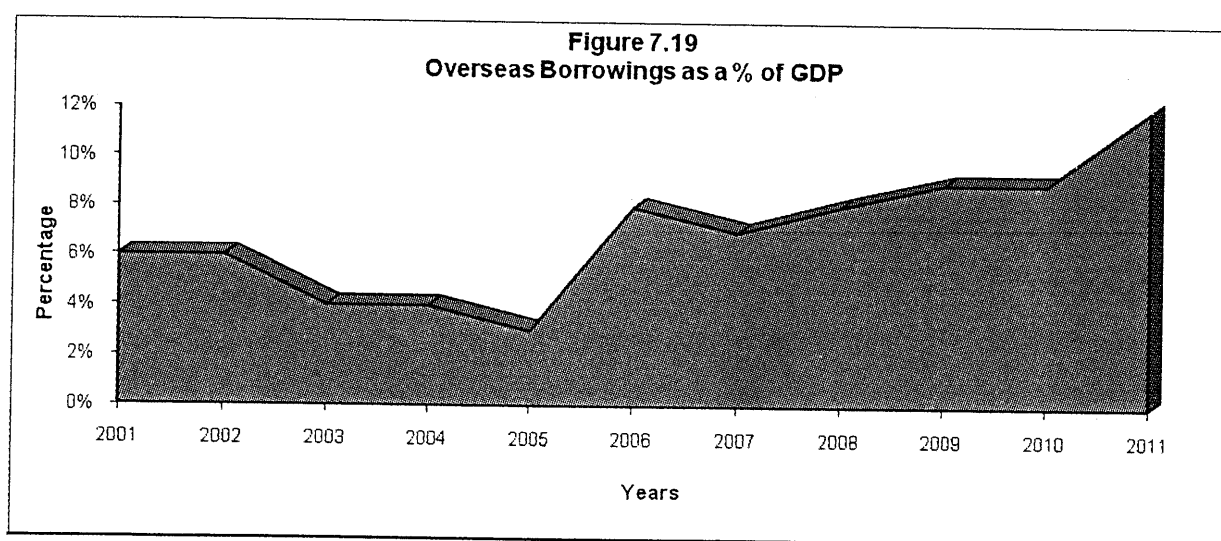
Year	Overseas Loans (\$)	Nominal GDP (\$)	% of Overseas Loans/GDP
2002	193,505,879	3,442,905,000	6
2003	174,125,752	4,325,420,000	4
2004	168,665,379	4,539,000,000	4
2005	164,050,924	5,069,432,000 ⁺	3
2006	416,729,200	5,431,720,200 ⁺	8
2007	397,103,384	5,566,057,664 ⁺	7
2008	475,994,415	5,895,900,000	8
2009	527,248,475	5,768,400,000 ⁺	9
2010	548,461,798	6,111,648,000 ⁺	9
2011	832,147,793	6,846,600,000 ⁺	12

⁺ Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

Figure 7.19 shows that the percentage of the overseas debt to GDP increased to 12 % compared to 9 % in 2010, and this is a reflection of the nation's capability to meet its external debt obligation has increased.

FIGURE 7.19: OVERSEAS BORROWINGS AS A PERCENTAGE OF GDP



Moreover, the comparison of the Domestic debt to GDP is another measure of vulnerability. Table 7.21 compares Domestic loans to GDP for a period of 10 years.

TABLE 7.21: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Loans \$	GDP \$	% of Domestic Loans/GDP
2002	1,501,095,650	3,442,905,000	44
2003	1,682,718,650	4,325,420,000	39
2004	1,986,515,650	4,539,000,000	44
2005	2,121,422,650	5,069,432,000 ⁺	42

Year	Domestic Loans \$	GDP \$	% of Domestic Loans/GDP
2006	2,300,672,650	5,431,720,200 ⁺	42
2007	2,196,208,150	5,566,057,664 ⁺	40
2008	2,346,258,150	5,895,900,000 ⁺	40
2009	2,505,092,150	5,768,400,000 ⁺	43
2010	2,759,292,150	6,111,648,000 ⁺	45
2011	2,663,282,150	6,846,600,000 ⁺	39

⁺ Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning and Bureau of Statistics

In 2011 the Domestic Loans as a percentage of GDP decreased to 39%, a decrease by 6 percentage point and constitute the lowest debt recorded to GDP over the 10 year period

FIGURE 7.20: DOMESTIC BORROWINGS AS A PERCENTAGE OF GDP

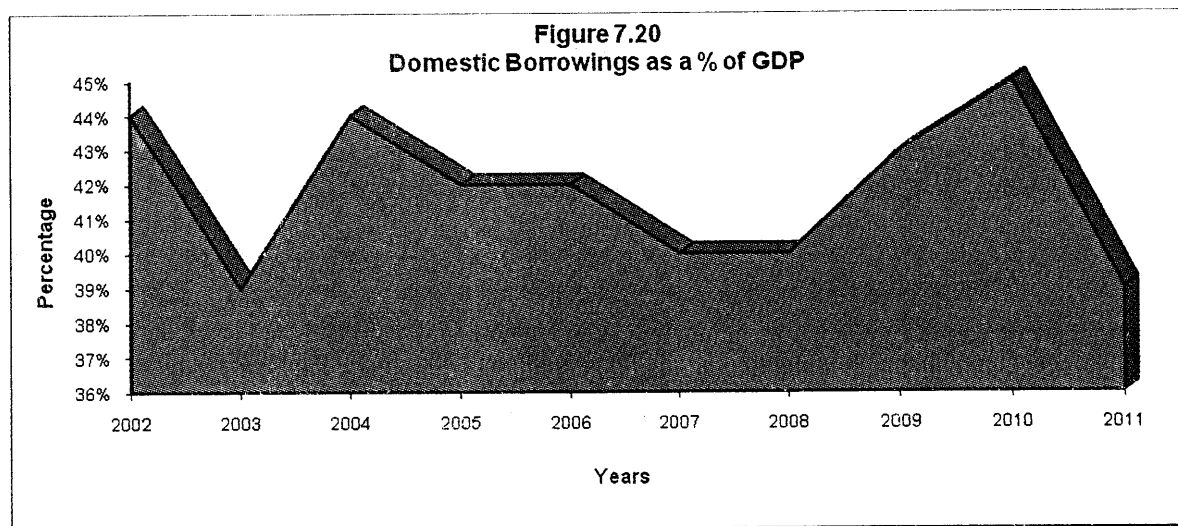


Figure 7.20 shows that the Domestic Borrowing as a percentage of the GDP has been fluctuating over the years and although indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic loans.

Table 7.22 shows the comparison between Tax Revenue and the GDP.

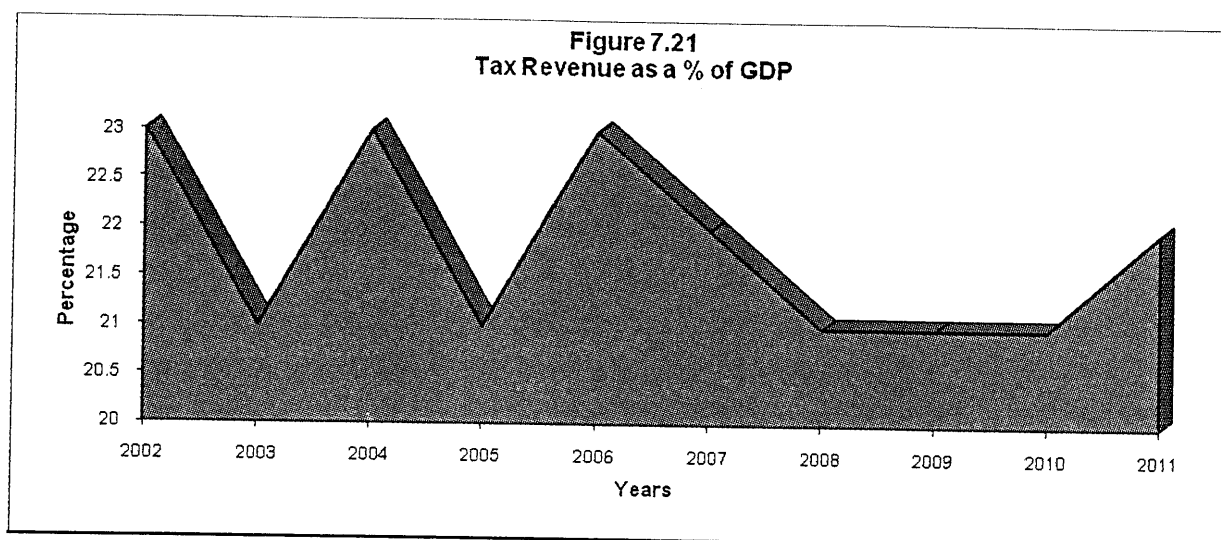
TABLE 7.22: COMPARISON OF TAX REVENUE AND GDP

Year	Tax Revenue \$	GDP \$	% of Tax Revenue/GDP
2002	789,721,816	3,442,905,000	23
2003	929,900,966	4,325,420,000	21
2004	1,033,319,644	4,539,000,000	23
2005	1,065,808,942	5,069,432,000 ⁺	21
2006	1,227,220,772	5,431,720,200 ⁺	23
2007	1,230,363,366	5,566,057,664 ⁺	22
2008	1,243,057,337	5,895,900,000 ⁺	21
2009	1,209,223,648	5,768,400,000 ⁺	21
2010	1,302,130,578	6,111,648,000 ⁺	21
2011	1,512,378,397	6,846,600,000 ⁺	22

⁺ Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning and Bureau of Statistics

Figure 7.21 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been in the range between 21 to 23%.



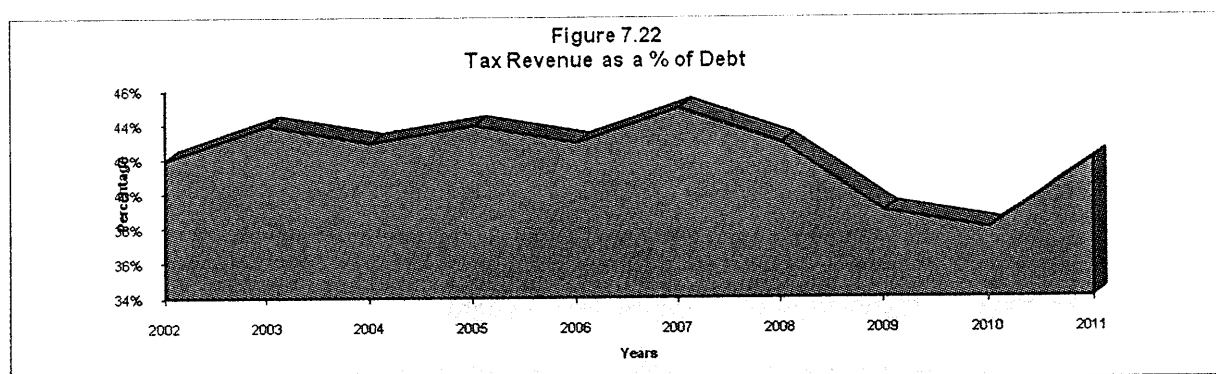
Another measure of vulnerability is the comparison of tax revenue to debt. Table 7.23 compares tax revenue to debt for a period of 10 years.

TABLE 7.23: COMPARISON OF TAX REVENUE AND DEBT

Year	Tax Revenue (\$)	Debt (\$)	% of Tax Revenue/Debt
2002	789,721,816	1,891,033,982	42
2003	929,900,966	2,133,770,240	44
2004	1,033,319,644	2,282,168,851	45
2005	1,065,808,942	2,421,491,962	44
2006	1,227,220,772	2,858,713,537	43
2007	1,230,363,366	2,734,471,967	45
2008	1,243,057,337	2,886,805,555	43
2009	1,209,223,648	3,130,061,918	39
2010	1,302,130,578	3,382,723,748	38
2011	1,512,378,397	3,566,351,336	42

The tax revenue as a percentage of debt has increased by 4% compared to year 2010 resulting from the increase in tax collections in year 2011. Further it indicated that 42% of the debt could be met from tax revenue.

FIGURE 7.22: TAX REVENUE AS A PERCENTAGE OF DEBT



The ability of tax revenue to meet the debt over the 10 year period have been on a declining trend since year 2007, but increased in 2011 due to the increase in tax collections which is attributed to the increase in tax rates for VAT, departure tax collections and new tax measures introduced through the year 2011 budget.

Moreover, Table 7.24 shows the comparison of Government surplus/(deficit) to GDP.

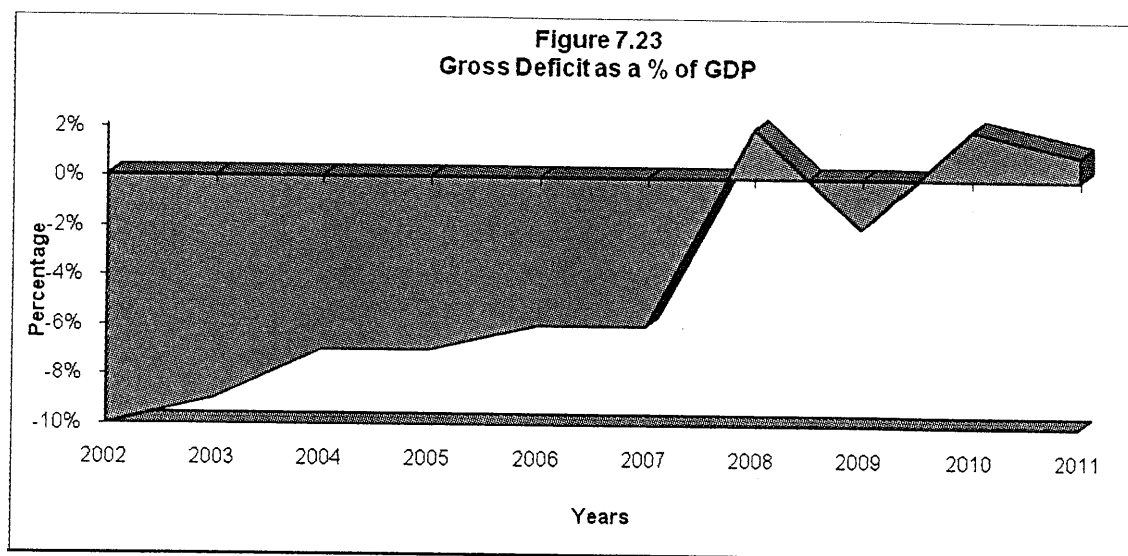
TABLE 7.24: COMPARISON OF GOVERNMENT (DEFICIT)/SURPLUS AND GDP

Year	Gross Surplus/ (Deficit) (\$)	GDP (\$)	% of Gross Surplus (Deficit) /GDP
1998	(89,079,211)	2,792,526,000	(3)
1999	(199,550,066)	3,238,463,000	(6)
2000	(230,607,446)	3,049,124,000	(8)
2001	(339,658,246)	3,199,548,000	(11)
2002	(334,367,718)	3,442,905,000	(10)
2003	(380,275,486)	4,325,420,000	(9)
2004	(302,912,124)	4,539,000,000	(7)
2005	(366,334,029)	5,069,432,000*	(7)
2006	(346,769,675)	5,431,720,200*	(6)
2007	(334,935,764)	5,566,057,664*	(6)
2008	120,093,824	5,895,900,000	2
2009	(93,167,378)	5,768,400,000*	(2)
2010	99,398,751	6,111,648,000*	2
2011	49,027,101	6,846,600,000*	1

* Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning and Bureau of Statistics

FIGURE 7.23: GROSS DEFICIT AS A PERCENTAGE OF GDP



In 2011, the gross surplus as a percentage of GDP decreased by 1% compared to a 2% gross surplus in 2010.

Ministry's Comments

Comments are noted. The debt indicators are duly considered in Governments debt assessment. Overall, the indicators show prudent management of Government debt. However, concerted effort is needed so the overall debt is reduced in the medium term.

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 31/12/11 was 52%, indicating debt sustainability in debt relative to the production of goods and services surpassing the 50% line.

TABLE 7.25: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

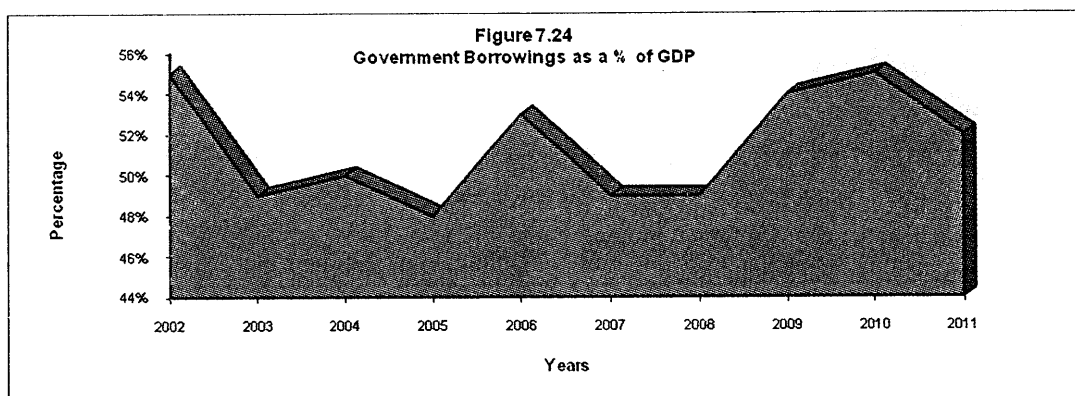
Year	Government Debt (\$)	% of Growth	GDP (\$)	% of Growth	Public Debt as a % of GDP
2002	1,891,033,982	12	3,442,905,000	8	55
2003	2,133,770,240	13	4,325,420,000	26	49
2004	2,282,168,851	7	4,539,000,000	5	50
2005	2,421,491,962	6	5,069,432,000	12	48
2006	2,858,713,537	18	5,431,720,200	7	53
2007	2,734,471,967	(4)	5,566,057,664	2	49
2008	2,886,805,555	6	5,895,900,000	6	49
2009	3,130,061,918	8	5,768,400,000*	(2)	54
2010	3,382,723,748	8	6,111,648,000*	8	55
2011	3,566,351,336	5	6,846,600,000*	12	52

* Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning and Bureau of Statistics

Table 7.25 shows that percentage growth in Government debt is 5% only while the percentage growth in the economy is 12% indicating improving debt burden of individuals in year 2011. In 2011, percentage increase in national debt relative to the GDP decreased to 52% compared to 55% in year 2010.

FIGURE 7.24: GOVERNMENT BORROWINGS AS A PERCENTAGE OF GDP



The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

Ministry's Comments

Government's debt funds are primarily targeted towards capital projects based on the financial viability of the loan funded projects. On the borrowing target level, Government intends to reduce the debt to 50 percent of GDP in the short to medium term.

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 7.26 outlines the Gross Domestic Product per Capita and National Income per Capita over the 12 year period.

TABLE 7.26: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

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

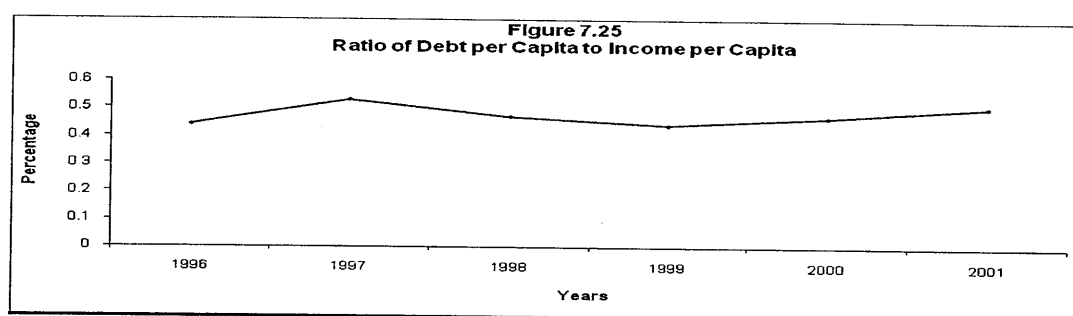
Year	Outstanding Debt \$	Estimated Population	Debt/Capita \$	GNP/Capita \$	Ratio of Debt/Capita to GNP/Capita
2008	2,886,805,555	839,621	3,438	*	
2009	3,130,061,918	837,271 ⁺	3,738	*	
2010	3,382,723,748	837,271 ⁺	4,040	*	
2011	3,530,451,171	861,024 ⁺	4,100	*	

* The GNP for years 2002 to 2011 is not available.

⁺ Source: Bureau of Statistics, Fiji Facts and Figures as at 30/07/12 at conservative ratio of 0.7

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

FIGURE 7.25: RATIO OF DEBT PER CAPITA TO INCOME PER CAPITA TREND



The ratio as at 31/12/01 was 51% representing the average burden on the population to meet the debt obligations of Government. Ratio for the debt per capita to GNP/capita could not be analyzed as the data for the GNP/capita was unavailable.

Recommendation

The Ministry of Finance in consultation with the Ministry of Strategic Planning & National Development and Statistics should ensure that the Gross National Product per capita is readily made available with the Gross Domestic Product on a yearly basis.

Ministry's Comments

The comments are noted. Necessary consultation will be done with the Ministry of Strategic Planning & National Development and Statistics to ensure GNP per Capita data is available.

7.12 Incorrect Submission of Borrowing Fund Account

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or send for and have the custody of any records, books, accounts, vouchers or documents under the control of any officer, and to keep such records, books, accounts, vouchers or documents for such time as he may require them.⁴⁷

The Accounting Head is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁴⁸

⁴⁷ Audit Act 1998, section 7 (1) (2)

⁴⁸ Finance Manual Part 16

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents.⁴⁹

A considerable amount of audit time and cost were incurred to audit the 2011 Borrowings Fund Account (Appendices 10, 11 and 12) as the Debt Management Unit of the Ministry of Finance were requested on 18 occasions to attend to error identified with the Appendix.

This contributed to the delay in the finalisation of the accounts due to the lack of supervision as there was no proper check mechanism in place to ensure that the draft appendices are correct in all aspects.

Table 7.27 details the 18 drafts accounts submitted by Debt Management Unit.

TABLE 7.27: DRAFT BORROWINGS APPENDIX SUBMITTED FROM MOF

Draft No	Date Submitted	Unit Submitting	Remarks
01	27/03/2012	FMIS	DMU notified of error. Request to resubmit with amendments.
02	06/04/2012	DMU	DMU notified of error. Request to resubmit with amendments.
03	14/06/2012	DMU	DMU notified of error. Request to resubmit with amendments.
04	19/06/2012	DMU	DMU notified of error. Request to resubmit with amendments.
05	19/06/2012	DMU	DMU notified of error. Request to resubmit with amendments.
06	20/06/2012	DMU	DMU notified of error. Request to resubmit with amendments.
07	20/06/2012	DMU	DMU notified of error. Request to resubmit with amendments.
08	26/06/2012	DMU	DMU notified of error. Request to resubmit with amendments.
09	02/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
10	03/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
11	05/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
12	09/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
13	09/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
14	10/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
15	11/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
16	13/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
17	16/07/2012	DMU	DMU notified of error. Request to resubmit with amendments.
18	16/07/2012	DMU	Finalized

The high number of submissions made during audit conduct is attributed to the following:

- No proper handing over was done following the resignation of two key staffs within the Debt Unit during 2012 who were responsible for the recording of borrowing transactions.
- During audit, there have been a total of 18 amendments of the Borrowing Fund Account Appendices (Appendix 10,11,12) which constituted majority of revenue by government as lot of errors were noted which were not fully checked before being submitted to audit. Thus there was a tendency to rely on audit to carry out its audit check without any effort shown by the Debt Unit. This was coupled by the unavailability of the reconciliations being prepared and thus considerable time was taken to verify the borrowings amounts.

This is further aggravated by the lack of proper internal checks to ensure that periodic reconciliations are carried out accurately and incorrect postings being made into the FMIS GL System are adjusted accordingly.

⁴⁹ Finance Manual Part 18 Section 1 Subsection 3

As a result, the borrowing balances reflected in Note 7 and 19 in the Whole of Government Financial Statement could not be deduced to be fairly stated. Net off errors and omissions total to \$83.8 million in the Whole of Government Financial Statement. Refer to Table 7.28 below for details:

TABLE 7.28: NET OF ERRORS AND OMISSION IN TOTAL GOVERNMENT BORROWING

Description	Amount (\$)
Domestic Loans taken but not recorded in the General ledger understating outstanding loans as at 31/12/11	(35,900,000)
Cash Borrowings overstated in the statement of receipts and payments in WOG Financial Statement (schedule 2)	112,452,377
Unavailability of Supporting documents for borrowing reflected in the WOG Financial Statement	7,247,485
Total	83,799,862

Recommendations

The Ministry should ensure that:

- Proper handing over is carried out by outgoing officers to ensure that work progress is noted and all outstanding work are addressed accordingly.
- Senior staffs must take the leading role in the preparation of loan account balances, reconciliation and review before submitting to the auditors.
- The Ministry should undertake monthly reconciliation of the account balances and ensure that records supporting the account balances in the financial statements are made available to audit upon request without any delay.

Ministry's Comment

The Ministry of Finance fully agrees with the recommendation. Debt Unit will ensure that monthly reconciliations is carried out and properly checked by supervisor.

7.13 Dormant General Ledger Balance

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

An unexplained dormant general ledger account totalling \$26.3 million existed in the Borrowing Fund Account without any history of transaction since 2005. Refer to Table 7.30 below for details:

TABLE 7.30: UNEXPLAINED DEBT GENERAL LEDGER BALANCES

Account Number	Description	Balance in the GL	Last date of Movement
1-04104-04105-910241	Borrowing revenue – overseas loans	(937,147)	2005
1-04104-04201-910242	Borrowing Revenue – Domestic Loans	48,900,000	2005
1-04104-04198-910215	Charges on Public debt – Domestic	(4,647)	2005
1-04104-04105-910214	Charges on Public debt – Domestic	(1,629,980)	2005
1-04104-04211-820201	Bond Issues 2011	(19,999,360)	2011
Total		26,328,866	

Despite being raised in the 2010 Auditor General's Report, no corrective action was taken to explain and adjust these balances accordingly.

Recommendation

The Ministry should explain, review and adjust these account balances accordingly.

Ministry's Comment

Debt Unit will strengthen the role of proper supervision and also to adjust these account balances accordingly as this issue will not be repeated in 2012 audit year.

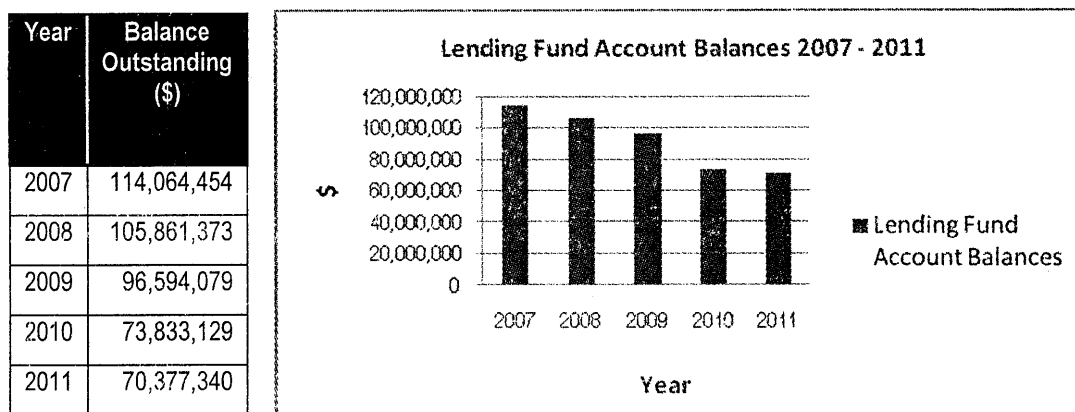
8.0 LENDING FUND ACCOUNT

The Minister may, on behalf of the state, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside Fiji.⁵⁰

Loans made by Government and outstanding as at 31/12/11 totalled \$70,377,340 a decrease of \$3,455,789 or 5% compared to 2010. Repayments received in 2011 totalled \$3,494,853 whilst additional loans given and interest capitalised in 2011 totalled \$139,063.⁵¹

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

TABLE 8.1: LENDING FUND BALANCES TREND



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

8.1 Recoveries Not Recorded As Revenue

The cash basis of accounting is an accounting method where income is recorded when cash is received, and expenses are recognised when cash is paid.

⁵⁰ Financial Management Act 2004, Section 61 (1)

⁵¹ Appendix 16 Statement of Lending Fund Account as at 31 December 2010

Lending Fund Account records all advances made by Government. All money received as principal and interest charges in respect of advances by the government will be credited to the Lending Fund Account and subsequently transferred to the Operating Fund Account⁵².

The audit noted that loan recoveries collected in 2011 totalling \$2,677,182 have not been recorded as revenue in the general ledger (FMIS) after it has been credited to the Lending Fund Account.

Details are shown in Table 8.2.

TABLE 8.2 RECOVERIES NOT RECORDED AS REVENUE

Borrowing Institution	Account Allocation	Amount Recovered (\$)	Date Amount Lent (\$)	Interest (%)
Copra Industry for Stabilization of Earnings	1-04104-04999-620202	345,473	1975-2000	4
Copra Industry for Stabilization of Earnings	1-04104-04999-620205	255,646	1975-2000	4
Consumer Cooperatives Societies	1-34401-34999-621201	102,066	1973-2000	1
Advances to Ministers & Members of House of Representatives	1-04102-04201-610101	4,950	---	12
Advances to Public Officers	1-04102-04201-610102	145	---	11
Advances to Public Officers	1-04102-04202-610102	100	---	11
Tertiary Education	1-00000-00000-610800	1,077,400	1979-2000	Free
Private Students	1-00000-00000-610900	7,670	1985-2000	Free
Student Loan Scheme	1-00000-00000-611100	883,732	2000	Free
Total		2,677,182		

The postings into the general ledger for these recoveries were made to increase the cash and reduce the respective debtor accounts in the Lending Fund account. The non recognition of revenue contradicts the cash basis accounting policy of Government.

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

Recommendation

The Ministry should ensure that loan repayments from these Lending Fund Accounts are correctly reflected in the accounts for the Whole of Government and to be consistent with the cash basis of accounting adopted by the Government.

Ministry's Comments

No comment received from the Ministry.

8.2 Scholarship Unit

The Fiji Government Scholarship operates on a cost sharing system where the Government contributes two-thirds (2/3) and the student and or guardians contributes one third (1/3) of the total cost of training.

Government pays all fees and allowances at the outset and the 1/3 contribution by the student is treated as an interest free loan which is repaid at the end of their studies and on assumption of employment.⁵³

⁵² Page 2 of Accounting Training Manual issued by Ministry of Finance

⁵³ PSC Scholarship and Student Loan Scheme Handbook

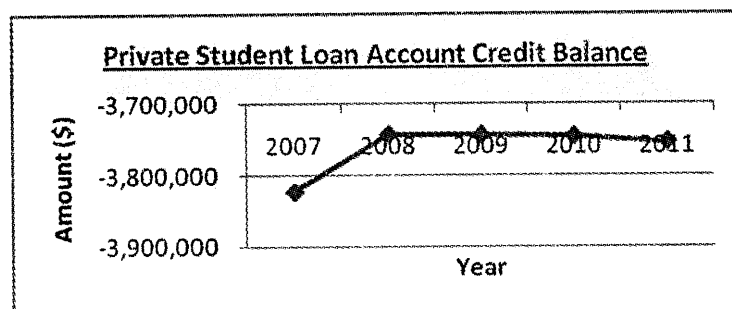
Lending Fund Accounts records all advances made by Government and has debit balances in the Whole of Government Accounts.

The general ledger balance for Private Students Loan which is being handled by Public Service Commission showed a credit balance in 2011 and has been showing such balances for the past five (5) years. Refer to Table 8.3 for details of this credit balances in the Private Student Loan Account.

Details are shown in the table below.

TABLE 8.3 TOTAL CREDIT BALANCES FOR PRIVATE STUDENTS LOAN ACCOUNT BY YEARS

Year	Ending Balance (\$)
2007	(\$3,823,125)
2008	(\$3,742,689)
2009	(\$3,743,185)
2010	(\$3,745,215)
2011	(\$3,752,885)



Despite being raised in previous years' reports, the account still showed a credit balance of \$3,752,885 as at 31/12/2011 which means that government owed monies to these borrowers.

The audit noted that the Commission prepared the Lending Fund Account reconciliations and initiated discussion with an Officer in the Debt Unit. In addition, the Commission was preparing reconciliation from the new allocations report received from the Ministry of Finance while the Debt Unit still recorded both the old and new allocations.

According to the Commission this was then resolved and the general ledger is now recording both the new and old allocations. However the issue of the credit balances is still not resolved.

Recommendation

The Debt Management Unit of the Ministry should liaise with the Commission over these credit balances and ensure that the amounts are accurately reflected in the Whole of Government Account.

Ministry's Comments

No comment received from the Ministry.

8.3 Anomalies and Recurring Issues in the Lending Fund

The Accounting Head must ensure that all balances are accurate and adequately supported; any misallocations or outstanding balances from the previous month have been dealt with.⁵⁴ For control purpose, access to FMIS system can only be done by authorised officers. No authorisation or controls are in place when postings are made by officers of various Ministries and Departments into the FMIS.

⁵⁴ Proforma Finance Manual 2011, Section 16.3.6

The audit noted that balances continued to appear in the general ledger system since 2009 being adjustments made into the Lending Fund Account in respect of Scholarship Unit by officers at the Prime Minister's Office. The Ministry of Finance agreed in 2010 to put in place those internal control procedures however this has yet to be actioned even though there was a verbal assurance from the Debt Unit that it would be done in 2011.

Details are shown in the table below.

TABLE 8.4 SCHOLARSHIP UNITS MISPOSTING

Account Name	Account Allocation	Opening Balance (\$)	Amount Lent (\$)	Amount Recovered (\$)	Ending Balance as at 31/12/11 (\$)
Tertiary Education	1-02105-02999-610810	(23,255)	---	---	(23,255)
Student Loan Scheme	1-02105-02999-611105	(3,687)	---	---	(3,687)
Total		(26,942)	---	---	(26,942)

In addition, the loan made to Telecom Fiji Limited for DIGS Loan 5⁵⁵ which has been fully paid on 14/7/2008 still showed balances in the General Ledger as at 31/12/11.

The general ledger also showed an increase of \$679,867 from the balance of \$230,605 as at 31/12/2010 which was generally mispostings. The Ministry has not rectified these mispostings despite assurance during our audit in 2010 that it would be resolved. Refer to Table 8.5 and 8.6 for details.

TABLE 8.5 P & T LOAN IN 2011

Particulars	Last Date of Payment	GL Figure (\$)	Reconciliation Figure (\$)	Variance (\$)
Post & Telecommunication Loan No.5	14/07/08	(910,472)	---	(910,472)

TABLE 8.6 P & T LOAN COMPARISON WITH 2010

Account ID	Description	Amount (\$) 2011	Amount (\$) 2010	Variance (\$)
1-04100-00000-630100	Post & Telecommunication	(910,472)	(230,605)	(679,867)

The audit also noted a variance of \$284,667 between the FMIS general ledger and reconciliation provided by the Viti Corporation Limited as at 31/12/2011. Refer to Table 8.7 for details.

TABLE 8.7 VITI CORPORATION COMPANY LIMITED LOAN

Particulars	GL Figure (\$)	Viti Corps Reconciliation (\$)	Variance (\$)
Viti Corporation Limited	3,189,667	2,905,000	284,667

Lack of commitment and the absence reconciliation has resulted in the incorrect balance the Lending Fund Account as at 31/12/2011.

⁵⁵ Refer to Appendix 16

Recommendations

- The Ministry should ensure that control measures and proper authorisation are put in place to avoid unauthorised users postings to the Lending Fund Account Natural Account Numbers in the general ledger.
- Reconciliation of the entities records and the FMIS GL should be carried out regularly, variances noted should be investigated and necessary adjustments made.

Ministry's Comments

No comments received from the Ministry.

9.0 REVOLVING FUND ACCOUNT (RFA)**9.1 RFA – SUSPENSE / Trading and Manufacturing Activities (TMA)****9.1.1 RFA (Suspense) Receipts Understated**

With effect from September 2009, all Ministries and Departments are advised to remit to FRCA, VAT on all fees and charges revenue collected. To facilitate this, a new Standard Liability Group (SLG) natural account number (863201) has been created which will replace the current VAT revenue code 220199.⁵⁶

With the implementation of Finance Circular 10/2009, the audit noted that the RFA – Suspense Total Receipts as per Appendix 19 were VAT Exclusive whereas the Total Payments were VAT Inclusive. Refer to Table 9.1 below for details:

TABLE 9.1: RFA - SUSPENSE RECEIPTS AND PAYMENTS

Description	Receipts as per Appendix 19 (VEP) (\$)	Payments as per Appendix 19 (VIP) (\$)	Net Receipts
Bulk Purchase of Drugs(Health)	591,885.74	361,349.24	230,536.50
Management of Government Quarters (PSC)	3,185,361.95	1,497,966.90	1,687,395.05
Timber Utilisation (Forestry)	90,294.73	241,063.49	(150,768.76)
Industry and Trade	3,082.61	46,307.01	(43,224.40)
Nautical Chart Project-Marine	59,925.85	32.00	59,893.85
Printing and Stationery	1,278,841.40	1,313,948.27	(35,106.87)
Fiji Military Forces	755,670.97	778,552.75	(22,881.78)
Fiji Procurement Office	999,614.16	292,099.58	707,514.58
Prisons Farm	631,881.26	661,007.38	(29,126.12)
Commercial Undertaking	1,022,436.14	1,920,462.20	(898,026.06)
Public Works and Infrastructure	18,888,137.10	21,040,927.91	(2,152,790.81)
Total	27,507,131.91	28,153,716.73	(646,584.82)

While VAT on revenue have been transferred to a separate Standard Liability Group (SLG) 863201 the audit noted that VAT paid on purchase of goods and services was still treated as an expense, but recorded in the FMIS GL under the Standard Revenue Group (SRG) 261301.

⁵⁶ Finance Circular 10/2009 (para 5.0)

Moreover, with the current VAT on revenue policy, the matching principle of accounting has not been fully adopted by government in its financial statements, hence understating the 2011 Total RFA Suspense receipts.

The above discrepancies denoted that the treatment of VAT on revenue and expenditure on the Whole of Government Accounts was not given due diligence checks.

Recommendations

The Ministry should ensure having an immediate review of Finance Circular 10/2009 be carried out and if VAT component on the purchase of goods and services should be a contra entry to VAT on revenue with the same allocation in the general ledger accounts allocations numbers. As such the differences would be treated either VAT payable or receivable which are liability and asset accounts respectively.

Management Comments

Noted

AMU has already discussed the issue with FRCA Audit Division and had been advised that TMA have to treat VAT differently from other government department and agencies. A Finance Circular will be issued to government departments and agencies that operate a TMA regarding the correct TMA VAT treatment.

The amount of VAT on Revenue in the (SLG) 863201 will be cleared off against the Equity as VAT on Expense is already incorporated in the account through profit and loss transferred.

The FMIS department will be informed and requested to facilitate the new TMA VAT treatment accordingly.

9.1.2 Unsubstantiated Equity balances

A quarterly performance report⁵⁷ shall be prepared and signed by the TMA Manager and submitted to the Accounting Head for inclusion into the quarterly management report to the Permanent Secretary. A copy of the report shall also be forwarded to the Ministry of Finance.⁵⁸

The quarterly reports are a control mechanism for the Ministry of Finance to review the balances as in the quarterly reports to that of the balances in the general ledger and ensure that balance day adjustments (transfer of profit/loss) are in accordance to the statement of financial performance and the equity general ledger.

The audit could not substantiate the TMA surplus and TMA accumulated surplus balance totalling to \$24.6 million appearing in the FMIS (Fund 4) general ledger as balances in these accounts have accumulated over the years. Refer to Table 9.2 below for details:

TABLE 9.2: UNSUBSTANTIATED TMA EQUITY BALANCES

Account	Description	Balance as at 31/12/11 (\$)	Balance as at 31/12/10 (\$)	Movement (\$)
4-00000-00000-940300	TMA Surplus capital returned to consolidated fund	372,127	1,586,857	(1,214,730)
4-00000-00000-940400	TMA Accumulated surplus/deficit	(24,979,618)	(24,048,060)	(931,558)

⁵⁷ TMA financial statements comprising of Trading and Manufacturing Account and Profit and Loss Account.

⁵⁸ Proforma Finance Manual 2011 Section 6.5.1

Account	Description	Balance as at 31/12/11 (\$)	Balance as at 31/12/10 (\$)	Movement (\$)
Total		(24,607,491)	(22,461,203)	(2,146,288)

Moreover, the movement from year 2010 to 2011 balance could not be substantiated.

This was because Ministry of Finance was not monitoring the variances to equity accounts, despite the TMA accounts were received in accordance to section 6.5.1 of the Finance Manual and hence accumulates during the year.

Hence, the accumulated equity balance of \$24.6 million was unsubstantiated.

Recommendations

The Ministry should ensure that:

- quarterly performance reports received are consolidated in a separate record and the consolidated balance reconciled against the general balance for the accuracy of the TMA balances;
- Ministries/Departments operating TMA are to be held liable for the proper record keeping and the production of the TMA performance reports;
- a separate record is maintained for the Consolidated TMA balance to facilitate the audit verifications and that the amounts in the accounts are fairly stated.

Ministry's Comment

AMU is working towards resolving the issues of substantiating TMA Equity.

9.1.3 TMA's operating above their Financial Ceiling

Financial Ceiling is the amount appropriated by the Minister of Finance on the establishment of the TMA. The ceiling operates as a budgetary control and as such at the end of the financial year the net difference between the receipts and payments should not have exceeded the approved ceiling for each TMA activity.⁵⁹

When the operation of the Trading and Manufacturing Accounts (TMA) are approved by the Ministry of Finance, a financial ceiling is set for the purpose of operating these accounts.⁶⁰

The Permanent Secretary may apply conditions like revenue sharing arrangements on TMA and the amount will be negotiated between the agency and the Ministry of Finance.⁶¹

The audit noted that the following TMA under various Government Ministries/Departments have been operating above their appropriated ceiling. Refer to Table 9.3 for details:

⁵⁹ Circular No. 01 (08/01/07) of Ministry of Finance

⁶⁰ Circular No. 37 (26/11/84) of Ministry of Finance

⁶¹ Finance Instructions 2010, Section 30 (4)

TABLE 9.3: TMA'S OPERATING ABOVE APPROPRIATED CEILING

Account	Ministry/ Department	RFA Appropriation (\$)	TMA Cash Holding (SAG 54) (\$)	Amount in Excess (\$)	Excess of Ceiling (%)
Management of Government Quarters	Public Service Commission	500,000	2,951,963	(2,451,963)	490%
Fiji Military Forces	Fiji Military Forces	100,000	120,002	(20,002)	20%
Commercial Undertaking	Agriculture	200,000	216,488	(16,488)	8%
Printing & Stationery	Finance	500,000	1,350,389	(850,389)	170%
Bulk Purchase of drugs	Health	500,000	950,740	(450,740)	90%
Fiji Procurement Office	Finance	6,000,000	8,678,425	(2,678,425)	45%
Total		7,800,000	14,268,007	(6,468,007)	83%

Moreover, subsequent review of cash remittance revealed that that TMA managed by the Fiji Military Forces, Ministry of Agriculture and Ministry of Health have not remitted excess cash holdings to the Consolidated Fund Account. The Public Service Commission, Government Printing & Stationery Department and Fiji Procurement Office have remitted TMA excess cash holdings into the Consolidated Fund Account in 2012 amounting to \$2,015,385, \$617,276 and \$8,000,000 respectively.

Non-remittance of TMA balances in excess of the appropriated ceiling could affect the cash flow forecasted for the Government.

Recommendations

The Ministry should:

- follow up with Fiji Military Forces, Commercial Undertaking (Agriculture) and Bulk Purchase of Drugs (Health) for the remittance of the balance in excess of the ceiling to the consolidated fund; and
- ensure that revenue sharing arrangement is in place for departments holding cash in excess of the appropriated ceiling in accordance with Finance Instructions 2010, Section 30 (4).

Ministry's Comments

Noted

This year AMU only concentrated on the three TMA regarding the excess of the ceiling due to the budget revenue forecast for 2012.

For the 2012 excess over ceiling, we will ensure that we have discussions with all TMA on their remittance and action taken accordingly.

9.1.4 Misallocations – Fiji Handicraft Centre TMA

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental clearance accounts, expenditure and commitment accounts. Any transaction raised affecting these accounts shall be entered in the appropriate ledger.⁶²

⁶² Proforma Finance Manual 2011 – s16.3.1

The ledger reconciliation statement shall be forwarded to the Accounting Head. The Accounting Head must ensure that all balances are accurate and adequately supported and any misallocations or outstanding balances from previous month have been dealt with.⁶³

The Fiji Handicraft Centre TMA under Ministry of Industry and Trade ceased operations in 2010 where the TMA bank account was closed together with the balance of funds transferred to Consolidated Fund Account.

The audit noted that transactions were being posted into the Handicraft Centre general ledger account during 2011 thus showing incorrect financial information. Refer to Table 9.4 for details:

TABLE 9.4: FMIS GL POSTING DETAILS – HANDICRAFT CENTRE

Balance Outstanding as at 01/01/2011	Receipts 2011 (\$)	Payments 2011 (\$)	Balance Outstanding as at 31/12/2011
\$69,649	3,083	46,307	26,425
Total	3,083	46,307	(43,224)

Moreover, these posting into this TMA account were done by Ministry of Finance (FMIS section).

The above findings indicated that there was no control in place for FMIS to reject postings into FMIS GL allocations that were no longer in use or have been closed.

Recommendations

The Ministry should ensure that:

- all relevant FMIS account numbers relating to all the closed TMA's are closed accordingly; and
- changes in general ledger balances are monitored regularly and significant variances investigated and adjusted accordingly.

Ministry's Comment

Noted

In the process of closing off Handicraft Centre TMA.

9.2 RFA – Miscellaneous

9.2.1 Outstanding/Overdrawn RFA Miscellaneous Accounts

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental clearance accounts, expenditure and commitment accounts. Any transactions raised affecting those accounts shall be entered in the appropriate ledger.⁶⁴

The ledger reconciliation statement shall be forwarded to the Accounting Head. The Accounting Head must ensure that all balances are accurate and adequately supported and any misallocations or outstanding balances from previous month are dealt with.⁶⁵

⁶³ Proforma Finance Manual 2011 – s16.3.6

⁶⁴ Proforma Finance Manual 2011 – s16.3.1

⁶⁵ Proforma Finance Manual 2011 – s16.3.6

The Revolving Fund Account (RFA) – Miscellaneous net outstanding balance as at 31/12/11 for whole of Government stands at \$22,917,839, a decrease of \$37,863,163 or 62% compared to 2010. Refer to Table 9.5 below for details.

TABLE 9.5: OUTSTANDING/OVERDRAWN BALANCES IN RFA-MISCELLANEOUS

Particulars	2011		2010		Change in	
	Amount (\$)	%age	Amount (\$)	%age	Amount (\$)	%age
Total Outstanding	29,409,493	128	64,483,413	106	35,074,011	54
Total Overdrawn	(6,491,654)	(28)	(3,702,412)	(6)	2,789,152	75
Net Outstanding	22,917,839	100	60,781,001	100	37,863,163	62

The decline in the total outstanding balances as at 31/12/11 was mainly attributed to the decline in outstanding RFA – Miscellaneous balance for the Ministry of Works by \$33,490,842. The Ministries/Departments comprising of 5% or more of the total RFA – Miscellaneous outstanding balances as at 31/12/11 are outlined in Table 9.6 below:

TABLE 9.6: LARGE OUTSTANDING BALANCES IN RFA-MISCELLANEOUS

Ministry/Department	2011	
	Amount (\$)	%age
Agriculture	2,262,070	8
Fiji Procurement Office	7,695,792	26
Health	2,833,986	10
Public Service Commission	9,636,660	33
Others ⁶⁶	6,980,894	23
Total	29,409,402	100

Moreover, the total overdrawn balance increased by \$2.8million in 2011 compared to \$3.7million as at 31/12/10.

Ministries/Departments comprising of 5% and more of the total RFA – Miscellaneous overdrawn balances as at 31/12/11 are outlined in Table 9.7 below.

TABLE 9.7: LARGE OVERDRAWN BALANCES IN RFA-MISCELLANEOUS

Ministry/Department	2011	
	Amount (\$)	%age
Finance	(966,652)	15
Judiciary	(520,037)	8
National Roads	(3,054,387)	47
Provincial Development	(1,119,519)	17
Public Works and Infrastructure	(457,823)	7
Others ⁶⁷	(373,236)	6
Total	(6,491,654)	100

The above outstanding/overdrawn balances denoted revolving fund accounts were not cleared on time which resulted in the accumulation of these balances over the years.

⁶⁶ Ministry/department balances consolidated as these had balances outstanding that were less 5% of the total outstanding.

⁶⁷ Ministry/department balances consolidated as these had balances outstanding that were less 5% of the total outstanding.

Substantial accumulating balances if not cleared on time are susceptible to becoming bad debts as a result of resignations or retirement of officers, migration, deaths, closure of companies or change in accounting personnel or management over the years.

Recommendations

The Ministry of Finance should regularly follow up with Ministries/Departments to investigate variances, allocate them to their correct allocations and put in place stringent measures such as reconciliations to be prepared and checked by supervising officers.

Ministry's Comments

The Financial Management Act 2004, Part 5, Division 1, Section 28 clearly outlines the responsibility of the Chief Executive Officer and other responsible authority for a budget sector agency.

*"28 – (1) The responsible authority for a budget sector agency is responsible for the following:
(g) the maintenance of an effective system of internal control for money and property.*

Furthermore, Finance Instructions 2010, Part 10: Internal Controls further places emphasis on the need for effective internal controls:

59, - (1) Each agency must have in place a cost effective system of internal controls which –

- a) Safeguards money and property against loss;*
- b) Avoids or detects accounting errors; and*
- c) Avoids unfavourable audit reports.*

(2) The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.

Although the Finance Management Act, 2004 and Finance Instructions, 2010 are quite clear on the burden of responsibilities, including reconciliations which part of an effective internal control system, the FMIS Unit has none-the-less been continuously liaising with Accounting Heads and following-up with responsible officers in Ministries and Departments on outstanding balances in their accounts. The FMIS Unit has gone to the extent of assisting certain Accounting Heads correctly reconcile and clear outstanding balances. This is an on-going exercise.

The FMIS Unit whilst receiving reconciliations ensures that Accounting Heads and Permanent Secretaries endorse these reconciliations. If these reconciliations are not properly endorsed, they are returned to the agency concerned.

On the issue of surcharging officers, Finance Instruction, 2010 Part 11, Section 63 must be used as a guide.

(63). – (1) A surcharge must be imposed on an officer who is directly or indirectly responsible for-

- a) expenditure which has not been properly authorised in accordance with the law;*
- b) the destruction, damage, theft or other loss of property; or*
- c) the loss of money, including public money, other money and trust money.*

The responsibility for surcharging officers is vested in the Surcharge Unit, which is part of the Internal Audit Section of the Ministry of Finance.

9.2.2 Increasing RFA Miscellaneous Account Balances

The ledger reconciliation statement shall be forwarded to the Accounting Head. The Accounting Head must ensure that all balances are accurate and adequately supported and any misallocations or outstanding balances from previous month have been dealt with.⁶⁸

The audit noted that the following Ministries/Departments recorded significant increases in outstanding RFA-Miscellaneous balances in 2011 compared to the outstanding/overdrawn balance as at 31/12/10.

Table 9.8 outlines those Ministries/Departments with percentage increase in their outstanding balance above 50%.

TABLE 9.8: SIGNIFICANT INCREASE IN OUTSTANDING RFA – MISCELLANEOUS BALANCES

Ministry/Department	Balance as at 31/12/11 (\$)	Balance as at 31/12/10 (\$)	Movement (\$)	%age Increase
Education	1,335,738	(68,331)	1,404,069	2,055
Environment	118,015	(10,068)	128,083	109
Immigration	15,088	6,267	8,821	140
Prime Minister's Office	96,264	(22,377)	73,887	331
Provincial Development	(1,119,519)	(81,424)	(1,038,095)	1,275

The huge movement noted between the 2010 and 2011 as provided by the respective Ministries/Departments are as follows:

- Education – The 2,055% increase in RFA Miscellaneous balances was due to payments to bus companies from the Revolving Fund Account for which there was no available fund.
- Immigration – The 140% increase was attributed to the transfer of trust monies (bond revenue) being misappropriated in 2011 from the Trust Fund Account to the Revolving Fund Account pending the outcome of the investigation.
- Provincial Development - The 1,275% increase was due to the carrying over of State of Natural Disaster funds amounting to \$1,050,013 from 2011 to 2012.
- No explanation was provided by the Department of Environment and Prime Minister's Office to justify the increase in outstanding RFA – miscellaneous balance.

The above indicated that misallocations, transfer of balances from other accounts in the Revolving Fund Account allocations and carrying over of ongoing capital projects were major reasons for the increase in the RFA-Miscellaneous balances.

Recommendation

The Ministry of Finance should regularly monitor the movement in Ministries/Departments balances and justifications should be obtained from Ministries/Departments with increasing balances.

⁶⁸ Proforma Finance Manual 2011 – s16.3.6

Ministry's Comments

The FMIS Unit continuously monitors reconciliations submitted by agencies each month. Any outstanding balances are scrutinised. Agencies are requested to provide details and justification for the outstanding balances. Accounting Heads are also reminded every month on the process of clearing advances or other outstanding balances under their Ministry/Department.

Since they are the responsible authorities for financial management of their entity, it should be their responsibility to clear outstanding transactions in their accounts.

9.2.3 Analysis of Outstanding Invoices in Accounts Receivable Module

Each agency must maintain a Debtors Register within the FMIS or an accounts receivable ledger for licenses, debts, court fees and other State or agency revenues receivable. Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.

Total invoices issued by government in the last 3 years totalled \$21.2million. Out of the \$21.2million invoiced, \$18.4million or 87% still remained outstanding denoting a recovery percentage of only 13% of the total invoiced.

The audit noted that \$12.5million or 69% of the outstanding amount were invoices issued in 2010 with majority comprising of invoices issued by the Department of Works and the Public Service Commission.

The recovery of outstanding invoices has been fluctuating over the 3 year period with a 25% recovery in 2009, 9% in 2010 and 16% recovered in 2011. Table 9.9 below outlines the total invoices issued by government for the past 3 years while Appendix 3 contains details as per Ministries/Departments with invoices still hanging in the Accounts Receivable module of the FMIS as debtors are yet to settle their accounts with government.

TABLE 9.9: DETAILS OF OUTSTANDING INVOICES

Year	Amount invoiced	% Invoiced	Balance Outstanding as at 31/12/11	% Outstanding	Total Recovered (\$)	% Recovered
2009	4,079,284	19	3,042,292	16	1,036,992	25
2010	13,792,193	65	12,572,183	69	1,220,010	9
2011	3,371,083	16	2,840,110	15	530,973	16
Total	21,242,560	100%	18,454,585	100%	2,787,975	13
On average	7,080,853		6,151,619		929,325	17

While percentage recovery rate has improved in 2011, audit is concerned at the low recovery rate indicated little effort put in by Ministries/Departments to fully recover the amount invoiced.

Recommendations

The Ministry of Finance should regularly follow up with the Ministry/Department to ensure that outstanding invoices are recovered from debtors.

A quarterly review of the outstanding invoices from the Accounts Receivable module should be carried out by the FMIS unit of the Ministry of Finance.

⁶⁹ Finance Instructions 2011 – s40

Ministry's Comments

The FMIS Unit has only 2 full time and 4 part time personnel at its disposal to monitor the following reconciliations:

IDC	-	45
O/TRUST	-	52
T/TRUST	-	12
RFA	-	46

To check and verify individual invoices for all Ministries and Departments is not a feasible solution due to the limited number of personnel. It is the responsibility of the Accounting Heads to ensure the financial affairs of its entity are in accordance with the requirement of the Finance Management Act, 2004.

The Financial Management Act 2004, Part 5, Division 1, Section 28 clearly outlines the responsibility of the Chief Executive Officer and other responsible authority for a budget sector agency.

*"28 – (1) The responsible authority for a budget sector agency is responsible for the following:
(e) the collection of agency revenue and state revenues so far as revenue relates to the functions of the agency or the agency is otherwise responsible for its collection.*

Comments however are noted.

9.2.4 Carried Over Projects – SLG 840101

If an amount appropriated by an Annual Appropriation Act for a financial year has not been used in that financial year; or is unlikely to be used in that financial year, the Minister may authorize the carry-over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date, and the amount authorized for carry-over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorization.⁷⁰

Unspent balances lying in SLG84 are returned to the originating Ministry or Department by 15th December so that the receiving Ministry or Department can lodge these funds into the Consolidated Fund Account by 30 December 2011. In order to retain funds received from organisations other than Government Ministries and Departments full justifications will have to be provided to the Ministry of Finance failing which these funds will be credited to revenue.⁷¹

Unutilised funds carried over by Ministries/Departments as at 31 December 2011 declined by \$1,586,602 or 20% compared to the total funds carried over from 2010.

While an overall decline was noted some Ministries/Departments recorded increases in their respective SLG 84 balances as at 31/12/11 denoting that capital projects were not completed within the current financial year and were carried. Refer to Table 9.10 below for details.

⁷⁰ Finance Management Act 2004 – s19

⁷¹ Finance Circular 14/11 – para 3.2

TABLE 9.10: DETAILS OF UNUTILIZED FUNDS CARRIED OVER

Ministry/Department	2009 (\$)	2010 (\$)	2011 (\$)	Change (\$)	%age Change
Lands	0	0	(585,575)	585,575	100%
Presidents Office	0	0	(20,639)	20,639	100%
Judiciary	0	0	(530,035)	530,035	100%
Provincial development	0	0	(1,050,013)	1,050,013	100%
Fiji Military Forces	0	(87,988)	(567,904)	479,916	545%
Works	0	(630,213)	(632,901)	2,688	0.4%
Roads	0	(10,000)	(2,888,259)	2,878,259	28,783%
Total	0	(728,201)	(6,275,326)	5,547,125	762%

The above indicated that proper planning was not done on the implementation of capital projects during the financial year.

Recommendation

The Ministry of Finance should continuously follow up with the Ministries/Departments to ensure that funds appropriated to Ministries/Departments are utilised within the same financial year in which those funds were appropriated.

Ministry's Comments

Following the lessons learnt from the 2010 SLG accounts, we were able to reduce the carry over of specific unutilised balances on a case-by-case basis for 2011. We continue to encourage the agencies to use these funding as soon as possible failing which, we will look at options such as blocking the account or withholding approvals.

However, in certain circumstances, especially where large capital projects are undertaken by agencies, factors beyond the control of these agencies may adversely affect projects. E.g. unfavourable weather conditions etc. In such cases carry-overs are anticipated.

9.2.5 FMIS Account Structure not in accordance with Annual Appropriation Act

The Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁷²

The chart of accounts of the Whole of Government is structured according to the budget sector agency as approved annually through the Annual Appropriation Act.

The audit noted that the Revolving Fund Account (RFA) balances for the Department of Environment and Ministry of Public Enterprise in the FMIS general ledger were not mapped to the new account, structure as set out in the 2011 Appropriation Decree⁷³.

The audit noted that both Departments were allocated new Heads under the Schedule 1 of the 2011 Appropriation Decree. However the RFA balances for these two Departments continued to be reflected in the old account numbers instead of using the new account numbers. Refer to Table 9.11 for details:

⁷² Proforma Finance Manual 2011, Part 16

⁷³ Decree No. 59 of 2010

TABLE 9.11: OLD BUDGET SECTOR AGENCY BALANCES YET TO MAPPED

Old Account Numbers	Balance (\$)	Remarks
Ministry of Public Enterprise(Head 36 as per 2011 Appropriation Decree)		
1-04701-04701-560203	(19,456.77)	Balances for Public Enterprises still sitting in Head 4 when the Ministry has moved to Head 36
1-04701-04999-570301	2,663.16	
	(16,793.61)	
Department of Environment (Head 23 as per 2011 Appropriation Decree)		
1-33401-33999-570101	288.00	Balances for Department of Environment still sitting in Head 33 when the Department has moved to Head 23
1-33401-33999-570301	231.00	
1-33401-33999-840602	(2,880.00)	
	(2,361.00)	
Public Service Commission(Head 2)		
1-02501-02999-560202	609.40	There is no Programme 5 in Head 2, however, balances still exist
	609.40	
Total	(18,545.21)	

In addition, the Ministry of Local Government (Head 23) had balances reflected in Head 37 which were not allocated in the 2011 Appropriation Decree.

The old budget sector agency balances which have remained at \$18,545.21 have caused disparity in the structure of the general ledger balance which was supposed to be in accordance with the 2011 Budget Estimates.

The above indicated that the Ministry did not maintain accurate balances in the general ledger in accordance to the Annual Appropriation Act and as a result, distorted the FMIS-GL balance.

Recommendation

The Ministry should ensure that the general ledger balances in the FMIS are correctly mapped to the correct Heads as in the 2011 Appropriation Decree.

Ministry's Comment

Comments are noted. FMIS will liaise with all concerned Ministries and Departments to transfer all balances to the appropriate allocations in 2012.

9.2.6 Variance in the 2011 Opening Balance

Opening balances means those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and accounting policies from prior periods.⁷⁴

A variance of \$3,250 was noted between the 2010 audited closing balances in the RFA miscellaneous to that of the 2011 opening balance as per the FMIS general ledger. Refer to Table 9.12 for details.

⁷⁴ Fiji Standards of Auditing 510

TABLE 9.12: VARIANCE IN THE 2011 RFA- MISCELLANEOUS OPENING BALANCE

Ministry	2011 Opening Balance (\$)	2010 Audited Closing Balance (\$)	Variance (\$)
Office of the President	287,603	122,646	164,957
Prime Minister's Office	(22,337)	182,897	(205,234)
Public Service Commission	10,578,365	10,534,556	43,809
Public Works and Infrastructure	33,033,019	33,033,301	(282)
Total Variance			3,250

In addition, the following RFA-miscellaneous account numbers showed zero balances at 01/01/2011 even though there were balances as at 31/12/10 on the FMIS general ledger totalling \$867,146.05.

As a result there was a variance of \$867,146.05 between the 2011 opening RFA-miscellaneous balances as per the FMIS general ledger (GL) and opening balances as per the Whole of Government Report provided by Ministry of Finance. Refer to Table 9.13 below for details.

TABLE 9.13: VARIANCE IN THE 2011 OPENING BALANCE

Allocation	2010 FMIS GL Closing Balance (\$)	2011 Opening Balance (\$)	Variance (\$)
1-02302-02999-840101	-389,491.05	0	-389,491.05
1-19105-82301-840101	-87,988.00	0	-87,988.00
1-23401-23999-840101-002	-10,420.61	0	-10,420.61
1-23401-23999-840101-005	-4,491.06	0	-4,491.06
1-23401-23999-840101-007	-167,566.26	0	-167,566.26
1-23401-23999-840101-009	-10,809.36	0	-10,809.36
1-23401-23999-840101-010	-12,822.20	0	-12,822.20
1-23401-23999-840101-011	-23,204.35	0	-23,204.35
1-23401-23999-840101-012	-4,888.17	0	-4,888.17
1-40501-95991-840101	524,502.54	0	524,502.54
1-40501-95991-840101-208	-52,283.72	0	-52,283.72
1-40501-95991-840101-227	-39,333.00	0	-39,333.00
1-40501-95991-840101-243	-10,388.92	0	-10,388.92
1-40501-96991-840101-032	-21,913.60	0	-21,913.60
1-40501-96991-840101-055	-38,914.84	0	-38,914.84
1-40501-99991-840101-038	-54,581.46	0	-54,581.46
1-40501-99991-840101-063	-258,004.00	0	-258,004.00
1-40501-99991-840101-075	-49,083.00	0	-49,083.00
1-19105-19999-850202	-39,464.99	0	-39,464.99
1-32301-78999-850202	-116,000.00	0	-116,000.00
TOTAL	-867,146.05		-867,146.05

The variance above was attributed to the carrying over of funds by Ministry of Finance from period zero (0) to period one (1) of 2011 to enable Departments to incur funds under these allocations.

Fund balances sitting in period zero (0) could not be utilised by government ministries/ departments due to fund control implemented by MOF on these allocations, hence the transfer of balances from period zero (0) to period one (1).

Failure to address these anomalies could result in the accumulation of the variances and could result in material misstatement to the ending account balances.

Recommendations

The Ministry should ensure that the opening balances are based upon the closing balances of the prior period.

The Ministry of Finance should review the transfer of funds process in place which should not affect the opening balances for the following year.

Ministry's Comments

Comments are noted. We have noted that an account was not included in the 2010 report which we have now included in the 2011 report which results in the differences between the closing balance for 2010 and the opening balance for 2011.

9.2.7 Overdrawn Standard Liability Group (SLG) 85

Liability accounts maintain a credit balance. If a debit balance incurs, it means that government has paid too much to the account.

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental clearance accounts, expenditure and commitment accounts. Any transaction raised affecting those accounts shall be entered in the appropriate ledger.⁷⁵

The Standard Liability Group (SLG) 85 has been overdrawn by \$1.96 million as at 31/12/11, an increase of \$166,676 or 9% compared to 31/12/10.

Majority of the debit balances relate to the Republic of the Military Forces (RFMF) whilst the remainder is for the Department of Water and Sewerage. Refer to Table 9.14 for details:

TABLE 9.14: SLG 85 BALANCES

Ministries/ Departments	Account Number	Account Description	2011 Amount (\$)	2010 Amount (\$)	%age Change
Fiji Military Forces	1-19101-19999-850202	GL Deferred income open item	1,806,852	1,806,852	-
	1-19101-19999-850203	GL Deferred income	0	(6,290)	(100)
	1-19104-19999-850202	GL Deferred income open item	0	(3,810)	(100)
	1-19105-19999-850202	GL Deferred income open item	0	(39,465)	(100)
Ministry of Fisheries and Forests	1-32301-78999-850202	Observer levy fee	0	(116,000)	(100)
Transport	1-40101-40101-850202	GL Deferred income open item	0	(658)	(100)
	1-40101-40104-850202	GL Deferred income open item	0	(21)	(100)
	1-40104-40101-850202	GL Deferred income open item	0	(432)	(100)
Water & Sewerage	1-41201-85999-850102	GL Deferred expenses open item	153,454	153,454	-
Total			1,960,306	1,793,630	9

The audit noted that the balance of \$1.8 million was related to over-expenditure by the FMF on the Telstat operations when it was contracted to set up satellites in rural areas and outer islands.

The over expenditure was yet to be settled by Telecom Fiji and this RFA allocation has been dormant since 2006 without recovery action taken by RFMF.

⁷⁵ Proforma Finance Manual 2011 – s16.3.1

The above denoted that FMIS GL balances and reconciliations have not been properly scrutinised by the Ministry of Finance and those affected Ministries/Departments to ensure that RFA balances are continuously monitored and postings into the general ledger are substantiated.

Recommendations

Follow up action should be taken with Telecom Fiji Limited for the payment the outstanding debt.

Legal recovery action should also be considered through the Solicitor General's office.

Ministry's Comments

The Financial Management Act 2004, Part 5, Division 1, Section 28 clearly outlines the responsibility of the Chief Executive Officer and other responsible authority for a budget sector agency.

"28 – (1) The responsible authority for a budget sector agency is responsible for the following:

- (g) the maintenance of an effective system of internal control for money and property; and*
- (k) compliance by the agency with applicable requirements of this Act, the regulations and the Finance Instructions.*

As such, the Permanent Secretary and/or the Accounting Head are directly responsible for proper accounting of agency funds.

Comments are however noted.

9.2.8 Non Remittance of Provisional Taxes

Payment under any contract for services, including progress payments is required to withhold 15% of the payment and remit the amount to FRCA by the end of the month following the month the deduction was made. Any such deduction will be allowed as a credit against any tax assessed on the payee.⁷⁶

Provisional tax will not be deducted if the total amount to be paid to any one person in aggregate in any year is less than the provisional tax threshold of \$300 (w.e.f - 01st January 2005).

The provisional tax will also not be deducted by the payer if the contracted party has a valid Certificate of Exemption issued by FIRCA.

Total provisional tax payable by government as at 31/12/11 to Fiji Revenue and Customs Authority (FRCA) was \$802,778, an increase of \$375,619 or 87% compared to year 2010. Refer to Table 9.15 below for details.

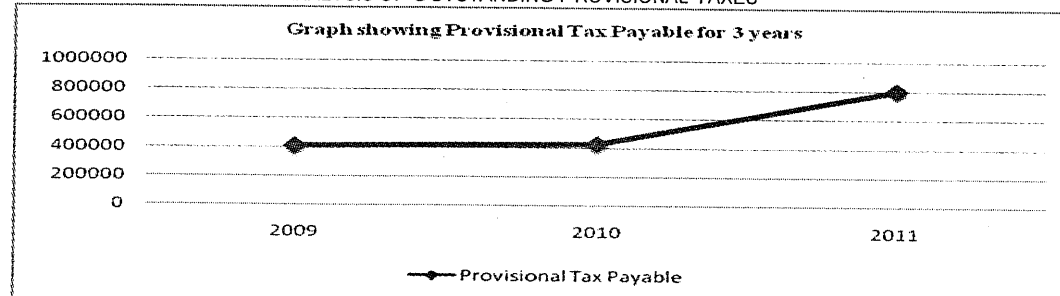
⁷⁶ Legal Notice No. 70 of 1976

TABLE 9.15: PROVISIONAL TAX BALANCES

Account Number	Description	2009 Amount (\$)	2010 Amount (\$)	2011 Amount (\$)
1-30101-30101-840602	Withholding Tax Payable	278,233.87	261,001.05	223,072.83
1-30901-30999-840602	Withholding Tax Payable	8,010.79	8,637.79	8,637.79
1-32101-32999-840602	Withholding Tax Payable	0	0	450.01
1-33301-91011-840602	Withholding Tax Payable	6,279.62	6,279.62	6,279.62
1-33401-33999-840602	Withholding Tax Payable	2,880.00	2,880.00	2,880.00
1-36101-04999-840602	Withholding Tax Payable	0	15,170.12	15,170.12
1-36101-86999-840602	Withholding Tax Payable	0	(478.50)	(478.5)
1-01101-01999-840602	Withholding Tax Payable	512.25	512.25	512.25
1-02101-02999-840602	Withholding Tax	56.25	56.25	56.25
1-03101-03999-840602	Withholding Tax Payable	153.00	0	0
1-03201-04999-840602	Withholding Tax Payable	15,170.12	0	0
1-03201-86999-840602	Withholding Tax Payable	(478.50)	0	0
1-04101-04101-840602	Withholding Tax Payable	108,060.37	0	0
1-04101-04999-840602	Withholding Tax Payable	(125,666.40)	(17,606.03)	0
1-04501-67101-840602	Withholding Tax Payable	34,112.72	33,667.67	4,451.69
1-04501-67999-840602	Withholding Tax Payable	(30,566.66)	(30,566.66)	0
1-05201-68999-840602	Withholding Tax Payable	54,090.92	0	0
1-06201-70999-840602	Withholding Tax	0	112.50	112.50
1-10101-10999-840602	Withholding Tax Payable	84.00	84.00	84.00
1-18101-68999-840602	Withholding Tax Payable	0	43,535.18	37,921.64
1-18201-68999-840602	Withholding Tax Payable	0	42,303.02	42,303.02
1-18202-92991-840602	Withholding Tax Payable	0	0	(8,298.46)
1-18601-87101-840602	Withholding Tax Payable	0	540.00	540.00
1-19101-19999-840602	Withholding Tax	(3,847.48)	17,823.20	11,914.59
1-19105-19999-840602	Withholding Tax Payable	0	0	(157.50)
1-20101-20999-840602	Withholding Tax Payable	(110,503.60)	(114,285.74)	(101,454.47)
1-40104-40491-840602	Withholding Tax Payable	118,895.23	122,362.47	122,362.47
1-40201-81102-840602	Withholding Tax Payable	27.00	27.00	27.00
1-40501-83999-840602	Withholding Tax Payable	22,726.51	37,452.77	30,545.16
1-40601-84999-840602	Provisional Tax Payable	0	0	415,050.53
1-41101-41999-840602	Withholding Tax Payable	28,851.77	28.62	0
1-21101-21999-840602	Withholding Tax Payable	2,271.35	0	0
1-22101-22999-840602	Withholding Tax Payable	0	(2,574.84)	(9,204.67)
1-23101-23999-840602	Withholding Tax Payable	145.08	(143.23)	0
1-25101-25101-840602	Withholding Tax Payable	0	340.50	0
Total		409,498.21	427,159.01	802,777.87

Trend analysis of outstanding Provisional taxes is shown in Figure 9.1:

FIGURE 9.1: TREND ANALYSIS OF OUTSTANDING PROVISIONAL TAXES



The above indicated that Ministries/Departments were not remitting the 15% provisional taxes deducted from contract payments to FRCA as confirmed by the increasing trend over the 3 year period as highlighted in Figure 9.1.

Failure to remit provisional taxes to FRCA could result in imposition of penalties to Ministries/Departments thus affecting the operating expenditure allocations during the year.

Recommendation

The Ministry of Finance should consult and liaise with Accounting Heads over the increasing balances for withholding tax which should be paid to FRCA at month end.

Ministry's Comment

While this matter would be best answered by each of the agencies listed in the table, we will be bringing this matter up with the accounting heads in the next accounting heads meeting.

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

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.⁷⁷ The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

The total outstanding advance figure has been around the \$3.2 million mark whilst the average outstanding figure for unclaimed monies has been \$7.6 million for the past 5 years.

Out of the \$7.6 million unclaimed moneys outstanding as at 31/12/11, \$7.57million relates to stock adjustments for Fiji Procurement Office.

The recovery of advances and unclaimed monies over the 3 year period seemed to have slowed down while vast improvement was noted in the recovery of dishonoured cheques and surcharges which has declined to 14% and 20% respectively compared to 31/12/10. Refer to Table 9.16 and Figure 9.2 for trend analysis on these accounts:

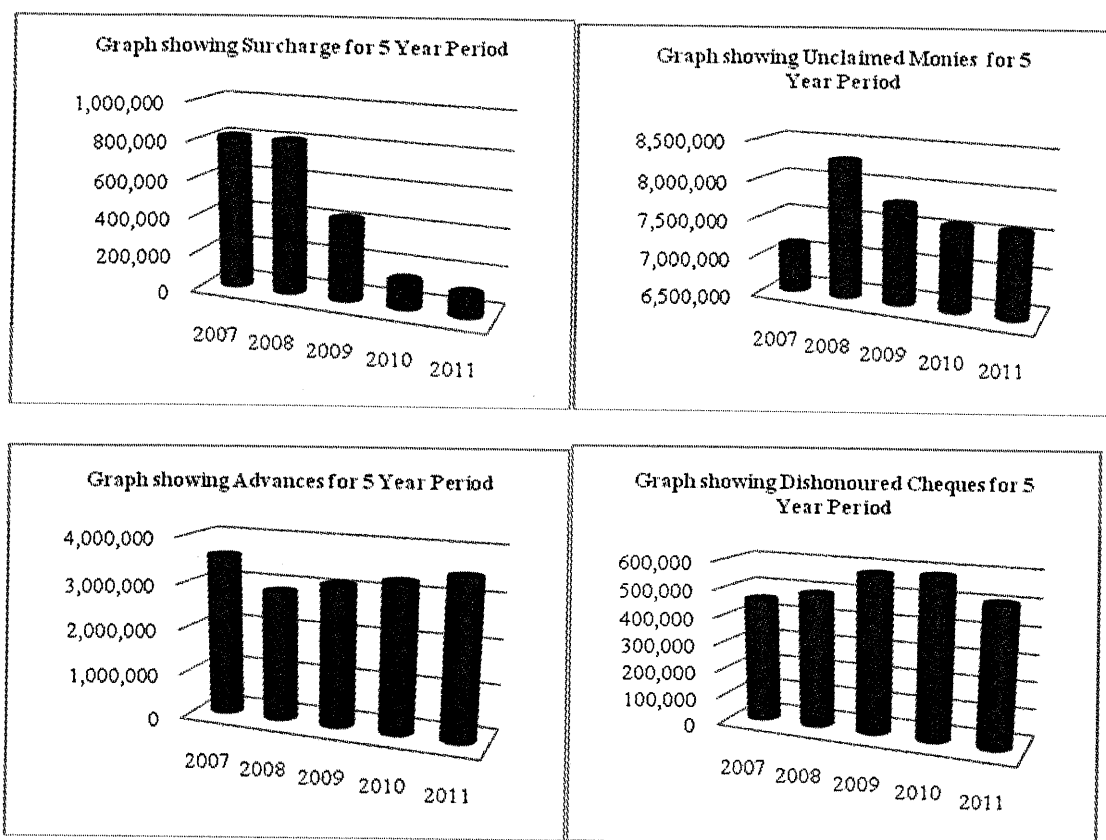
TABLE 9.16: ADVANCES, DISHONOURD CHEQUE, UNCLAIMED MONIES & SURCHARGES

Year	Advances (\$) 570301	%age Change	Dishonoured Cheque (\$) 570302	%age Change	Unclaimed Monies (\$) 570303	%age Change	Surcharge (\$) 570304	%age Change
2007	3,566,351	7	454,850	(96)	7,117,853	17	809,413	(2)
2008	2,861,584	(20)	489,021	8	8,279,035	16	807,099	(0)
2009	3,107,139	9	576,037	18	7,783,826	(6)	428,110	(47)
2010	3,275,503	5	584,017	1	7,572,689	(3)	142,394	(67)
2011	3,485,312	6	504,871	(14)	7,576,903	0	113,096	(20)
On Average	3,259,178		521,759		7,666,061		460,022	

Graphical representation of RFA balances per specific type: advances, dishonoured cheques, unclaimed monies and surcharge is shown below in Figure 9.2:

⁷⁷ Finance Circular No. 10 of 02 April, 1982

FIGURE 9.2: TREND ANALYSIS OF ADVANCES, DISHONOURED CHEQUES, UNCLAIMED MONIES & SURCHARGE



Accumulation of balances over the years increases risk of non recovery of these outstanding balances thus making it more difficult for Ministries/Departments to clear these balances.

Recommendations

The Ministry should ensure that:

- Outstanding balances in the RFA-Miscellaneous are cleared by the respective Ministries and Departments as prolonged delays could increase the risk of non-recovery.
- All RFA reconciliations submitted by Ministries and Departments are thoroughly scrutinised for regular clearance per month.

Ministry's Comments

The Financial Management Act 2004, Part 5, Division 1, Section 28 clearly outlines the responsibility of the Chief Executive Officer and other responsible authority for a budget sector agency.

"28 – (1) The responsible authority for a budget sector agency is responsible for the following:

- (g) the maintenance of an effective system of internal control for money and property; and*
- (k) compliance by the agency with applicable requirements of this Act, the regulations and the Finance Instructions.*

The desk officers in the FMIS Unit do scrutinise balances in RFA reconciliations and follow-up with Accounting Heads and Reconciliation Clerks in agencies.

The FMIS Unit in 2012 has drawn-up a plan of action to tackle this. An Accounts Officer has been assigned the task of visiting Accounting Heads of certain agencies with a view to having long-standing balances cleared.

10.0 CONTINGENT LIABILITIES

Contingent liability is a potential liability that may or may not become due, depending on whether a possible event occurs, such as a claim for compensation, an indemnity or other legal claim.⁷⁸

The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.⁷⁹

Currently, in the absence of the House of Representatives, guarantees are approved under the authority of the Cabinet. A cabinet paper is presented by the Minister for Finance to seek approval for the issue of guarantees sought by the entities concerned.

The Debt Management Unit (DMU) of the Ministry of Finance administers the documentation, legal issues, variations, drawdown and reporting of the Government guarantees annually. While the Asset Management Unit (AMU) makes the financial assessment of loan guarantees, it has the task of making recommendations on the eligibility criteria. In addition, the Public Enterprise and line Ministries concerned are also involved in the loan assessment process.

The decision on the final approval of the loan guarantees however, rests with the Minister of Finance and Cabinet. A guarantee fee of up to 2 percent is charged on all guarantees. The fee percentage range is agreed upon taking into account each entity's financial performance.⁸⁰

10.1 Contingent Liabilities for Government

The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.⁸¹

The Government's total contingent liabilities recorded slight fluctuations over the years but increased during 2011 from additional government guarantee provided on the loans taken by Housing Authority, Fiji Electricity Authority and Fiji Sugar Corporation. A total of 16 entities were covered under Government guarantee in 2011, the same as in 2010. Table 10.1 and Figure 10.1 below show the trend in total contingent liabilities for the years 2005 to 2011.

TABLE 10.1: CONTINGENT LIABILITIES -7 YEAR ANALYSIS

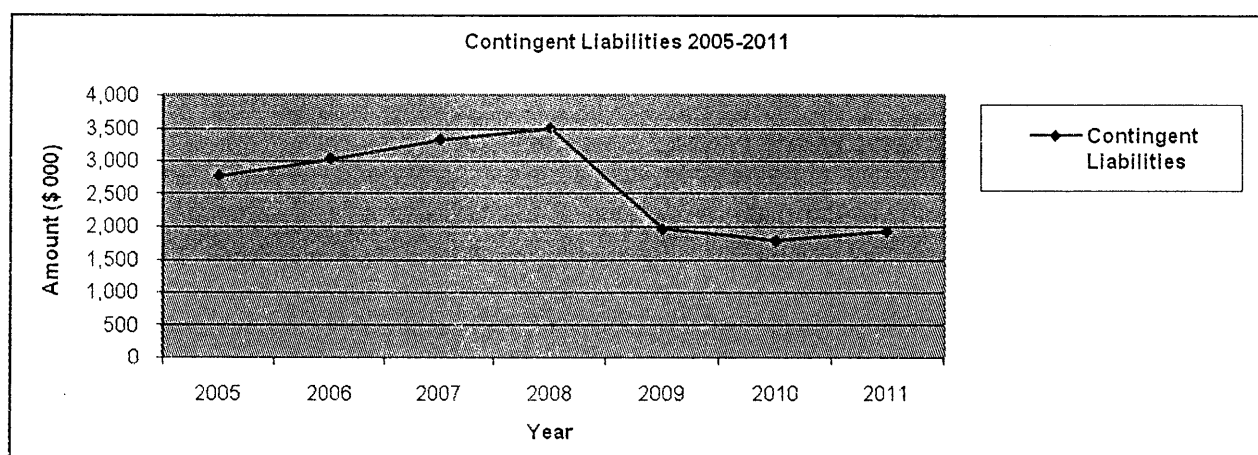
Year	Number of Entities on Govt. Guarantee	Total Liabilities (\$)
2005	18	2,780,042,810
2006	19	3,036,693,046
2007	15	3,326,395,084
2008	15	3,499,088,018
2009	16	1,963,068,505
2010	16	1,791,461,261
2011	16	1,931,795,891

⁷⁸ Financial Instructions 2005, Section 3

⁷⁹ Finance Management Act 2004, Section 62(1)

⁸⁰ Finance Circular No. 8 of 2004

⁸¹ Finance Management Act 2004, Section 62(1)



Government guarantee during the year covered both domestic and overseas loans. The total contingent liabilities as at 31/12/11 amounted to \$1,931,795,891. Domestic loans accounted for \$1,923,351,773 or 99.6% of total liabilities during the year. Overseas loans on the other hand accounted for \$8,444,118 or 0.4% of total liabilities as at 31/12/11.

Total liabilities for overseas loans are for the membership subscriptions of the Government with overseas agencies namely the Asian Development Bank, International Bank for Reconstruction & Development and the International Development Association.

There has been a decline in liability for overseas loans by \$54,632,724 or 86.6% compared to the 2010 liability due to a decrease in amount owed to ADB after the encashment of the promissory note in September 2010 and the payment of \$2,131,435.49 to the IBRD on 19/05/10.

The subscriptions represent callable capital in the books of these international agencies. The Government subscribes for shares as its membership contributions/capital holdings with these institutions.

The agencies would call on this callable capital if Fiji is proven not to be complying with the articles of agreement or if Fiji fails to honour its loan commitments under respective agreements with these institutions.

10.2 Increased Liabilities for Domestic Loan Guarantee

The guarantee on domestic loans covers most public institutions such as the Fiji Development Bank, Fiji National Provident Fund, Fiji Sugar Corporation, Fiji Electricity Authority and Housing Authority.

These institutions form an integral part of Fiji's infrastructure and financial services and the guarantees are a commitment on the part of the government to ensure the delivery of their services.

Total contingent liabilities on domestic loans increased by \$194,967,354 or 11.3 % compared to 2010. This was attributed to an increase in liability balance for the 4 institutions outlined Table 10.2.

TABLE 10.2: INCREASED LIABILITIES FOR GOVERNMENT GUARANTEES

Institutions	Government Guarantee (\$)	Liability as at 31/12/11 (\$)	Liability as at 31/12/10 (\$)	Variance (\$)	% change	Reason for increase
Fiji Electricity Authority (FEA)	551,000,000	353,969,398	346,454,651	7,514,747	2.16	Additional loan from BSP, movement in Exchange rate and also Bonds Raised
Fiji Broadcasting Corporation	21,594,693	19,897,802	14,252,810	5,644,992	39.6	Additional loan from FDB.
Fiji National Provident Fund (FNPF)	1,013,520,093	1,013,520,093	758,368,125	255,151,968	33.64	Increased in Members contribution
Fiji Pine Limited	15,700,000	13,721,244	8,478,103	5,243,141	61.84	Additional loan from FDB

The movement in guaranteed amounts or the outstanding balances for entities are not monitored by the Ministry of Finance as there are unavoidable costs associated with the loan accounts such as late payment fees, accrued interest and principal.

The Ministry's Debt Management Unit conducted quarterly visits and assessed all guaranteed entities which are reported to the Permanent Secretary of Finance on the debt servicing sustainability of entities.

In 2011, the Fiji Sports Council, Fiji Sugar Corporation and the Public Rental Board were identified as high risks entities due to their inability to meet their debt obligations on time.

Increase in contingent liability posed a significant financial risk to Government as it put pressure on Government cash flows and resources. Should these entities fail to honour their loan agreements with respective lenders, the Government as the guarantor would be responsible for the repayment of the outstanding loans.

Recommendations

The Ministry should continue to closely monitor and report to relevant authorities on the servicing of the liability of entities to avoid incurring extra cost to Government.

Ministry's comment

Noted. The Ministry of Finance currently monitors the performance of guarantee entities and conducts quarterly site visits to entities mainly to access their debt service sustainability. Annual Contingent Liability Reports are also presented to Management.

10.3 Unexplained variances of Fiji Sports Council Loan Government Guaranteed Confirmations

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents.⁸²

Government in 1995 approved a guaranteed loan up to \$3 million raised by the Fiji Sports Council from the Fiji National Provident Fund to be repaid in 15 years at 8.5 percent interest subject to annual review on the commencement date of the loan.

A total of \$4.3 million loan made by the Council is guaranteed by the Fiji Government.⁸³

The confirmation received from Fiji Sports Council dated 28/2/2012 indicated of \$3.2 million approved government guarantee in 1997 of which only \$2.9 million were drawn with a balance as at 31/12/2011 of \$926,725.

Explanations for the variance were not furnished by the Debt Unit and the correspondence file for Fiji Sports Council could not be located.

The unavailability of the records would lead to incorrect assessment and decisions on the amounts owed by the Council.

Recommendation

The Ministry should discuss the anomaly with the Council and ensure that balance in the Statement of Contingent Liability is correct and fairly stated.

Ministry's Comments

Variances could be attributed to adjustments made after Entities received confirmation from FNPF. However to ensure consistency for all Entities, DCFMU relies on the figures submitted by the Entities as this reflects the liabilities that will be appearing in their Balance Sheets.

Moreover, the MOF has sought clarification and is awaiting response from the Cabinet office on the principal quantum of the guarantee approved by Government on the FSC loan in 1997.

10.4 Guarantee of Members contributions to Fiji National Provident Fund

The Government under the authority of Act No. 19 of 1966 guarantees members' contributions to the Fiji National Provident Fund.⁸⁴

The government guarantee of members' contribution to the Fund totalled \$1,013,520,093 or 52.5% of total government guarantee as at 31 December 2011. The Solicitor General in its memo dated 9 August 2005 highlighted that the maintenance of this guarantee may not depend on the liquidity of the reserves of the Fund but on the responsibility on the Fund as custodian of employee funds.

⁸² 18.1.13 Proforma Finance Manual 2011

⁸³ Page 7 DCPC Paper -Contingent Liability Report for year ending Dec 2011

⁸⁴ Legislation Act No.19 s(9)

The total contingent liabilities outstanding for the Fund have been amended as at 31 December 2009 in line with Cabinet Decision dated 18/12/09 on the Exclusion of FNPF Funds invested in Government Stock. Therefore, guarantee balance did not include the total members' contribution at FNPF.

11.0 SINKING ACCOUNT FUND AND THE JP MORGAN CASH ACCOUNT

11.1 Clearance of the JP Morgan Sinking Fund Account

The JP Morgan Sinking Fund Account (SFA) is a liability account set up to record funds set aside for the repayment of the international global bonds.⁸⁵

JP Morgan cash at bank account was opened with the first global bonds that were issued by the Fiji Government in 2006 that totaled to USD 150 million.

A total of \$50 million was appropriated in the 2008 national budget⁸⁶ to build up the JP Morgan cash account overseas for the repayment of the 2006 global bonds on maturity in September 2011.

As a result, the \$50 million was transferred out from the operating fund account into the JP Morgan cash account as funds held for the repayment of global bonds. Any interest and foreign exchange gains were kept in the account for the 2011 payments of the bond.

Hence, the following accounting entry was made in 2008 with the authorization of Ministry of Finance to record the transactions in the JP Morgan cash account:

TABLE 11.1: ACCOUNTING ENTRIES TO RECORD SINKING FUND BALANCES

Journal	GL Account	Dr	Cr
1.	To record expenditure for the appropriation of funds to JP Morgan account		
	Expenditure (Head 52)	xxx	
	Consolidated Fund Account		xxx
2.	To record the transfer of funds to JP Morgan cash account		
	Cash at Bank – JP Morgan	xxx	
	Sinking Fund Account		xxx

However, in year 2009, the Fiji Dollar weakened and for prudent financial management, the Ministry of Finance opted for the payment of the interest due on the global bonds from the overseas account rather than from the Consolidated Fund Account.

As such, the decision to build the JP Morgan sinking fund account was over turned.

Thus, the Ministry of Finance continued with the payment from the JP Morgan bank account overseas.

In spite of the decision to build the sinking fund account being over-turned, the Ministry failed to update its general ledger, the sinking fund account from year 2009 to 2010.

In addition to this, the audit noted a journal number FAM 17 being passed during 2011 without any justification.. Refer to Table 11.2 below for details of these:

⁸⁵ Financial Management Act 2004, Section 46 (1)

⁸⁶ Fiji Revised Estimates 2008, Page 306

TABLE 11.2: SINKING FUND ACCOUNT BALANCE CHARGED TO JP MORGAN CASH AT BANK AND EQUITY – FAM 17

GL Account	Dr	Cr
Cash at Bank – JP Morgan account	68,659,961	
Accumulated Equity (91)		68,659,961

The audit was not provided the reason for the FAM 17 journal entry and this could not be traced to the journal voucher. The correct entry should have been a reversal of the initial entry in Table 11.3, journal number 1.

TABLE 11.3: CORRECT ENTRY TO REVERSE THE DECISION OF THE SINKING FUND ACCOUNT

GL Account	Dr	Cr
To reverse the initial recording of the transfer of funds to JP Morgan cash		
Sinking Fund – debit	68,659,961	
Cash at Bank – JP Morgan – credit		68,659,961

While the bank reconciliation of the JP Morgan bank account not being made available for audit as it was not prepared, the increase in JP Morgan cash at bank account by \$68.66 million could not be substantiated.

The above is a serious accounting issue where the Ministry of Finance staff failed to record accounting transactions in respect to the policy decision undertaken.

Failure to journalize accounting transactions and keep up-to-date reconciliations over the years has resulted in the unsubstantiated accounting entry.

Recommendations

- The Ministry should ensure that the amounts in JP Morgan Sinking Fund Account (SFA) being set aside for the repayment of the international global bonds are correctly accounted for with reconciled records.
- The Ministry should not assume that the accounting entry passed for the \$68.66 million was correct. Any material adjustments should be supported with supporting documents including the reconciliations.

Ministry's Comment

The comments are duly noted. The proposed recommendations are duly adopted. For 2012, monthly reconciliation is carried out for all Sinking Account Fund established for the bullet debt repayment obligation in 2016.

11.2 Monthly JP Morgan Cash at Bank Reconciliations not provided

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding

cheques and other reconciling items and be signed and dated by the responsible officer.⁸⁷ The accounts supervisor shall prepare bank reconciliation within 5 days of the end of the month.⁸⁸

The JP Morgan cash accounts were opened through the raising of global bonds in 2006 totaling to USD\$150 million. The account continued to exist with the proceeds from the issue for the bonds totaling to US\$250 million being recorded into this account as well.

Despite, the substantial holdings and movement of the cash balance into the account, the Ministry of Finance did not prepare monthly bank reconciliation of the account.

Refer to Table 11.4 for details for 2011 transactions during the year 2011 for deposits, withdrawals and interest earned from the JP Main Account ILF0001407.

TABLE 11.4: JP MORGAN MAIN ACCOUNT

Description	Amount (USD)
Opening Balance	47,208,044
Add Income	424,591,833
	471,799,877
Add Interest Income re-invested	63,451
	471,863,328
Less Draw downs	460,111,250
Closing Balance	11,752,078

The Ministry also did not carry out the JP Morgan cash at bank reconciliation in Fiji dollars.

As such, a variance of \$366,580,927 existed between JP Morgan cash at bank general ledger and the JP Morgan bank statements. In addition, the Ministry did not make any effort to identify the variance. Refer to Table 11.5 and Table 11.6 for details of these.

TABLE 11.5: DETAILS OF VARIANCES

Particulars	JP Morgan Cash GL Posting (FJD)	JP Morgan Statement (FJD)	Variance (\$)
Incomings	564,513,361	766,013,650	201,500,289
Payments	654,486,335	819,566,973	165,080,638
Total	1,218,999,696	1,585,580,623	366,580,927

Table 11.6 below highlights in detail the transactions that have been recorded, short posted or not recorded at all in the general ledger.

TABLE 11.6: DETAILS OF POSTING VARIANCES THAT IS NOT IN THE GENERAL LEDGER

Month	USD (\$)	FJD (\$)	Amount Posted in JPM Cash GL	Remarks
Withdrawals				
February	400,000	732,064	---	Not posted in JP Morgan Cash GL
March	305,000	557,383	550,739	Variance of \$6,644.54
April	150,000,000	268,576,544	---	Not posted in JP Morgan Cash GL
	5,000,000	8,890,469	---	Not posted in JP Morgan Cash GL

⁸⁷ Finance Instructions 2010, Section 32 (6)

⁸⁸ Proforma Finance Manual Section 7.4.8

Month	USD (\$)	FJD (\$)	Amount Posted in JPM Cash GL	Remarks
May	15,000,000	26,019,081	---	Not posted in JP Morgan Cash GL
	10,000,000	17,599,437	---	Not posted in JP Morgan Cash GL
	20,000,000	35,063,114	---	Not posted in JP Morgan Cash GL
June	10,000,000	17,611,835	---	Not posted in JP Morgan Cash GL
July	15,000,000	26,037,146	---	Not posted in JP Morgan Cash GL
August	8,000,000	13,543,254	---	Not posted in JP Morgan Cash GL
November	25,000,000	45,754,026	---	Not posted in JP Morgan Cash GL
	25,000,000	45,754,026	---	Not posted in JP Morgan Cash GL
	10,000,000	18,504,811	---	Not posted in JP Morgan Cash GL
Interest Payments				
September	5,156,250	9,145,530	9,090,546	Variance of \$54,984 in posting
Receipts				
March	249,338,500	456,831,257	451,425,000	Variance of \$5,406,257
September	150,253,333	264,716,937	---	Not posted in JP Morgan Cash GL
November	5,000,000	8,762,706	8,723,920	Variance of \$38,786
	703,453,083	1,264,099,620	469,790,205	

The above variances indicated the laxity of the officers responsible to ensure that the JP Morgan cash account reconciliations are prepared and that the amounts are correctly accounted.

In the absence of a reconciliation, there is a risk that the JP Morgan cash balance as at 31/12/2011 could be either over/understated.

Recommendation

The Ministry should ensure that bank reconciliations are prepared for any bank or investments accounts.

Ministry's Comments

The comments are noted. MOF is undertaking monthly reconciliations for all Government investments accounts for 2012.

11.3 Management of Global Bond Proceeds

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or send for and have the custody of any records, books, accounts, vouchers or documents under the control of any officer, and to keep such records, books, accounts, vouchers or documents for such time as he may require them⁸⁹.

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

The proceeds raised through the issue of global bonds were invested into following accounts:

⁸⁹ Audit Act 1998, section 7 (1) (2)

TABLE 11.7: SEPARATION OF JP MORGAN MAIN ACCOUNT

Account Description	Account Number	GL Account	Amount (USD)	Amount (FJD)
JP Morgan Managed Reserve	Bank Statement Not Available	510806	10,006,549	18,216,923
JP Morgan Interest Account	ILF0004208	510805	14,837	27,012
JP Morgan Pledge Account	ILF0003597	510804	15,020,491	27,344,803
JP Morgan Main Account	ILF0001407	510803	11,752,078	21,394,658
ANZ Sydney	Bank Statement Not Available	510806	25,000,000	45,512,500
ING Singapore	Bank Statement Not Available	510806	25,000,000	45,512,500
Total			86,793,955	158,008,396

The following documents or explanations were not provided during the audit to be able to provide an assurance that the transactions have complied with all regulations and Cabinet approval:

- Approval from the Minister of Finance for the investment of the JP Morgan proceeds into the 5 accounts;
- Term deposit certificate for the funds invested with ANZ Sydney and ING Singapore were not provided;
- The JP Morgan bank statement for the account *JP Morgan Managed Reserves* were not provided to audit;
- The Ministry of Finance could not explain why the USD150 million was invested with ANZ Sydney at an interest rate of 0.40% when the ING Singapore offered a higher interest rate of 1.85%;
- The Ministry of Finance did not prepare bank reconciliation on a monthly basis for these accounts;
- An explanation for the JP Morgan account number ILF0004868 of funds held in US\$994.414 were not forthcoming.

Despite the significant debt proceeds, the Ministry of Finance failed to maintain simple accounting and administrative procedures and reconciliation of the accounts.

Hence, in the absence of reconciliations, the proceeds from the global bonds cannot be determined to be accurately and fairly accounted for in the Whole of Government Financial Statements.

Recommendation

The Ministry of Finance should ensure that reconciliations are performed for these accounts and that all the necessary documents for the accounts are located and made available for audit review.

Ministry's Comment

The comments are noted.

11.4 Records not provided for Bond Proceeds from JP Morgan Main Account

Cabinet decision number CP(10)320 dated 9/11/2010 agreed to raise USD250 million through the issue and sale of a Fiji Government Global bond to repay the maturing USD150 million global bond and to partially finance Government's 2011 budget deficit, including key reforms.

A total of \$162.3 million was drawn from the bond proceeds held in the JP Morgan bank main account overseas. However, the audit was not provided any record to show how the funds were utilized. Refer to Table 11.8 for details:

TABLE 11.8: WITHDRAWALS FROM JP MORGAN MAIN ACCOUNT

Date of RBF Advice	Amount Withdrawn	
	USD	FJD
15/04/11	5,000,000	8,890,469
19/05/11	15,000,000	26,019,081
19/05/11	10,000,000	17,599,437
02/06/11	20,000,000	35,063,114
24/06/11	10,000,000	17,611,835
07/07/11	15,000,000	26,037,146
15/08/11	8,000,000	13,543,254
30/08/11	10,000,000	17,500,875
Total	93,000,000	162,265,211

Hence, it could not be determined whether the funds raised were utilized for the purpose it was raised.

Recommendation

The Ministry of Finance should make available to audit as to where the funds withdrawn have been utilized and ensure that the internal controls are strengthened for accountability when daily transactions are processed.

Ministry's Comment

We don't agree to the above recommendation. The USD\$250 Global borrowing was part of the 2011 Budget. Apart from the \$150m intended for the repayment of the 2006 Global Bond borrowing, the additional funds were utilized for capital projects. This is clearly highlighted in the 2011 Budget.

11.5 Inability to Trace the History of the JP Morgan Bank Account

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.⁹⁰ The accounts supervisor shall prepare bank reconciliation within 5 days of the end of the month.⁹¹

The JP Morgan cash at bank account was opened with the first global bonds during the year 2006. The movements into the account were due to the following:

- Government transfer of funds into the account from the operating fund account;
- Payment of interest due on the bonds;
- Dividends earned for the funds held in the account and
- Any withdrawals made from the account into the operating fund account.

The audit made an attempt to resolve the issues which were highlighted in the Audit Report for Whole of Government Financial Statement for 2008 to 2010 for not updating of the sinking fund general ledger account but was further complicated with the following:

⁹⁰ Finance Instructions 2010, Section 32 (6)

⁹¹ Proforma Finance Manual Section 7.4.8

- The Ministry did not have all the monthly JP Morgan bank statements to determine the movement in the account balance. Refer to Table 11.9 below for details of these:

TABLE 11.9: MISSING JP MORGAN BANK STATEMENTS

Account	Months
JP Morgan Main account	September 2006 to December 2006. January, February and April 2007. January, 2008.
JP Morgan Managed Account	Since the commencement of the Account which could not be established.
ANZ Sydney and ING Singapore	Since the commencement of the Account which could not be established.

- The Ministry of Finance failed to update the sinking fund general ledger account.
- The following balances provided by Reserve Bank of Fiji for the JP Morgan could not be linked to the Ministry of Finance records. Refer to Table 11.10 for details of these:

TABLE 11.10: RBF BALANCES 2006 - 2011 – JP MORGAN MAIN ACCOUNT

Account	USD	FJD
Interest/Dividend earned	8,423,636	12,945,757
Trailer Fees	76,808	121,574
Transfers into the account (Receipts)	318,174,477	536,078,937
Transfers out (withdrawals/Payments)	450,071,667	770,236,638
TOTAL	776,746,588	1,319,382,906

Hence, in the absence of the records and the anomalies, the cash at bank balance and the revenue earned from the account could not be deduced to be fairly stated.

Recommendation

The Ministry of Finance should review the JP Morgan cash at bank account from the year 2006 to year 2011 and perform reconciliation statement to show that the account is fairly stated in the Whole of Government Financial Statements.

Ministry's Comment

The comments are noted.

APPENDICES

Appendix 1: Operating Fund – Expenditures

Schedule 1: Appropriation Decree 2011

Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2010 \$	Savings/(Over-Spent) \$	%
1	Office of the President	1,419,358	1,419,358	1,215,199	204,159	14.4
2	Office of the Prime Minister	50,894,202	55,411,993	53,834,934	1,577,059	2.8
3	Attorney General and Solicitor General	7,124,022	7,124,022	5,013,050	2,110,972	29.6
4	Ministry of Finance	62,044,401	61,044,401	59,065,116	1,979,285	3.2
5	Ministry of Indigenous Affairs	18,203,954	18,088,954	17,652,730	436,224	2.4
6	Ministry of Defence, National Security and Immigration	4,332,638	4,332,638	4,012,417	320,221	7.4
7	Ministry of Labour, Industrial Relations and Employment	9,246,879	9,246,879	8,910,757	336,122	3.6
8	Ministry of Foreign Affairs, International Co-operation and Civil Aviation	25,153,053	25,153,053	22,533,203	2,619,850	10.4
9	Office of the Auditor General	3,200,769	3,200,769	2,700,846	499,923	15.6
10	Elections	1,696,126	880,960	650,361	230,599	26.2
11	Judiciary	16,079,265	16,079,265	13,635,521	2,443,744	15.2
12	Legislature	1,373,123	974,515	851,402	123,113	12.6
13	Office of Accountability and Transparency	960,711	760,711	556,327	204,384	26.9
14	Office of the Director of Public Prosecutions	3,842,892	3,842,892	3,187,584	655,308	17.1
15	Ministry of Justice	22,447,553	20,722,553	19,612,703	1,109,850	5.4
16	Ministry of Information	3,998,335	3,998,335	3,547,855	450,480	11.3
17	Ministry of National Planning	8,598,037	8,598,037	6,138,430	2,459,607	28.6
18	Ministry of Provincial Dev, Disaster Management and Multi-Ethnic Affairs	28,869,657	31,249,670	29,688,266	1,561,404	5.0
19	Fiji Military Forces	108,028,968	107,475,918	109,233,075	(1,757,157)	(1.6)
20	Fiji Police Force	76,959,564	76,959,564	77,972,823	(1,013,259)	(1.3)
21	Ministry of Education, National Heritage, Culture and Arts	245,096,605	248,627,681	252,281,053	(3,653,372)	(1.5)
22	Ministry of Health, Women and Social Welfare	137,448,399	137,448,399	149,784,032	(12,335,633)	(9.0)
23	Ministry of Local Government, Urban Development and Housing	12,620,711	11,824,922	10,386,931	1,437,991	12.2
24	Ministry of Social Welfare and Women	37,080,685	37,080,685	35,421,022	1,659,663	4.5
25	Ministry of Youth and Sports	3,360,585	3,360,585	3,022,700	337,885	10.1
26	Higher Education Institute	64,597,202	64,597,202	64,492,052	105,150	0.2
30	Ministry Primary Industries	57,370,022	57,370,021	54,759,067	2,610,954	4.6
33	Ministry of Lands and Mineral Resources	25,770,204	21,779,703	18,673,976	3,105,727	14.3
34	Ministry of Industry and Trade	13,886,730	12,947,484	10,798,019	2,149,465	16.6
36	Ministry of Public Enterprise, Tourism and Communication	38,448,423	34,018,423	31,496,222	2,522,201	7.4

Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2010 \$	Savings/(Over-Spent) \$	%
40	Ministry of Works and Transport	227,909,897	228,181,707	220,776,565	7,405,142	3.2
41	Department of Public Utilities and Energy	99,108,635	105,551,279	113,981,010	(8,429,731)	(8.0)
50	Miscellaneous Services	228,085,469	37,628,200	33,374,303	32,633,427	6.7
51	Pensions, Gratuities and Compassionate Allowances	37,628,200	225,904,496	193,271,069	4,253,897	14.4
52	Charges on Account of Public Debt	797,586,900	797,586,900	770,221,897	27,365,003	3.4
	Total	2,480,472,174	2,480,472,174	2,402,752,517	77,719,657	3.1

Appendix 2(a): Movement in Trust Account still being reflected in Old Head

Ministry/Department	Account Number (Old Head)	Account Name	Balance as at 31/12/2010	Balance as at 31/12/2011
Public Enterprise				
36	1-04701-04999-861202	241 PD CMLA	-	197.18
	1-04701-04999-861204	244 PD-LICI	-	43.39
	1-04701-04999-861532	YYY PD PUBLIC EMPLOYEE UNION	20.00	20.00
	1-04701-04999-861901	201 PD TAX ARREARS / PAYE	3,830.36	3,830.36
	1-04701-04999-861910	383 PD SUNDRIES	128.14	128.14
	1-04701-04999-861920	501 PD EMPLOYEES FNPF	85,555.29	85,555.29
	1-02401-86999-861920	501 PD EMPLOYEES FNPF	-	25.92
			89,237.51	89,452.16
Bureau of Stats	1-04201-64101-861202	241 PD CMLA	-	38.06
17	1-04201-64101-861511	301 PD FPS CREDIT UNION	-	32.50
	1-04201-64101-861902	204 PD DEPST A/C RECOVERABLE	-	800.00
	1-04201-64101-861920	501 P D EMPLOYEES FNPF	-	12,795.76
			-	13,666.32
FMF	1-40303-82999-861901	201 PD TAX ARREARS / PAYE	5.82	5.82
19	1-40303-82999-861920	501 PD EMPLOYEES FNPF	169.52	169.52
			175.34	175.34
Cabinet	1-01201-61999-861202	241 PD CMLA	189.98	189.98
2	1-01201-61999-861204	244 PD-LICI	185.22	185.22
	1-01201-61999-861299	XXX PD OTHERS	115.50	115.50
	1-01201-61999-861532	YYY PD PUBLIC EMPLOYEE UNION	155.00	155.00
	1-01201-61999-861901	201 PD TAX ARREARS / PAYE	175.41	175.41
	1-01201-61999-861920	501 P D EMPLOYEES FNPF	49,171.32	49,171.32
	1-01201-61999-861999	YYY PAYROLL DEDUCTION MISCEL	60.00	60.00
			48,641.21	48,641.21
Local Government,	1-33401-33999-861202	241 PD CMLA	27.32	27.32
Housing &	1-33401-33999-861204	244 PD-LICI	19.75	19.75

Ministry/Department	Account Number (Old Head)	Account Name	Balance as at 31/12/2010	Balance as at 31/12/2011
Environment				
23	1-33401-33999-861532	YYY PD PUBLIC EMPLOYEE UNION	5.00	5.00
	1-33401-33999-861901	201 PD TAX ARREARS / PAYE	10,505.83	10,505.83
	1-33401-33999-861920	501 PD EMPLOYEES FNPf	7,053.56	7,053.56
			17,611.46	17,611.46
Social Welfare	1-22501-24999-861309	388 PD PSC SCHOLARSHIP LOAN	-	501.00
24	1-22701-75999-861901	201 PD TAX ARREARS / PAYE	-	139.59
			-	640.59
Tourism	1-34601-34999-861920	501 PD EMPLOYEES FNPf	- 4,551.20	- 904.16
36			-	-
			4,551.20	904.16
Energy	1-40401-40999-861206	246 PD MARSH & MCLENNAN	-	-
			466.66	466.66
41	1-40401-40999-861209	249 PD MARSH & MCLENNAN (HTH/P	-	-
			21.36	21.36
	1-40401-40999-861306	263 PD HOUSING AUTHORITY	-	-
			21.36	21.36
	1-40401-40999-861307	264 PD HOME FINANCE CO	-	-
			775.00	775.00
	1-40401-40999-861511	301 PD FPS CREDIT UNION	-	-
			540.00	540.00
	1-40401-40999-861532	YYY PD PUBLIC EMPLOYEE UNION	-	-
			234.88	234.88
	1-40401-40999-861601	341 PD MAINT-SUVA	-	-
			390.00	390.00
	1-40401-40999-861901	201 PD TAX ARREARS / PAYE	-	-
			6,816.22	6,816.22
	1-40401-40999-861920	501 PD EMPLOYEES FNPf	-	-
			7,230.36	7,230.36
			-	-
			16,495.84	16,495.84
Water & Sewerage	1-23301-23999-860101	SECURITY DEPOSITS	-	-
				94.53
41	1-23301-23999-861901	201 PD TAX ARREARS / PAYE	-	-
			24.64	24.64
	1-23301-85999-860101	SECURITY DEPOSITS	36,622.43	94.53
	1-23301-85999-861920-06	501 PD EMPLOYEES FNPf	5,301.09	5,301.09
	1-23301-85999-861920-06	501 PD EMPLOYEES FNPf	-	-
			5,472.62	5,472.62
	1-23301-95999-861920	501 PD EMPLOYEES FNPf	-	-
			12,557.76	12,557.76
			23,868.50	12,753.93
President	1-60101-60101-861201	240 PD FIJI CARE INSURANCE GRP	-	-
			405.57	0.50
1	1-60101-60101-861202	241 PD CMLA	454.83	- 38.36
	1-60101-60101-861204	244 PD-LICI	- 68.30	- 5.00
	1-60101-60101-861532	YYY PD PUBLIC EMPLOYEE UNION	10.00	- 2.50
	1-60101-60101-861536	HANDY FINANCE LIMITED	-	- 758.00
	1-60101-60101-861920	501 P D EMPLOYEES FNPf	24,839.60	-

Ministry/Department	Account Number (Old Head)	Account Name	Balance as at 31/12/2010	Balance as at 31/12/2011
				5,765.68
Cabinet	9-01101-01084-890502	CHINESE AID - PM'S OFFICE	24,830.56	-6,570.04
2			36,502.03	147,248.31
Provincial Development	9-05201-68033-895015	TENDER DEPOSITS	36,502.03	147,248.31
18	9-05201-68034-895015	TENDER DEPOSITS	27,400.00	27,400.00
	9-05201-68032-895016	RURAL HOUSING DEPOSITS	140,355.00	140,355.00
	9-05201-68035-895016	RURAL HOUSING DEPOSITS	- 500.00	- 500.00
	9-05201-68036-895016	RURAL HOUSING DEPOSITS	- 151,384.35	- 151,384.35
	9-05201-68037-895016	RURAL HOUSING DEPOSITS	36,235.71	36,235.71
	9-05201-68038-895016	RURAL HOUSING DEPOSITS	25,886.52	25,886.52
	9-05201-68027-895017	UNCLAIMED WAGES	63,434.92	63,434.92
	9-05201-68028-895017	UNCLAIMED WAGES	16,977.56	16,977.56
	9-05201-68029-895017	UNCLAIMED WAGES	4,243.57	4,243.57
	9-05201-68030-895017	UNCLAIMED WAGES	2,996.20	2,996.20
	9-05201-68037-895017	UNCLAIMED WAGES	29,720.40	29,720.40
	9-05201-68032-895018	COMMUNITY CONTRIBUTIONS	219.04	219.04
	9-05201-68032-895019	ELECTIONS	113,430.76	113,430.76
	9-05205-68011-895020	PM RELIEF & REHAB COMMITTEE	16,182.81	16,182.81
	9-05205-68012-895020	PM RELIEF & REHAB COMMITTEE	92,453.69	92,453.69
	9-05205-68013-895020	PM RELIEF & REHAB COMMITTEE	51,426.33	51,426.33
	9-05205-68014-895020	PM RELIEF & REHAB COMMITTEE	4,921.96	4,921.96
	9-05205-68015-895020	PM RELIEF & REHAB COMMITTEE	44,082.58	44,082.58
	9-05205-68016-895020	PM RELIEF & REHAB COMMITTEE	126,222.74	126,222.74
	9-05205-68017-895020	PM RELIEF & REHAB COMMITTEE	32,131.17	32,131.17
	9-05205-68018-895020	PM RELIEF & REHAB COMMITTEE	110,541.63	110,541.63
	9-05205-68019-895020	PM RELIEF & REHAB COMMITTEE	-	-
	9-05205-68020-895020	PM RELIEF & REHAB COMMITTEE	14,121.05	14,121.05
	9-05205-68021-895020	PM RELIEF & REHAB COMMITTEE	12,436.43	12,436.43
	9-05205-68022-895020	PM RELIEF & REHAB COMMITTEE	34,469.47	34,469.47
	9-05205-68023-895020	PM RELIEF & REHAB COMMITTEE	26,752.86	26,752.86
	9-05205-68024-895020	PM RELIEF & REHAB COMMITTEE	20,103.54	20,103.54
	9-05205-68025-895020	PM RELIEF & REHAB COMMITTEE	52,488.06	52,488.06
	9-05205-68026-895020	PM RELIEF & REHAB COMMITTEE	28,403.91	28,403.91
	9-05201-68027-899988	UNCLAIMED WAGES-CCD	30,914.65	30,914.65
			- 21,840.52	21,840.52
			150.39	150.39

Ministry/Department	Account Number (Old Head)	Account Name	Balance as at 31/12/2010	Balance as at 31/12/2011
			894,605.90	894,605.90
Fisheries & Forestry	9-30B01-76068-895005	FISHERIES	13,472.00	13,181.00
32	9-30B01-78068-895005	FISHERIES TRUST ACCOUNT	94,615.04	94,005.04
			108,087.04	107,186.04

Appendix 2(b): Variance in Cash Trust and Main Trust Fund Account

Trust Accounts	Cash Trust Balances \$	Main Trust Accounts \$	Variance \$
Prime Minister's Office - Chinese Aid -	694,729.95	715,559.02	(20,829.07)
Department of Immigration - Immigration Bond	5,420,087.91	6,046,512.09	(626,424.18)
Ministry of Labor-Workmen's Compensation	4,944,104.77	4,584,214.32	359,890.45
Department of Tourism & Environment	(452,386.93)	360,836.76	(813,223.69)
Fisheries Trust	(395,403.19)	(348,591.25)	(46,811.94)
Energy -Rural Electrification	(1,117,209.47)	(311,254.56)	(805,954.91)
Judiciary Trust Account	12,453,302.73	13,234,088.44	(780,785.71)
Director of Public Prosecution	179,749.33	179,783.83	(34.50)
Agriculture	729,284.45	188,973.18	540,311.27
Ministry of Finance – Immigration Bond	8,091,993.54	8,000,000.00	91,993.54
Government Supplies	1,163,982.19	1,147,930.94	16,051.25
Provincial Development	(1,190,191.40)	(1,589,708.13)	399,516.73
Commerce	55,670.12	55,699.92	(29.80)
Mineral Resources	3,720,005.07	3,498,895.15	221,109.92
Ministry of Commerce.	---	1,758.91	(1,758.91)
Prisons Department	75,013.02	75,013.02	---
Ministry of Communications	3,010,826.09	3,010,826.09	---
Total	37,383,558.18	38,850,537.73	1,466,979.55

Appendix 3: Details of Outstanding Invoices as at 31/12/11

Ministry/ Department	2009		2010		2011		Total Invoiced	Balance Outstanding as at 31/12/11	Total Recovered	%age Recovered
	Amount Invoiced	Balance O/standing	Amount Invoiced	Balance O/standing	Amount Invoiced	Balance Outstanding				
Forestry	0	0	0	0	12,415	12,415	12,415	12,415	0	0
Education	1,952	1,952	5,835	5,116	1,327	1,327	9,114	8,395	719	8
Auditor General	17,300	10,318	115,710	104,087	49,339	42,921	182,349	157,326	25,023	14
Agriculture	219,001	195,660	55,360	53,933	30,688	28,952	305,049	278,545	26,504	9
Public Service Commission	3,276,946	2,290,978	3,506,161	2,307,127	2,082,492	1,614,272	8,865,599	6,212,377	2,653,182	30
Attorney General	0	0	50.00	50.00	0	0	50	50	0	0
Printing & Stationery	149,855	145,739	56,670	56,121	106,931	105,621	313,456	307,481	5,975	2
Bureau of Statistics	0	0	90	90	0	0	90	90	0	0
Fiji Police Force	0	0	10	10	0	0	10	10	0	0
Fisheries & Forests	0	0	0	0	11,148	11,148	11,148	11,148	0	0
Lands	31,940	31,940	89,223	89,223	130,770	130,770	251,933	251,933	0	0
Environment	1,798	1,798	3,560	3,560	1,064	1,064	6,422	6,422	0	0
Health	0	0	0	0	105,037	52,270	105,037	52,270	52,767	50
Transport	86,813	86,813	73,330	73,330	0	0	160,143	160,143	0	0
Works	293,679	277,094	9,886,194	9,879,536	703,609	703,087	10,883,482	10,859,717	23,765	0.2
National Roads	0	0	0	0	136,263	136,263	136,263	136,263	0	0
Total	4,079,284	3,042,292	13,792,193	12,572,183	3,371,083	2,840,110	21,242,560	18,454,585	2,787,935	13

Appendix 4: Under – Collected Revenue Items (Estimate vs. Actual)

Account Description	Budget Estimate (\$)	Actual (\$)	Variance (\$)	% Under Collected	Remarks
Investment in Economic Services	20,135,000	2,920,930	17,214,070	85.5	No explanation received
Stamp Duty	22,393,200	17,557,007	4,836,193	21.6	No explanation received
Sales Proceeds in Infrastructure Services	4,311,600	200,916	4,110,684	95.3	No explanation received
Telecommunications and Televisions	6,211,300	2,686,095	3,525,205	56.8	No explanation received
Court Fines	5,769,900	2,334,059	3,435,841	59.5	Accused end up more in jail than pay the fines while the LTA traffic infringement penalties were paid directly to LTA rather than at the Judicial department.
Investments in Infrastructure Services	10,014,700	6,956,406	3,058,294	30.5	No explanation received
Levy on International Termination Rates	3,000,000	5,400	2,994,600	99.8	No explanation received
Capital Gains Tax	5,000,000	3,254,912	1,745,088	34.9	No explanation received
Registration	2,849,200	1,137,422	1,711,778	60.1	No explanation received
Rental for Official Quarters	1,601,400	295,238	1,306,162	81.6	The decrease in rental revenue is that in 2011 PSC has Trading & Manufacturing Account (TMA) for rental quarters hence all revenue and expenses goes into TMA (Fund 4) and not in Fund 1.
Agricultural Produce and Inspection	922,600	165,782	756,818	82	Due to privatization of the Quarantine Programme in the Department of Agriculture to become the Biosecurity Authority of Fiji.
Licenses - Liquor	966,400	487,430	478,970	49.6	No explanation received
Survey & Sales of Navigation Publications	376,200	5,721	370,479	98.5	The privatization of FIMSA has resulted in the significant decrease in the collection of revenue. All these revenue are retained with FIMSA in a separate bank account.
Training & Productivity Authority of Fiji	273,600	8,173	265,427	97%	No explanation received
Fiji School of Nursing	489,100	299,143	189,957	38.8	No explanation received
Licenses - Arms	170,900	61,838	109,062	63.8	Due to decrease in issuing of police clearance, renewing of arms license and repossessing of firearms.
Sales of Publications	188,100	135,125	52,975	28.2	No explanation received
Hotels and Guests Houses	159,600	111,064	48,536	30.4	No explanation received
Rental for Buildings	29,600	1,422	28,178	95.2	Rental on buildings are now deposited in the Trading and Manufacturing Activity (TMA) bank account.
Produce – Agricultural Experimental Stations	54,600	36,996	17,604	32.2	No explanation received
Veterinary & Animal Quarantine	28,600	12,359	16,241	56.8	This revenue collection is now undertaken by the Bio-security Authority of Fiji.
Government Day Schools – Fees	22,500	8,388	14,112	62.7	Due to reduction in foreign students enrolling in Govt. Schools. Foreign

Account Description	Budget Estimate (\$)	Actual (\$)	Variance (\$)	% Under Collected	Remarks
					students pay 4 times more than local students in secondary school.
Administrative Fines and Forfeitures	12,800	2,392	10,408	81.3	These are interest charged to Government officers failing to re-coup the accountable advance within the time frame.
Hire of Plant and Vehicles	32,300	22,664	9,636	29.8	No explanation received
Meat Inspection	25,300	19,877	5,423	21.4	No explanation received
TOTAL	85,038,500	38,726,759	46,311,741	54.5	

Appendix 5: Under – Collected Revenue Items (2010 Actual vs. 2011 (Actual))

Account Description	2010 Balances (\$)	2011 Balances (\$)	Variance (\$)	Variance %	Remarks
Interest from local banks	39,728,048	18,694,542	21,033,506	52.9	Decrease is due to the decrease in Government funds kept in local banks.
Other Grant Aid	8,886,821	6,774,771	2,112,050	23.8	No explanation received
Investment in Infrastructure Services	9,025,999	6,956,406	2,069,593	22.9	No explanation received
Export Duty	9,492,347	7,455,645	2,036,702	21.5	No explanation received
Telecommunications & Televisions	4,675,273	2,686,095	1,989,178	42.5	No explanation received
Rental for Official Quarters	1,683,277	295,238	1,388,039	82.5	A Trading & Manufacturing Account (TMA) for rental quarters is being operated with a separate bank account by the PSC.
Agricultural Produce and Inspection	992,686	165,782	826,904	83.3	Quarantine programme has now been privatized with the Biosecurity Authority of Fiji.
License - Liquor	1,086,638	487,430	599,208	55.1	No explanation received
Survey and Sales of Navigation Publications	598,506	5,721	592,785	99.0	FMISA has been privatized and therefore collections are not deposited into the Consolidated Fund Account.
Management Fees	452,342	170,435	281,907	62.3	Satisfactory explanation was not provided.
Training and Productivity of Fiji	264,198	8,173	256,025	96.9	No explanation received
Administrative Fines & Forfeitures	119,266	2,392	116,874	98.0	These are interest charged to Government officers failing to re-coup accountable advance within the time frame.
Land and Survey Fees	620,973	506,309	114,664	18.5	No explanation received
Sales of Publications	242,803	135,125	107,678	44.3	No explanation received
Fiji School of Nursing	405,966	299,143	106,823	26.3	No explanation received
Hotels & Guest Houses	193,143	111,064	82,079	42.5	No explanation received
Freight and Charter Receipts	178,350	108,428	69,922	39.2	No explanation received
Hire of Plant & Vehicles	54,480	22,664	31,816	58.4	The hire of plant and vehicles are receipted into the Trading and Manufacturing Account in year 2011.
Rental for Buildings	25,288	1,422	23,866	94.	Rental on buildings are now deposited in the Trading and Manufacturing Activity (TMA) bank account.
Produce – Agricultural Experimental Stations	59,314	36,996	22,318	37.6	No explanation received
Veterinary and Animal Quarantine	29,085	12,359	16,726	57.5	The reduction was mainly due to the moving out of Quarantine programme which is now operating as Biosecurity of

Account Description	2010 Balances (\$)	2011 Balances (\$)	Variance (\$)	Variance %	Remarks
					Fiji in 2011.
Government Day Schools - Fees	23,448	8,388	15,060	64.2	Due to reduction in foreign students enrolling in Govt. Schools. Foreign students pay 4 times more than local students in secondary school.
Sale of Sheep and Wool	52,624	39,942	12,682	24.1	No explanation received
Cemetery Fees	51,113	42,239	8,874	17.4	No explanation received
TOTAL	78,941,988	45,026,709	33,915,279	43.0	

Appendix 6: Over – Collected Revenue Items (Estimate vs. Actual)

Revenue Description	Budget Estimate (\$)	Actual (\$)	Variance (\$)	Variance (%)	Remarks
Other Revenue	5,019,700	23,958,957	18,939,257	377.3	No explanation received
LTA Road User Fees	28,964,400	43,479,561	14,515,161	50.1	No explanation received
Water Resource Tax	22,554,700	34,714,524	12,159,824	53.9	No explanation received
Interest from local banks	8,835,100	18,694,542	9,859,442	111.6	No explanation received
Multinational Force and Observers	6,000,000	14,554,695	8,554,695	142.6	No explanation received
Hotel Turnover Tax	27,762,500	36,285,368	8,522,868	30.7	No explanation received
Water Charges	21,511,200	24,756,057	3,244,857	15.1	No explanation received
RBF Revaluation Reserve Account	15,000,000	17,391,255	2,391,255	15.9	No explanation received
Miscellaneous Fees	1,728,500	3,498,227	1,769,727	102.4	No explanation received
Recoveries of Overpayments in Previous Years	716,700	2,281,372	1,564,672	218.3	No explanation received
Health Fumigation and Quarantine	173,900	1,564,660	1,390,760	799.7	No explanation received
Other Grant Aid	5,625,900	6,774,771	1,148,871	20.4	No explanation received
Hospital	770,200	1,743,678	973,478	126.4	No explanation received
Other	62,200	906,306	844,106	1,357.1	No explanation received
Native Timber Measurement	446,500	823,110	376,610	84.3	No explanation received
Commission	909,600	1,224,433	314,833	34.6	No explanation received
Land and Survey Fees	229,100	506,309	277,209	121.0	No explanation received
Management Fee	58,500	170,435	111,935	191.3	No explanation received
Valuation Fees	13,500	122,093	108,593	804.4	No explanation received
Licenses – Trading	196,000	283,384	87,384	44.6	No explanation received
Freight and Charter Receipts	33,300	108,428	74,628	220.8	No explanation received
Board Members Fees	77,000	150,295	73,295	95.2	No explanation received
Licenses – Fishing	244,100	293,951	49,851	20.4	No explanation received
Royalties – Sand, Coral, Metal, etc.	10,800	57,204	46,404	429.7	No explanation received
Licenses – Money Lenders	30,000	74,604	44,604	148.7	No explanation received
Sale of Fish and Ice	205,400	236,773	31,373	15.3	No explanation received
Town Planning Fees	84,000	102,930	18,930	22.5	No explanation received
Sale of Surplus Farm Produce	45,600	56,688	11,088	24.3	No explanation received
Licenses – Dogs	7,600	17,492	9,892	130.2	No explanation received
Examination Fees	13,400	18,206	4,806	35.9	No explanation received
Sale of Sheep and Wool	35,400	39,942	4,542	12.8	No explanation received
Fines for Overdue, Lost & Damaged Library Books	1,500	2,992	1,492	99.5	No explanation received
Rural Electrifications	200	1,402	1,202	601	No explanation received
Agricultural Landlord and Tenant Tribunal	3,200	3,567	367	11.5	No explanation received
Chemical Analysis	700	804	104	14.9	No explanation received
TOTAL	147,370,900	234,899,015	87,528,115	59.4	

