



EXCELLENCE IN PUBLIC SECTOR AUDITING

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

**Volume 1      Audit Report on Whole of Government  
Financial Statements and Annual  
Appropriation Statement 2013**

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Volume 1      Audit Report on Whole of  
Government Financial Statements  
and Annual Appropriation Statement  
2013

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# OFFICE OF THE AUDITOR GENERAL

*Excellence in Public Sector Auditing*



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File: 102

30 September 2014

The Hon. Dr. Jiko Luveni  
Speaker of the Parliament of the Republic of Fiji  
Parliament  
Fiji

Dear Dr. Luveni

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## **AUDIT REPORT ON THE WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND ANNUAL APPROPRIATION STATEMENT OF THE REPUBLIC OF THE FIJI ISLANDS FOR THE YEAR ENDED 31 DECEMBER 2013**

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In accordance with section 152 (13) of the Constitution, I am pleased to transmit to you my report on the audit of the Whole of Government Financial Statements and the Annual Appropriation Statement of the Republic of Fiji for the year ended 31 December 2013.

A copy of the report has been submitted to the Minister for Finance who as required under section 152 (14) of the Constitution will lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Tevita Bolanavanua  
**AUDITOR-GENERAL**



## FOREWORD

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This report covers the results of my audit of the Whole of Government (WOG) Financial Statements and the Annual Appropriation Statement for 2013 and its 38 ministries and departments in the 2013 Appropriation Decree.

The purposes of this report are to:

- report on the audit of the WOG Financial Statements as at 31 December 2013, covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments as at 31 December 2013, covered under volume 2-4 of the report;
- report on the results of and matters arising from the 2013 audits of ministries and departments, also covered under volume 2-4; and
- raise others matters that warrant consideration by Parliament.

The WOG Financial Statements for 2013 have been presented in accordance with section 46 of the Financial Management Act and given the nature of Government's quasi cash environment; the financial statements have been prepared on a modified accrual basis of accounting.

A qualified audit opinion was issued on the WOG Financial Statement for 2013. Issues qualified are as follows:

- inadequate systems of internal control over cash at bank which had an impact on cash at bank totaling \$25.5 million.
- accounts receivables balance of \$18.7 million as at 31 December 2013 was not supported with reconciliations; and
- no record was provided to validate \$2.4 million relating to accountable advances for the Department of Agriculture as part of total prepayment and accrued income of \$4.3 million as at 31 December 2013.

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

- term loan receivable of \$58.4 million includes a negative balance of \$12.7 million and NATCO loan balance of \$1 million is yet to be regularized to equity following a Cabinet Decision in November 2009.
- trust fund account totaling \$79.5 million includes various trust accounts with negative balances totaling \$13.7 million contrary to the nature of the trust;
- inventory totaling \$3.7 million includes Trading and Manufacturing Account (TMA) closing stock of finish goods of \$1,058,578 that could not be validated as no independent stock take was carried out; and
- various ministries and departments did not reconcile their respective expenditure with the Financial Management & Information System (FMIS) records.

All 35 ministries and departments appropriated in the 2013 Appropriation Decree submitted their draft agency financial statements for audit on time as required under section 70 (3). Out of the agency financial statements audited, 18 were issued unqualified audit opinions while 17 were qualified.

Most issues qualified were the same as those highlighted in 2012 but at a lesser extent as some ministries and departments have shown much improvement. There however remains a lot of work to improve the requirements of all stakeholders.

The result of matters arising from my audits of ministries and departments are covered under volumes 2-4 of the report. The report for each ministry and department has 2 parts. Part 1 discusses the audit of the financial statements and Part 2 discusses other matters arising from the audit.



Tevita Bolanavanua  
**AUDITOR-GENERAL**

Suva, Republic of Fiji  
30 September 2014.



## EXECUTIVE SUMMARY

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The WOG Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2013 has been audited in accordance with section 152(1) and 152(2) of the 2013 Constitution, Sections 46 & 47 of the Financial Management Act (2004) and Section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report. The issues qualified are as follows:

- Inadequate systems of internal control for cash at bank included (i) the absence of bank reconciliations for various overseas and domestic bank accounts; (ii) various general ledger cash balances for overseas and domestic balance do not have evidence of cash held; (iii) unrecorded cash relating to domestic bank balances; (iv) overdrawn domestic cash general ledger balances without satisfactory explanations provided during the audit; and (v) those unexplained variances between the drawings account general ledger and the respective board of survey reports. These errors and omission provided a net impact for cash at bank totalling \$25.5 million;
- Accounts receivable balances totaling \$18.7 million as at 31 December 2013 were not supported with reconciliations to be prepared by responsible Ministries/Departments.
- No record was provided to validate \$2.4 million relating to accountable advances for Department of Agriculture as part of total prepayment and accrued income as at 31 December 2013 totaling \$4.3 million as shown in the Statement of Assets and Liabilities.

Management attention was also drawn to the following matters:

- Term Loan Receivable of \$58.4 million includes a negative balance of \$12.7million relating to Public Service Commission (PSC) Scholarship Funds were not fully supported. The NATCO loan balance of \$1million has yet to be regularized to equity following the Cabinet Decision in November 2009. As such, the loan receivable in Note 7 is overstated by the same amount.
- Trust Fund account totalling \$79.5 million includes various trust accounts with negative balances totalling \$13.7 million contrary to the nature of the trust.
- Inventory totalling \$3.7 million includes TMA Closing Stock of Finished Goods of \$1,058,578 could not be validated because of Department of Agriculture did not carry out an independent stock take.
- Various Ministries/Departments did not reconcile their respective expenditure as recorded in the expenditure ledger with the Financial Management & Information System as required under section 15 of Finance Instruction 2010.

The following is a summary of the audit observations:

## **2013 Whole of Government Financial Statements**

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

The Cash at Bank balance increased significantly from \$96.6 million in 2012 to \$206.7 million in 2013. This increase was due to a significant increase in domestic bank balance and trust fund account cash at bank balance by 137% and 20% respectively. There was a decrease in the overseas bank balance and TMA cash at bank balance by 5% and 14% respectively.

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 \$25.5 million.

Unpresented cheques have decreased by \$32.2 million to \$75.5 in 2013 compared to \$107.7 million recorded in 2012. The significant unpresented cheques balances in prior years indicated that spending for these Ministries and Departments were concentrated towards the end of the year. Such spending often results in uneconomical purchases affecting the following year's cash flows.

### ***Accounts Receivables***

Accounts receivables decreased from \$21.2 million in 2012 to \$18.7 million in 2013. The significant decline by 12% or \$2.5 million noted in 2013 is attributed to the write off of dormant accounts in the general ledger amounting to \$3,386,760 as approved by the Minister of Finance.

As at 31 December 2013, a total of \$1,078,793 of accounts receivable showed credit balances which indicate that debtors have overpaid their accounts and there was no evidence of a review to ascertain the reasons for these credit balances.

Numerous Ministries and Departments did not prepare reconciliations nor did they maintain debtors register. There were some instances balances in that reconciliation could not be explained nor supported.

### ***Prepayments and Accrued Income***

Prepayments and accrued income decreased by \$9.4 million or 68.6% from \$13.7 million in 2012 to \$4.3 million in 2013. The significant decrease was noted for unclaimed monies, dishonoured cheques and surcharge balances attributed to a write-off of \$9.9m as approved by the Minister of Finance.

An amount of \$2.4 million or 56% of the total prepayments and accrued income amount in relation to advances for Ministry of Agriculture from prior years could not be substantiated.

### ***Inventory***

The value of inventory held by Government has decreased by \$3.5 million or 49% from \$7.2 million in 2012 to \$3.7 million in 2013. Inventory is measured at cost.

The Ministry of Agriculture's stock certificate report reflected closing stock of \$1.1 million which were carried out by officers who are directly involved in maintaining and accounting the stock.

### ***Term Loans Receivables***

The outstanding loans owed to Government have decreased by \$9.4 million or 14% from \$67.8 million in 2012 to \$58.4 million in 2013. The significant decline is attributed to the write off of dormant accounts in the general ledger amounting to \$5.8 million as approved by the Minister of Finance.

Incorrect accounting entries being passed by the Public Service Commission to record transactions relating to its various scholarship loan accounts resulted in the negative balances of the scholarship accounts amounting to \$12.7 million.

Recurring issues highlighted during the 2012 audits were not resolved by the Ministry in 2013.

### ***Investments***

Government's investments held in 26 companies in 2013 totalled \$495.9 million. This is an increase of \$69.8 million compared to \$426.1 million in 2012. Only 6 entities remitted dividends to Government totalling \$11.98 million in 2013 compared to a forecasted dividend income for year 2013 of \$38.3 million.

The overall average rate of return on investment of 2% was recorded in 2013 which has remained constant over the last 3 years.

Governments' record of shares held in three entities is understated by \$3.97 million.

There were investments totalling \$42.5 million for four entities, for which the share certificates could not be located.

### ***Accounts Payable***

Accounts payable despite being a liability had a debit balance of \$64,339, a decrease of \$42,329 or 40% from (\$106,668) as recorded during the financial year 2012.

Supporting documents to substantiate TMA trade & sundry creditors of \$570,525 and the withholding tax of \$152,417 were not produced for audit verification.

### ***Deferred Income and Accrued Expenses***

Deferred income and accrued expenses had a balance of \$0.3 million, an increase of \$1.6 million or 128% from a debit balance of \$1.3 million in 2012.

The increase resulted from the write off of \$1.8 million of expenses in relation to the Telstat operations carried out by Republic of Fiji Military Forces (RFMF) in 2006 on behalf of Telecom Fiji to set up satellites in rural areas and outer islands. Telecom Fiji was to reimburse the RFMF on the over spending.

### ***Term Loans Payable (Borrowing Fund)***

Public debt owed in 2013 totalled \$3,824.9 million and comprised of domestic borrowings of \$2,641.5 million or 69% of total debt; overseas borrowings of \$1,081.1 million or 28%; and treasury bills \$102.3 million or 3%.



New loans raised in 2013 totalled \$275.1 million of which \$172.8 million were funded through domestic bonds and \$102.3 million in treasury bills.

There were no new overseas loans raised but cash drawdowns from existing loan facilities during 2013 in the form of interest capitalisation and direct payment amounted to \$99.9 million.

### ***Trust Fund***

The trust fund account had a balance of \$79.5 million as at 31/12/13, an increase of \$5.8 million or 7.8% from 2012. The increase is a result of new trust account opened for Ministry of Strategic Planning, National Development and Statistics and an increase in Chinese grants for the Prime Minister's Office and immigration bond.

Trust accounts with debit general ledger balances amounted to \$13.7 million and indicates that these trust accounts has been overdrawn.

A total of \$4.1 million was written off for dormant and unreconciled trust accounts as approved by the Minister of Finance.

### ***Contingent Liabilities***

A total of 14 entities were covered under Government guarantee in 2013, compared to 15 entities in 2012.

The total contingent liabilities as at 31/12/13 amounted to \$2,191.2 million of which domestic loans accounted for \$2,183.6 million or 99.7 % of total contingent liabilities and overseas loans accounted for \$7.6 million or 0.3 %.

### ***Revenue***

The total forecasted revenue by government in 2013 amounted to \$2,507,382,200 comprising of \$1,994,353,600 in operating revenue; \$114,055,200 in investing revenue and \$398,973,400 in borrowing revenue. No forecast was provided for revenue generated from government trading and manufacturing operations.

The actual revenue collections made by government from its normal operations in 2013 totalled \$2,293,114,628 thus recording a shortfall of \$214,267,572 or 9% of the total estimated revenue collection.

A variance of \$399,544,329 was noted between total revenue estimates as per the national budget and total revenue estimates as per the FMIS. The total revenue estimates as per the national budget totalled \$2,507,382,207 whereas the total revenue estimates as per the FMIS amounts to \$2,107,847,871.

A variance of \$19 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2013.

While government recognizes the expenses and liability following loan disbursement, the revenues from the loan proceeds are not recognized hence it does not satisfy the matching principle.

## ***Expenditure***

Government spending for the year ending 31st December 2013 as authorized under the National Budget totalled \$2,315,635,533 an increase of \$49,419,983 or 2% from \$2,266,215,549 spent in 2012.

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, 2010 and 2012.

From 2004 to 2013 the incremental increase for operating expenditure over the 10 years period was \$399.1 million with an average increment of \$39.9 million. Operating expenditure compared to 2012 recorded an incremental increase of \$75.4 million or 5.2% during the year 2013.

TMA expenditure amounting to \$18,921,609 reflected in the financial statements is inclusive of \$1,045,778 which is the overall net loss incurred for the TMA operations of government. Therefore at 31/12/13 the total expenditure is misstated by \$1,045,778.

At Head (Ministry) level, the Ministry of Education, National Heritage, Culture and Arts and the Ministry of Health overspent their total budget appropriation in 2013.

Nineteen Ministries/Departments did not maintain an expenditure ledger to record payments made during the year for reconciliation purposes contrary to the requirements of the Finance Instructions 2010.

## **2013 Accounts of Ministries and Departments**

Major issues noted from the audit of some Ministries and Department include the followings:

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

The Office of the President incurred a total expenditure of \$2,408,051 in 2013. This includes a book entry for a budget carry-over of \$453,070 to be spent in 2014. Consequently the actual 2013 expenditure has been overstated by the same amount.

The Office Revolving Fund Account (RFA) had a credit balance of (\$306,252) as at 31/12/2013. The Office did not prepare any reconciliation for its revolving fund account as at 31/12/2013.

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

An unreconciled variance of \$1,055,236 exists between the FMIS general ledger Trust cash at bank account and the bank reconciliation balance. A further variance of \$32,626 exists between the general ledger cash at bank account and the trust liability account balance. Other anomalies include the non-receipting of direct deposits and overstatement of interest earned. The nature of payments in the 2013 trust fund statement of receipts and payment were also not disclosed appropriately to ensure disclosure consistency and comparability to the 2012 figures.

Some accounting and administrative anomalies noted for the trust fund include poor reconciliations prepared, non-recording of bank charges, interest and non-submission of annual acquittal report to the donor. The bank reconciliation errors resulted in an unreconciled variance of \$9,964 between the bank reconciliation and the general ledger records. Another variance of \$11,797 was noted between the

cash at bank account and the Trust liability account in the general ledger. An independent reconciliation carried out revealed a variance of \$12,087 between the cash book reconciliation and the cash at bank balance

As at 31 December 2013, the Office operating trust fund accounts had overdrawn balances totalling \$194,646. Most of the overdrawn balances were brought forward from previous years.

A variance of \$6,392,023.79 exists in the drawings accounts balance between the Office reconciliation and the FMIS general ledger records. The audit further noted that the Office did not submit the signed board of survey report for the drawings account.

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

There were variances between the FMIS general ledger and the Commission's reconciliation relating to the drawings account.

Verification of the FMIS general ledger records revealed that account allocation 1-02300-00000-560000 – accounts receivable had a debit balance of \$10,689,966.97. However, no reconciliation was provided hence audit could not substantiate the correctness of the above balances.

A variance of (\$112,009.91) exists between the FMIS and the Commission's reconciliation relating to the operating trust fund account.

A variance of \$297,487.74 exists in the TMA cash balance between the FMIS and the Commission's reconciliation.

There were arrears of rent totalling \$83,561.87 in the TMA as at December 2013.

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

The department does not maintain an expenditure ledger. As a result, the department could not reconcile the expenditure in the FMIS general ledger maintained by the Ministry of Finance and its records.

A variance of \$41,075 exists between the drawings account balance of the department's reconciliation and the general ledger (FMIS) records.

### ***Ministry of i-Taukei Affairs***

The revenue recovered from bond monies totalling \$509,934 was not reflected in the Statement of Receipts and Expenditure.

The Statement of Losses failed to disclose other losses as the Ministry failed to prepare a board of survey report contrary to section 49 (2) of the Finance Instructions 2010.

Details were not provided for the dormant trust fund cash at bank balance of \$1,959,998 recorded in the general ledger system.

The Ministry did not reconcile the expenditure in the FMIS general ledger as no expenditure ledger was maintained.

Only \$7.2 million or 74% of the scholarships funds were utilized from the total of \$9.7 million allocated for the year. A total of \$4.56 million is owed by sponsored and bonded students who have absconded.

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

Variances of \$181,505 and \$149,299 exist for the cash receipts and cash payments respectively between the Department of Immigration trust fund account cash book and the FMIS general ledger balances.

There is an un-reconciled difference amounting to \$1,794,695 between the FMIS general ledger cash at bank and bank statement balance.

The Ministry did not reconcile the expenditure in the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its financial statements from the FMIS general ledger.

The damaged passport books for 2013 totaled 228 costing \$17,328. More than 50% of the damages resulted from machine errors such as printing problems, improper lamination, overheating and inking problems while some were human errors arising from judgmental errors, typing errors, incorrectly placing the passport books in the machine

The Ministry has poor control over the administration of the permit database where the system data for permit holders of foreigners does not have the issued and expiry dates of applications, the residential addresses in Fiji, and instances were noted where permit system data recorded the name of other countries as the local addresses of permit holders for foreigners in Fiji.

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

A variance of \$485,641 exists between the trust fund account liability and the trust fund bank account balance in the general ledger. In addition, the bank reconciliation balance differed from the general ledger bank balance by \$427,280.

The Ministry's arrears of revenue totalled \$46,183 as at 31/12/14 compared to \$38,592 in 2012.

The Ministry has several workmen's compensation cases pending over the years. An analysis carried out indicated that the largest number of cases was closed in 2010 whereas the following three years after that saw a reduction in the number of closed cases.

#### ***Ministry of Foreign Affairs and International Co-operation***

Board of surveys were not carried out for all Fiji Missions overseas contrary to section 49 (1) of the Finance Instructions 2010. As such, the completeness and accuracy of the statement of losses cannot be ascertained.

An un-reconciled difference of \$469,775 exists for expenditure recorded in the FMIS general ledger and the department expenditure ledger. The Ministry did not perform any reconciliation for expenditure and as a result, the audit was not able to ascertain the accuracy of the amounts stated as expenditure in the Statement of Receipts and Expenditure.

The total expenditure includes a book entry for a budget carry-over of \$1,150,747 to be spent in 2014. Consequently, the actual expenditure in 2013 has been overstated by the same amount.

Established staff allocations have exceeded its allocated budget appropriation by \$765,844.

The Ministry has poor control over payroll where there was overpayment of salary, excessive annual leave and diplomatic appointment contrary to diplomatic consular regulations.

### ***Judicial Department***

The Department had total arrears of revenue of \$11,968,031.00 as at 31/12/13 compared to \$11,341,730 in 2012.

The audit of Court records noted that there is a substantial number of pending cases under each category of Court. The highest number of pending cases was for Magistrates Court (136,634) followed by High Court (4,951) and then Family Court (2,863).

A Contractor Western Builders Limited was overpaid by \$89,786.26 on the contract for the construction of new Tribunal Court 2 & Registry at Government Buildings. There was no evidence of approved variations to the contract provided to audit.

### ***Parliament***

The Department overpaid sitting allowance to the Public Accounts Committee members.

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

The Office incurred a total expenditure of \$3,946,975 in 2013 against a revised budget of \$5,109,385 resulting in a saving of \$1,162,410 or 23%.

There is an un-reconciled difference amounting to \$102,465 between the FMIS general ledger expenditure and expenditure as per the cash book. The Office did not reconcile the expenditure in FMIS general ledger to the cash book or any other separate record.

### ***Ministry of Justice and Anti-Corruption***

There is an unreconciled difference of \$892,480 between the FMIS general ledger expenditure and expenditure as per cash book. The Department did not reconcile the expenditure in the general ledger (FMIS) to the cash book or any other separate record.

A variance of \$41,979 exists between the FMIS general ledger and the Department's reconciliation relating to the drawings account.

The Department's RFA as at 31/12/13 had a balance of \$52,337 out of which \$47,973 was carried forward from previous years.

Record keeping in the Titles office needs to be improved. The Office lacked a Disaster Recovery Plan and there was no certificate of fire proof by the National Fire Authority.

The Office current computer system (Titles, Deeds Registration System - TDRS) is very slow and cannot cater for the high day to day demand from customers. No offsite storage or system generated backup is available for the TDRS.

For the 820 moneylenders on record who have been issued licenses up to 2012, 423 (or 52%) have yet to renew their licenses. The department did not take any action or follow up on defaulting moneylenders.

The Registrar General did not have a Disaster Recovery Plan or a backup system for the BDM records. Records prior 1910 were also not available the issue of blank certificates to Post Fiji was not reconciled.

### ***Fiji Prisons and Correction Services***

The Ministry of Finance approved the carry-over of \$431,039.73 for completion of CCTV installation for the Fiji Corrections Service to be utilized in year 2014. The Ministry of Finance recorded expenditure under allocation of Fiji Corrections Service of \$431,039.73 2013 contrary to the carry-over policy.

A variance of \$21,442.62 exists in the sales figure between the FMIS general ledger and the Department's records.

A variance of \$63,394 exists in the bank balance between the Department records and the FMIS general ledger balance.

There is an un-reconciled difference of \$928,393 between the FMIS general ledger expenditure and expenditure as per the cash book. Fiji Corrections Service did not reconcile the expenditure in the FMIS general ledger to the cash book or any other separate record.

Prison officers were not surcharged for motor vehicle accidents caused by their own negligent. In addition, the transport section did not properly maintain documents relating to the accident, such as motor vehicle accident report, the Police report and the records that surcharge have been imposed. Instances has been noted where officers have been surcharged one or two years back but no deductions have been initiated to date.

### ***Department of Communications***

The department does not maintain an expenditure ledger. As a result, it could not reconcile the expenditure in the general ledger system maintained by the Ministry of Finance.

A variance of \$13,523,173 was noted between the department's cash at bank balance and the cash balance reported in the FMIS general ledger as at 31 December 2013.

The audit noted a variance of \$10,198 between the trust fund cash at bank recorded in general ledger (\$2,906,717) and the trust fund liability account balance (\$2,896,519).

No Tender and no contract agreement signed for the engagement of City Security Services. A total payment of \$93,628 was made to the company in 2013.

### ***Ministry of Information***

The Ministry did not maintain an expenditure ledger. As a result, the Ministry could not reconcile its expenditure with the FMIS general ledger maintained by the Ministry of Finance. The audit was also not able to ascertain the accuracy of the amounts stated in the Statement of Receipts and Expenditure.

### ***Ministry of Rural and Maritime Development and National Disaster Management***

A variance of \$3.7 million exists between the trust fund cash at bank recorded in the FMIS general ledger (\$6.2 million) and the trust fund liability account balance (\$2.5 million) contrary to section 58

(3) of Finance Instructions 2010. Therefore, the *Trust Fund Account Statement of Receipts and Expenditures* cannot be ascertained to be fairly stated.

A variance of \$3.1 million exists between the *Provincial Development* trust fund cash at bank recorded in the general ledger (\$5 million) and the *Provincial Development* bank statement balance (\$1.9 million) contrary to section 32(6) of Finance Instructions 2010. As such, the audit was not able to ascertain that all receipts and payments have been accurately accounted and disclosed in the main trust fund account.

In accordance with the government cash basis of accounting, total expenditure includes a book entry for a budget carry-over of \$16,983,073 million to be spent in 2014. Consequently the actual 2013 expenditure has been overstated by the same amount.

The Ministry did not reconcile its expenditure with the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its financial statements from the FMIS general ledger.

The Ministry did not reconcile the *Prime Minister's National Disaster Relief and Rehabilitation (PMNDRR)* Trust Fund receipt and expenditure in the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its Statements of Trust Fund Receipt and Expenditure from the FMIS general ledger.

Projects were not yet initiated for individual and communities that have given their one third deposits for various programmes which were recorded on the *Provincial Development* Trust Fund Account totalling \$359,139. This comprise of seventy (70) Rural Housing Assistance Scheme II totaling \$280,229, nine (9) Prime Ministers Relief and Rehabilitation Project totaling \$77,230 and five (5) self-help project for individuals and communities totaling \$1,680. The audit further noted that some contributions dated back to year 2003 hence a delay in project implementation of ten years.

The Commissioner Eastern Division was able to facilitate only thirty percent (30%) payment from the two million allocated to the Eastern Division to facilitate the implementation of the various project appropriated under the Public Sector Investment Program of the 2013 budget.

Poor record keeping for the Division regarding Public Sector Investment Program (PSIP) and other capital project undertaken were noted as project files were not maintained. As such the status of the project cannot be ascertained.

The inspection of the stores held at Top-Yard, Walu Bay reveal that unaccounted project building materials and other items were stacked outside the yard which have been there for some years and are deteriorating due to wear and tear. The items and materials declared unserviceable were still good and useable condition. The Tropical Cyclone Tomas Rehabilitation materials that were received in 2011 were still stacked and stored at the top yard store and were not delivered to those affected by the cyclone in the Northern Division.

The Ministry has poor control over the administration and implementation of the Tropical Cyclone Evans Housing Rehabilitation operation in the Western Division where Purchase Orders (PO) were not issued however blanket approvals were issued to the suppliers to deliver materials. The blanket approvals issued to the supplier did not contain any ceiling amount for the cost of building materials to be supplied. A total of \$227,028 was paid to Kasabia Ltd base on the invoice received for the thirty one (31) house material delivered and \$543,251 was paid to R.C. Manubhai for the forty four (44) house material delivered and \$46,272 for the eleven (11) house material delivered. The materials

purchased as recorded in the supplier's invoice were not fully delivered to recipients. The recipients of the assistance could not commence with the rehabilitation works due to part supply of materials from the supplier despite payment already made.

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

The Force did not maintain an expenditure ledger for 2013. As a result, the Force could not reconcile its expenditure with the FMIS general ledger maintained by the Ministry of Finance.

A sum of \$3,900,342 from the 2013 Force budget allocation was approved by the Ministry of Finance as carry-over funds to be utilized in 2014. The amount was disclosed in the FMIS general ledger and the Agency Financial Statement as actual expenditure incurred for 2013 resulting in total the expenditure being overstated by \$3,900,342.

As at 31 December 2013, a total of \$2.6 million is held in a bank account with the Bank of South Pacific (BSP) under the RFMF Engineers Project Fund Account.<sup>1</sup> These are funds received from Ministries/Departments for capital works to be undertaken by the RFMF engineers. The fund was not included in the Agency Financial Statements of the Force and proper records were not maintained.

An un-reconciled variance of \$31,557 exists between the December reconciliation statement prepared by the Force (\$2,139,824.87) and the general ledger balance (\$2,171,381.79). Reconciliation was not carried out on a monthly basis. Instead, a three months reconciliation was prepared for the months of February, March and April and 2 months reconciliation were prepared for September to October and another for the months of November to December.

The advance account had a credit balance of \$403,951 which had been carried forward from previous years. No action had been taken by the accounting officers to clear this credit balance.

As at 31 December 2013, the Force Operating Trust Fund Accounts had overdrawn balances totalling \$6,004,162 compared to \$5,784,111 in 2012.

The Force did not include the labour cost and the cost of its plant and vehicles in its TMA for the year ended 31 December 2013. A sum of \$42,488 was disclosed as Direct Labour in the TMA for Plant Pool. However, this does not relate to Labour but includes expenditure such as freight cartage for plants to outer islands, passage for machine operators, accommodation, meals and fuel cost.

Some RFMF Engineers projects lacked a MOU between the RMF Engineers unit and the Prime Minister's Office regarding the Capital projects that was to be undertaken.

Despite budgetary provisions for the Sukanaivalu Barracks upgrade, no work was carried out as at 31 December 2013 on married quarters (26 and 54) and the mess hall. Other anomalies noted include divergence of funds for other purposes, prepayments for building materials and lack of manpower to carry out the project. Administration and accounting procedures were also not followed.

A sum of \$1,841,166 was charged for the above programme in 2013, out of which \$1,058,895 was rolled over to be utilized in 2014. Only \$212,256 was utilized from the rolled over sum of \$1,058,895 leaving a balance of \$846,639 as at 31/12/13.

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<sup>1</sup> BSP Bank Account Number 6652519



### ***Fiji Police Force***

A variance of \$872,812 exists between the Force's Drawings bank account reconciliation and the FMIS general ledger balance. The Drawings bank account reconciliation was not performed properly to account for the cheques issued, cheques presented and the un-presented cheques as at 31/12/13. As such the completeness and accuracy of payments made and recorded in the Statement of Receipts and Expenditure could not be determined.

The Board of Survey was not carried out contrary to section 49 (1) and (2) of the Finance Instructions 2010. As such the completeness and accuracy of the Statement of Losses cannot be ascertained.

The Force did not reconcile the expenditure in the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its financial statements from the FMIS general ledger.

A total of \$423,966 was written off for account balances of the Force deemed irrecoverable and unverifiable. These include drawings, inter departmental clearing accounts, accounts receivables and trust fund accounts. Yet despite the designated authorization provided by the Minister of Finance, there was no supporting documents produced to audit to consider the completeness of adjustments and the validity of the accounts in the financial statements

A total of \$2,720,509 in un-presented cheques were over six month old which were considered to be stale cheques however the force did not clear this stale cheques at the end of the year.

The Force has poor control over payroll where the audit could not ascertain salaries and wages totaling \$3.45 million for Special Constables (SC) as certified salary and wages reconciliations were not maintained and provided for audit verification upon audit request. In addition salaries totaling \$10.1 million for established staff, \$1.4 million for special constables and \$266,525 wages were not reconciled on time. The audit established that some salaries and wages were reconciled after one year. The Force engaged excessive new recruits (PL08) and some contract workers contrary to the Public Service Commission approved staff establishment.

The Force has poor control over recruitment as application forms, supporting police clearance forms medical clearance forms and other supporting documents such as birth certificates and examination transcripts were not produce to audit.

The Fiji Police Force had unidentified contribution of \$15,151 with FNPF as at 31/12/2013.

The Force did not provided payment vouchers and supporting documents for expenditures totaling \$1,014,052.

The Force did not put in place a contract for the procurements of footwear worth \$374,225 as per required by the Government Tender Board.

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

The general ledger balances totalling \$8,149,574 in relation to TMA equity were not provided for audit and is a recurring audit issues in prior audit years.

A variance of \$18,422,688 was noted in the drawings account with the Ministry and the general ledger (FMIS) balance.

A variance of \$665,380 was noted in the trust fund account between the general ledger balance and bank statement balance as at 31/12/13.

The Ministry's operating trust fund account had a variance between FMIS records and the Ministry's record due to various postings to FMIS allocations which were not included by the Ministry's reconciliations.

The Ministry did not have any acquittal guideline for the payment of the salaries to Cabinet Ministers. The acquittal reports provided by the Ministry were not fully supported with supporting documents to be in agreement with Head 50 funds released by the Ministry of Finance.

Ministries/departments do not submit competitive quotes to the Ministry of Finance in their submission for request of Head 50 funds for the payment of airfares for the Ministers during 2013.

The ministry had incurred over-expenditure amounting to \$2,393,242 during the year relating to Pensions, Gratuities & Compassionate Allowance from Head 51.

Payments made from Head 51 totaling \$6,102,817 without any check or verification by the paying offices which include Judicial Department, Prime Minister's Office and Fiji Military Forces. These checks and verification would provide an assurance to Pension Office that payments have been made to bona fide recipients.

The first and second quarter reports for 2013 showed overpayment to pensioners for amount totaling \$52,299. Moreover, internal audit report highlighted overpaid pensioners during the year 2011 and 2012 which have not been recovered by the pension's office at the time of the audit.

There was no internal audit review carried out for the Debt Unit in 2013.

The Ministry of Finance did not utilize the amount set aside for repayment for various loan accounts totaling \$3,255,000 and \$1,169,506 for the year ended 2012 and 2013 respectively.

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

The Department outsourced its printing services without any evidence of the approval of the Minister as required under section 32 of the Procurement Regulation 2010.

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

TMA creditors for FPO showed debit balance of \$597,668 contrary to the nature of the balance that the account should have.

Numerous agencies failed to submit their Annual Procurement Plan to Procurement Office as required by section 26.1 of the Procurement Regulations 2010.

Contract documents from the 2012 and 2013 approved tenders relating to Ministry of Education, Fiji Police Force, Fiji Navy, and Republic of Fiji Military Forces are not available at the Procurement Office as required under the Finance Circular No. 3/2013.

Numerous instances where the tender process from the advertisement of the tender to the board approval has gone over period of three months which may compromise the fairness and impartiality of the procurement process.

### ***Information Technology and Computing Services (ITC)***

Numerous documents or information requested from ITC Steering Committee for audit were not made available.

The Public Private Partnership Agreement between the Government of Fiji and Yalamanchili International PTE Ltd on 28/09/2012. The audit could not establish whether IT Strategy has been put in place as there was no response received from our enquiry.

The Annual Procurement Policy is yet to be in place by the ITC Steering Committee

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

#### **National Planning Office**

The Ministry incurred expenditure totalling \$10,147,496 during 2013 against a revised budget of \$11,452,456 resulting in a savings of \$1,304,960 or 11.4%.

The reconciliation statement for drawings accounts for Strategic Planning and National Development Office was not provided for audit.

The Integrated Human Resources Development Program (IHRDP) Trust Account is understated by \$40,491 as a result of incorrect accounting of the community contributions received in 2012 that is still being reflected in the Consolidated Fund Account and is yet to be refunded into the IHRDP Trust account.

The Strategic Planning and National Development Office did not reconcile the expenditure recorded in the FMIS as no expenditure ledger was maintained and prepared its financial statement from the FMIS general ledger records. As a result, the accuracy of expenditure totalling \$4,012,618 as part of the Ministry's total expenditure reflected in the Statement of Receipts and Expenditure could not be ascertained.

An Economic Planning officer (EDP 91254) who was on attachment with the Commissioner Northern Office was overpaid on the post of Acting Senior Economic Planning officer due to an input recorded in the FS01 form sent to the Ministry of Finance for Pay 04/13.

#### **Bureau of Statistics**

The Bureau of Statistics paid out \$54,743 being the wages and overtime pay owed to project officers for 2013 from the 2014 budgetary allocation under SEG 7 – Special Expenditure due to the Bureau's inability to meet the deadline of 31/12/13 set by the Ministry of Finance for processing of all 2013 payments.

An officer (EDP 90791) who caused damage to the government vehicle was surcharged \$5,629. The Bureau has not activated the salary deduction as the Bureau is awaiting an advice from the Surcharge Unit of the Ministry of Finance on the amount to be deducted. The Officer has only seven years of service left to reach the compulsory retirement age of 55.

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

The ministry recorded \$637,110 as expenditure for 2013 in the FMIS general ledger contrary to the carry-over policy of the Ministry of Finance.

Five of the eleven TMAs under the Ministry are inoperative. TMAs that were still active had continuously been operated at a loss. In addition, accounting records were inadequate to provide sufficient appropriate evidence to substantiate the balances reported in the financial statements.

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

Revenue records for TMAs under the Divisional Engineer Central Eastern have been misplaced and other accounting records were not properly maintained and provided for audit, increasing the risk of mismanagement.

Poor inventory management was noted at the Divisional Engineer Western.

Determining the actual costs of projects from the expenditure records and verifying the costs was difficult due to the absence of audit trail and that unrelated costs were charged to any project accounts that had savings.

Adjustments to the general ledger without proper approval have been a recurring issue thus increasing the risk of manipulation of accounting records.

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

The salary reconciliation process performed was ineffective as it failed to detect numerous incorrect payments of wages and salaries.

### ***Ministry of Agriculture***

The Ministry did not maintain adequate accounting records to provide sufficient and appropriate evidence to substantiate balances reflected in the financial statements for Trading and Manufacturing Accounts (TMA).

The Ministry's stock certificates reflected total closing stock of \$1,058,577. However, reliance on this balance was limited as the stock takes were carried out by officers directly involved in maintaining and accounting for the stock without an independent supervision.

Reconciliations of accounts were not carried out properly and correctly resulting in significant variances between the reconciliation statements and the FMIS general ledger. In addition, balances in the reconciliation statements and the general ledger were not properly supported with relevant documents.

Overall financial performance of the TMAs from previous years has been poor.

Ineffective controls on the management of property, plant and equipment.

\$688,334 or 85% of arrears of revenue have been outstanding for more than 5 years. The arrears are mainly related to the outstanding repayments from farmers for assistance provided to them under different agricultural programs in previous years.

Unavailability of consolidated data/information on assistance provided to farmers/individual/groups under the various agricultural programs over the years and their current status had provided a limitation to the scope of the audit. For the past five years, around \$19.1 million have been utilized for the Demand Driven Approach (DDA) Agricultural programs. In addition, it was difficult to determine

whether the general objectives of the DDA programs were being achieved due to the absence of consolidated data/information on the monitoring and evaluation of individual projects against their objectives.

Common irregularities were identified across 80 farms visited in the Central Division with total assistance valued at over \$1.2 million.

Machines purchased and constructed at the Koronivia Research Station have not been utilized for a number of years.

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

The salary reconciliation process performed was ineffective as it failed to detect numerous incorrect payments of wages and salaries.

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

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

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

Recovery of arrears of revenue for Crown land lease has been slow as the balances over the past five years have been increasing. The arrears of revenue as at 31/12/13 totalled \$25.2 million, an increase of \$7.2 million or 40% since 2010.

The salary reconciliation process performed was ineffective as it failed to detect numerous incorrect payments of wages and salaries.

Adjustments to the general ledger without proper approval have been a recurring issue thus increasing the risk of manipulation of accounting records.

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

### ***Ministry of Fisheries and Forests***

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

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

The Ministry of Finance approved the carry-over of \$180,704 for funds related to various projects to be utilized in 2014. However, this was recorded as expenditure for 2013 contrary to the carry-over policy of the Ministry of Finance.

Contracts were endorsed by officers whose authorized procurement limits were below the contract sum.

The Department of Forests did not maintain a structured information database to consolidate and capture all information on the types licenses issued and details of licensee for all Divisions, to produce useful information that will aid decision-making. In addition, there is potential risk for revenue leakage.

Officers occupying government quarters had substantial rental arrears as at 31 December 2013.

### ***Ministry of Sugar***

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

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

Acquittal reports for government grants and subsidies paid to the Sugar Research Institute of Fiji and the South Pacific Fertilizer Limited were not provided to the Ministry.

### ***Government Shipping Services***

Transactions in the FMIS general ledger totaling \$1,187,178 could not be substantiated to any accounting records maintained by the Department.

There is a lack of records to substantiate the use of fuel and oil. The Department incurred a total expenditure of \$1.2 million on fuel and oil for both vehicles and vessels in 2013.

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

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

#### **Headquarters**

A variance of \$293,784 existed between the Ministry's gross pay on which FNPF was paid and the audit calculations of gross pay subject to FNPF.

Amounts disclosed in the Appropriation Statement could not be substantiated as the virement files and the virement register was not maintained up to date.

The Ministry did not prepare drawings account reconciliation for the months of November and December 2012, thus audit could not substantiate the opening balance of \$5,524,332 used to prepare drawings account reconciliation for January 2013.

A variance of \$1,131,989 existed between the presented cheques list and the presented cheque amount in the drawing account reconciliation.

A variance of \$4,306,641 existed between the Ministry's drawings account reconciliation and the FMIS general ledger.

The Ministry's un-presented cheques in the drawings account increased by \$4,157,998 or 75% as at 31/12/13 compared to 2012.

A variance of \$5,303,884 existed between the VAT paid to FRCA for the year 2013 and the general ledger.

A variance of \$1,301,426 existed between the total revenue collected by the Ministry as per the bank statement and the FMIS general ledger.

The Ministry did not maintain an expenditure ledger to reconcile its records with the FMIS general ledger.

A variance of \$465,725 existed between the Ministry's main trust account reconciliation for December and the FMIS general ledger.

The main trust account bank reconciliation as at 31/12/13 comprised of \$235,924 from previous years which could not be substantiated as no reconciliation was carried out in the previous years.

A variance of \$131,794 existed between the Ministry's main trust account receipts cash book and the FMIS general ledger.

A variance of \$150,689 existed between the Ministry's main trust account payments cash book and the FMIS general ledger.

The opening balance of \$152,725 in the main trust fund account could not be verified as the main trust fund account for 2012 was not prepared.

The main trust fund was overdrawn by \$77,075.59 as at 31/12/13.

A board of survey for the whole Ministry was not conducted.

A payment of \$434,917 made by the BPS to the Ministry of Finance on 29/1/13 was not reflected in the equity account in the TMA balance sheet.

The TMA balance sheet as at 31/12/13 was not balanced and had a variance of \$384,998. The Ministry of Finance used TMA Surplus Capital Retained to CFA of \$384,998 to balance the TMA balance sheet. The balance of \$384,998 disclosed as TMA Surplus Capital Retained to CFA in the balance sheet could not be substantiated.

The Ministry reported a VAT receivable of \$142,425 in the TMA balance sheet as at 31/12/13. However the VAT calculation performed by audit noted a VAT payable of \$2,592.

The BPS does not hold any inventory stock and does not require a warehouse. However the BPS was paying \$1,500 per month or \$18,000 per annum to FPBS for 44.93 square meters of space for the warehouse.

In several occasions the Ministry charged VAT on zero rated revenue allocations and in other occasions it did not charge VAT on revenue allocations that are not zero rated resulting in loss of government revenue.

Several officers of the Ministry continued to receive salaries and allowances after the effective dates of their resignations, terminations and ceasing of acting allowances. The Ministry did not maintain an up to date OPR registers for the Clinical and the Technical Officers. In addition OPR register was not maintained for the headquarters staffs. • The Ministry was not able to provide the total salaries overpaid during 2013. Out of a total of \$610,345 salaries overpaid for the years 2010 – 2012 the Ministry recovered only \$27,018.91 or 4.4%.

The Ministry did not deduct the insurance excess of \$3,000 from a drivers final pay totalling \$7,188.31 on termination.

The Ministry did not exclude the contingency sum from the total contract price, thus all the contracts were overpriced by the amount of contingency sum. The Ministry paid the contractors the contingency sum without any variations in the project costs.

Retention sums deducted from the contractors claims were not deposited in the Trust Fund account with the Ministry. The retention sums remained in the capital project allocation and were fully utilised.

The Ministry made several progress payments for projects undertaken without progress reports or inspection reports from the Architect/Supervising Officer.

The Ministry was not able to provide minutes of one meeting held on the project site for renovation and refurbishment of St. Giles Hospital.

The Ministry's Clerk of Works were not based at the project site to provide direct supervision on the projects, instead the Clerk of Works were based at the Headquarters. The Ministry did not appoint Clerk of Works to oversee the construction of the Kamikamica Park Hub Centre in Lautoka. The completion of the Kamikamica Park Hub Centre in Lautoka was delayed by 6 months and the contractor was not held liable for the delays as there was no provision in the contract agreement. In addition the Ministry overpaid the contractor by \$2,002.50 in progress payments.

The Ministry made advance payment of \$185,566 to Ministry of Works, Transport and Public Utilities prior to the commencement of the project. The MOU between the Ministry and Ministry of Works, transport and Public Utilities did not state the commencement and completion dates for the project. The project was not completed within 8 weeks of the effective date of Memorandum of Understanding, 19/09/13.

The Ministry paid for further treatment of patients in India since the surgeries conducted by local doctors failed due to their negligence. The Ministry paid for overseas medical treatment costs which were higher than the amount initially quoted by the overseas Hospital. The Ministry did not perform independent verification of the final claim sent by the overseas hospital to justify the variation in costs for patients sent for overseas medical treatment.

The Ministry did not have a Standard Operating Procedures for the charter of aircraft for medical evacuation of patients from maritime islands to CWM Hospital. The Ministry failed to obtain Government Tender Board approval and a service agreement despite paying more than \$50,000 to Northern Air Services, Island Hoppers and Fiji Navy annually.

The Ministry made payments to the charter service providers on photocopied and faxed invoices. The Ministry paid a fuel surcharge to Island Hoppers. However, there was no formal agreement or approval regarding the payment. The Ministry paid 2012 invoices for charter of aircraft in 2013. The invoices were certified by the receptionists, Ms. Alisi Ravosai and Eliza Qereqeretabua at CWM Hospital even though they did not have the authority to do so.

The Ministry paid \$41,400 to Zuriel's Security Services for sponsoring the Uprising 7's even though the payment did not in any way relate to promoting awareness for Non-Communicable Diseases.

Several local purchase orders were raised by the Ministry after the goods and services and invoices were received. The Ministry paid 2012 expenses totalling \$130,597.71 in 2013.

### **Fiji Pharmaceuticals and Biomedical Services**

Stock balances of several drugs and consumables were either overstated or understated in the EPICOR system as opposed to the actual balance in stock as at 31/12/13.



Drugs and consumables worth \$369,328 expired as at 31/12/13. Drugs and consumables purchased by the Ministry were to expire in 1 to 9 months from the date of manufacture.

Items ordered in 2012 and 2013 totalling \$8,911,839 from overseas suppliers were not received as of the date of audit. Several drugs and consumables were out of stock as of the date of audit.

Drugs and consumables totalling \$7,006,293.59 were held in excess of the predetermined maximum stock level. Several drugs and consumables were below the predetermined minimum stock level requirement.

Laundry equipment was purchased at a cost \$2.7million in 2009 however 1 of the equipment was not utilized for 32 months. The ironer of the laundry equipment was damaged in January 2012 due to flooding. This was known after installation was carried out in May 2012. The total cost incurred in installation of the laundry equipment was not provided by the Ministry.

Purchase order PO85101 000864 for the supply of various reagents and consumables for the whole year 2013 worth \$1,051,264 from Medical South Pacific Limited was not monitored by Ministry.

### **Colonial War Memorial Hospital**

Dry goods not stored properly in the storeroom. Waste water pipes at the CWM kitchen were leaking due to poor plumbing works resulting in blocked drains that emit bad odor. Several windows at CWM Hospital's Kitchen had missing louver blades and toilet facilities not properly cleaned. The storeroom had several items that had been written off in 2012. In addition, other items were lying on the floor as there was inadequate space to store the items.

Items written off at CWM Hospital were not disposed by the Manager Administration and Finance. The IT room at CWM Hospital did not have any security control for entry and exist.

### **Nadi Hospital**

Several items that have been boarded were not properly disposed by the Nadi Hospital management. The Nadi Pharmacy was still holding on to expired drugs. There was no proper storage space for the portable x-ray machine after use. The hospital's consumables were stored in the old hospital building which was deteriorated and inhabitable. The hospital stored diesel and kerosene with electrical and other items in the generator room.

### **Lautoka Hospital**

There was no contract agreement between the Ministry and Public Works Department to carry out the associated works for the installation of two new elevators at the Lautoka Hospital. There was no commencement and completion timeline and scope of works identified for installation of the two new elevators and communicated to the Ministry of Works Mechanical section. There was no agreement for the disposal of the old elevators and its accessories. The dismantling work had not been done as at the date of audit despite advance payment of \$40,860. • There was a delay of four months between the government tender board approval to OTIS Elevators on 15/08/12, and the first payment of \$369,085 on 10/12/12.

There was a 6 months delay in the completion of the Kamikamica Park Health Centre which was to be completed on 03/01/13 as per the contract agreement. The Kamikamica Health Centre does not have essential equipment. The staffs at the Kamikamica Park Health Centre do not know how to use the fire extinguisher in case of emergency. The Kamikamica Health Centre gets flooded when it rains due to its low lying floor.

There was no running sheet maintained for 16 of the 17 vehicles allocated to Lautoka Hospital.

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

The Ministry used only \$1,770,702 from the Social Pension Allowances and \$1,208,923 from Care and Protection Allowances thus had a savings of \$1,469,298 or 45.4% in Social Pension Allowances and \$4,781,077 or 79.8% in Care and Protection Allowances.

The Ministry used funds from PBS allocation to pay for the Social Pension Allowances and Care and Protection Allowances. The Ministry was not able to provide the total amount paid for the Social Pension Allowances and Care and Protection Allowances from the PBS allocation.

The Ministry did not maintain appropriate and sufficient details in several PBS recipients case files. The Ministry did not provide certain PBS recipient files for review as the Ministry could not locate the files.

The Ministry did not have any monitoring process in place to effectively monitor the status of recipients under the Social Pension Scheme. The Ministry failed to maintain proper and separate files for the individual recipient of Social Pension Scheme.

The Ministry disbursed funds towards various women's clubs to carry out income generating projects however the Ministry did not require these project owners to submit progress reports. In addition no project inspections were carried out by the Ministry to review how the projects were progressing and assess whether funds were properly utilized.

Several officers of the Ministry who were given advances for official travel in 2013 did not retire their advance within 7 days upon returning from official tours. The days advance not cleared ranged from 186 days to 4 days. However, the Ministry did not commence salary deductions.

The Ministry's budget indicated that aid in kind to be received from various international agencies totalled \$1,204,335. However, the Ministry was not aware of the aid in kind and did not receive such aid in kind during 2013. In addition the Ministry did not follow up with Ministry of Finance on the aid in kind.

The Ministry on several instances allocated same reference numbers to more than one Family Assistance Allowance recipients. Additionally on several instances the recipients of Family Assistance allowance had only their first name included in the list of payments submitted to the banks. There was no evidence to indicate that the Family Assistance Allowance payment list was checked by a Senior Officer before it was loaded for payment. The Ministry submitted to the bank the payment listing of Family Assistance Allowance for several recipients who had dual bank accounts. In addition, the Ministry was paying Family Assistance Allowance to both bank accounts.

The Poverty Benefit System (PBS) system used by the Ministry is not interlinked with all other PC's that has PBS database installed and in all the divisions. All computers or laptops operate on their own as a result the Social Welfare Officer (SWO) has to review the applications on individual computers or laptops. The Poverty Benefit Scheme System could not print the decisions made by the Senior Welfare Officer once the assessment was completed.

The Poverty Benefit Scheme system did not have adequate capacity to load more than one picture. Hence pictures taken by Welfare Officers during their field visit as evidence of the state of welfare of the recipients were not stored in the system. Adequate records were not maintained in the Poverty Benefit Scheme recipient's case files in the Western Division.

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

The board of survey for a number of schools, stations and sections were not carried out for the Ministry.

An unreconciled variance of \$6,834,145 existed between the Ministry's Drawings Account reconciliation and FMIS general ledger balance as at 31 December 2013. The unresented cheques as at 31 December 2013 increased to \$8,143,657 compared to \$4,367,708 in 2012. This was due to large amount of purchases made towards the end of the year.

A variance of \$811,209 existed in the Revolving Fund Account between the Ministry's reconciliation balance and FMIS general ledger balance as at 31 December 2013.

There were weak controls over the administration of journal vouchers. On several occasions, the journal vouchers were not approved by the Principal Accountant and were used to adjust expenditure account balances.

The Ministry did not maintain an expenditure ledger which could be used to ascertain that all receipts and payments had been accurately accounted for in the Financial Management Information System (FMIS) maintained by the Ministry of Finance.

The Ministry overpaid its staff in salaries totalling \$91,051.03 as at 31/12/13.

The Ministry paid Hot Spring Investment Ltd \$182,000 or 93% of the contract sum for upgrading and renovation works carried out at Ratu Kadavulevu School. During the site inspection carried out by audit, it was noted that significant portion of the upgrading and renovation works were not carried out by the contractor. Contingency sum was not set aside by the Ministry from the total contract price. As a result the contract sum was overpriced by the amount of the contingency sum.

The respective District Education Officers did not provide the progress and acquittal reports for \$200,000 used for repairs and maintenance work on 3 schools within the declared World Heritage Zones. The contractual agreement for capital construction did not include the payment of performance bond clause and the agreements did not state the expected date of commencement and completion of the projects.

Bus fare coupons and ticket butts for the year 2013 were destroyed without proper approvals. This has been the practice since the inception of the bus fare scheme in 2010. The Ministry was not able to provide a breakdown of the total number of bus fare coupons processed and the total payments made by the divisions to the transport providers despite several requests.

The Ministry does not have a standard grant reporting framework for schools to indicate how the grant funds were utilized.

The Ministry paid \$20,950 to Davui Printery for printing of TVET Achievement Level Booklets. The purchase orders were split to ensure the amount is within the authorized limits of the Director TVET. There were inadequate segregation of duties for purchase of goods and services in the TVET section resulting in double payments to vendors, unsubstantiated repair works, fraudulent dealings with Korea Auto Traders and fictitious quotations used for purchase of stationaries.

Quotations from 2012 were used to procure goods and services in 2013. Laptops and desktops computers were purchased from unauthorized suppliers. Tenders were not called for contracts exceeding \$50,000.

### ***Department of Water and Sewerage***

The Department purchased equipment worth \$230,359 to carry out quality testing of water. However, the Department is yet to set up the Laboratory to carry out the tests. The consultant is yet to commence work to formulate the regulatory legislation for water and sewerage services.

### ***Department of Energy***

An unreconciled variance of \$981,333 existed between the main trust fund account general ledger and the bank statement as at 31/12/13. The bank reconciliation for the main trust fund account was not prepared for 2013.

The Department reengaged retired officers without the approval of the Public Service Commission.

Prior approval for variations to the approved tender specification for the supply, installation and commissioning of 1200 Solar Photovoltaic Home Systems was not obtained from the Government Tender Board. The Department paid \$1,468,149.43 or 40% of the tender value to Powerlite Generators (Fiji) Limited before the components of Solar Photovoltaic Home Systems were delivered.

Payments for Mauna House Wiring Projects were made without inspection reports from the project supervisor and the contract document for Mauna House Wiring Projects did not outline the date of commencement and completion of the entire projects.

The Department purchased 15 complete sets of 50m Wind Monitoring System out of which only 1 has been installed as the Department is yet to identify the sites for installing the remaining 14 System.

The Department allowed variations totaling \$365,739 for the construction of access road for the Somosomo Hydropower Station. There was no contingency sum set aside to cater for the variation.

The Department on 05/08/13 paid \$1,196,113 to Fiji Electricity Authority for the Nayala Grid Extension. However as at 20/05/14, FEA was yet to commence with the work. In addition the contract agreement signed between the Department and FEA did not include important clauses such as performance bond, retention sum, delay damages, project commencement and completion dates.

The Government Tender Board (GTB) approved the installation of PV Solar Home Systems for 649 households situated in Vanua Levu and 351 households situated in Maritime Areas. During the installation phase the Department cancelled all 649 applications for the household situated in Vanua Levu without the approval of GTB.

The Department did not carry out proper due diligence exercise before setting up the Biofuel Testing Laboratory.

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

VAT returns filed by the Ministry and total expenses revealed a variance of \$467,394.66.

The Ministry did not maintain an expenditure ledger that could be used to reconcile its expenditure with that recorded in the Financial Management Information System general ledger.

The Ministry paid consulting fees totalling \$30,163 to Mr. James Smith to provide strategic direction and advice on the implementation of the Sports policy. However, no report or evidence of task completed by the consultant was produced for audit verification.

The Ministry developed only 1 rural sports field out of the 8 planned for the year 2013. In addition the contract agreement with contractor to develop the sports field did not outline penalty for late completion of projects and retention clause.

The Ministry failed to provide the scope of works and breakdown of the total cost incurred in terms of labour costs, material and plant hire for the upgrading works at Naleba and Naqere Training Centre.

The upgrading works at the National Youth Band was not supervised by an experienced builder as defects were noted during the site inspection carried out by audit.

### ***Ministry of Local Government, Urban Development and Environment***

An unreconciled variance of \$358,893 existed between the Environment's main Trust Fund Account general ledger and bank statement balance as at 3/12/13.

The Ministry did not maintain an expenditure ledger that could be used to reconcile its expenditure with that recorded in the Financial Management Information System general ledger.

The Ministry re-engaged a retired technical officer and paid incorrect salary which resulted in an overpayment of \$3,232.

There was poor management of funds allocated for the 9th Pacific Islands Conference on Nature Conservation and Protected Areas.

The Ministry did not properly manage the design and construction of Naboro Landfill Phase 2 project as an Engineer was not appointed to monitor and supervise the project and contractor did not use appropriate materials as required by the special conditions of the contract. The revenues collected as gate fees from the operations of Naboro Landfill were not deposited into the nominated bank account by the contractor. In addition, separate records were not kept and reconciliation prepared to ascertain the accuracy of the daily gate fees collected by the contractor.

The Ministry failed to obtain approval from Ministry of Finance to incur expenditure for organising Fiji National Faith Based Organisation Environment Stewardship Summit for which funds were not allocated in the budget. Grant agreement between the Ministry and Suva City Council for \$450,000 to construct the Market Shelter for weekend vendors was not made and Suva City Council failed to provide acquittals with details of grant money expended and the balance available.

Several instances were noted where funds allocated for implementing Environment Management Act were used for procuring goods and services not related to Environment Management Act.

Several journal vouchers were raised during the year without supporting documents and approval from Senior Accountant.

### ***Department of Housing***

Review of the Omark Squatter Upgrading Subdivision project revealed that the Department failed to renew the consultancy contract with Ian Macallan & Co (Fiji) Limited.

The People's Community Network (PCN) received \$642,447.17 for Lagilagi Housing Project. The PCN failed to provide the audited financial statements for the funds received.

The contractor failed to complete the construction of 7 low cost houses at Wailekutu Settlement despite the contractor been paid \$75,600 or 63% of the contract sum.

National Joint Committee paid capital grants totaling \$116,826.44 to two City/Town Committees in 2012. However, grant agreements were not entered into outlining essential particulars, including the purpose of capital grant, duration of the projects and monitoring processes.

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- 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.                  Ministry of i-Taukei 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
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16.                Ministry of National Planning
17.                Ministry of Rural and Maritime Development and National Disaster Management
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32.                Ministry of Fisheries and Forestry
33.                Ministry of Sugar

# VOLUME 1

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

Part 1:        Whole of Government Financial Statements and Annual Appropriation Statement for the Republic of Fiji for the Year Ended 31 December 2013

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

**PART 1:           WHOLE OF GOVERNMENT  
FINANCIAL STATEMENTS AND  
ANNUAL       APPROPRIATION  
STATEMENT     FOR     THE  
REPUBLIC OF FIJI FOR THE  
YEAR ENDED 31 DECEMBER  
2013**





# Financial Statements Government of the Republic of Fiji

For the Year Ended 31 December 2013

# OFFICE OF THE AUDITOR GENERAL

*Excellence in Public Sector Auditing*



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## INDEPENDENT AUDIT REPORT

### GOVERNMENT OF THE REPUBLIC OF FIJI

### WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF THE FOR THE YEAR ENDED 31 DECEMBER 2013

---

#### 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 2013 in accordance with section 152(1) and 152(2) of the 2013 Constitution; Sections 46 and 47 of the Financial Management Act (2004) and Section 6 of the Audit Act.

The whole of government financial statements comprise the following:

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

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

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

My audit was conducted in accordance with the International 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 and 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 whole of government financial statements are fairly stated in accordance with the accounting policies in Note 1 and Section 46 and 47 of the Financial Management Act 2004, Section 152(1) and 152(2) of the 2013 Constitution and Section 6 of the Audit Act, so as to present a view which is consistent with my understanding of the financial performance of the Whole of Government Financial Statement and the Annual Appropriation Statement for the year ended 31 December 2013.

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

#### Qualifications

- Inadequate systems of internal control for cash at bank included (i) the absence of bank reconciliations for various overseas and domestic bank accounts; (ii) various general ledger cash balances for overseas and domestic balance do not have evidence of cash held; (iii) unrecorded cash relating to domestic bank balances; (iv) overdrawn domestic cash general ledger balances without satisfactory explanations provided during the audit; and (v) those unexplained variances between the drawings account general ledger and the respective board of survey reports. These errors and omission provided a net impact for cash at bank totaling \$25.5 million. In view of that, I was unable to satisfy myself on the existence, rights, completeness and valuation assertions for the consolidated cash at bank balances totaling \$206.7 million (Note 2) as at 31 December 2013.


- Accounts receivable balance totaling \$18.7 million (Note 3) as at 31 December 2013 were not supported with reconciliations to be prepared by responsible Ministries/Departments. In view of that, I was unable to satisfy myself on the completeness, rights, valuation and existence of the accounts receivable amount.
- No record was provided to validate \$2.4 million relating to accountable advances for Department of Agriculture as part of total prepayment and accrued income as at 31 December 2013 totaling \$4.3 million (Note 4) as shown in the Statement of Assets and Liabilities. In view of that, I was unable to satisfy myself on the existence, rights, completeness and valuation assertions for the consolidated amount of prepayments and accrued income balance as at 31 December 2013.

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

- the accounts have been faithfully and properly kept;
- transaction with or concerning public money or public property of the State have been authorized by or pursuant to the 2013 Constitution or any other written law, and
- expenditure has been applied for the purpose for which it was authorized.

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

- Term Loan Receivable of \$58.4 million (Note 7) includes a negative balance of \$12.7million relating to Public Service Commission (PSC) Scholarship Funds were not fully supported. The NATCO loan balance of \$1 million has yet to be regularized to equity following the Cabinet Decision in November 2009. As such, the loan receivable in Note 7 is overstated by the same amount;
- Trust Fund account totaling \$79.5 million (Note 12) includes various trust accounts with negative balances totaling \$13.7 million contrary to the nature of the trust;
- Inventory totaling \$3.7 million (Note 5) includes Trading and Manufacturing Account Closing Stock of Finished Goods of \$1,058,578 could not be validated as the Department of Agriculture did not carry out an independent stock take;
- Various Ministries/Departments did not reconcile their respective expenditures as recorded in the expenditure ledger with the Financial Management & Information System as required under section 15 of Finance Instruction 2010.

  
Tevita Bolanavanua  
**AUDITOR GENERAL**

Suva, Republic of Fiji  
18 September 2014



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GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF ASSETS & LIABILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2013


Schedule 1

	Notes	31 December 2013 \$	31 December 2012 \$ (Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash at Bank	2	206,744,709	96,597,006
Accounts Receivable	3	18,712,196	21,252,166
Prepayments	4	4,274,678	13,687,618
Inventory	5	3,672,544	7,205,274
Trusted Assets	6	---	781,571
<b>Total Current Assets</b>		<b>233,404,127</b>	<b>139,523,635</b>
<b>Non Current Assets</b>			
Term-Loans Receivable	7	58,396,827	67,813,754
Investments	8	496,157,893	426,197,668
Investments in sinking fund	9	182,611,547	135,264,652
<b>Total Non Current Assets</b>		<b>737,166,267</b>	<b>629,276,074</b>
<b>TOTAL ASSETS</b>		<b>970,570,394</b>	<b>768,799,709</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	10	(64,339)	(106,668)
Deferred Income	11	357,258	(1,284,516)
Trust fund account	12	79,531,628	73,764,291
Term Loans Payable -Treasury Bills	13a	102,278,056	111,731,276
Provisions of Carry-Over of Budgetary Allocation	23	26,416,732	17,427,824
<b>Total Current Liabilities</b>		<b>208,519,335</b>	<b>201,532,207</b>
<b>Non Current Liabilities</b>			
Term Loans Payable - Overseas and Domestic	13b	3,722,661,914	3,567,090,221
<b>TOTAL LIABILITIES</b>		<b>3,931,181,249</b>	<b>3,768,622,428</b>
<b>NET LIABILITIES/EQUITY</b>	Schedule 3	<b>(2,960,610,855)</b>	<b>(2,999,822,719)</b>

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

Ministry of Finance  
Suva, Fiji

Dated 16<sup>th</sup> of the month of September, 2014

  
Erimone Waqabaca  
Permanent Secretary

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF RECEIPTS & PAYMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

Schedule 2

	Notes	31 December 2013 (\$)	31 December 2012 (\$)	Original Budget 2013 (\$)	Revised budget 2013 (\$)
<b>RECEIPTS</b>					
Operating Revenue	14	2,060,398,201	1,878,989,123	2,032,634,700	1,994,353,607
Investing Revenue	15	59,894,427	86,043,083	75,744,230	114,055,200
Loans Drawn	16	172,822,000	192,190,835	145,973,400	398,973,400
<b>TOTAL RECEIPTS</b>		<u>2,293,114,628</u>	<u>2,157,223,041</u>	<u>2,254,352,330</u>	<u>2,507,382,207</u>
<b>PAYMENTS</b>					
Operating Expenditure	17	1,247,833,004	1,171,988,092	1,277,437,368	1,276,841,148
Capital Expenditure	18	586,349,201	533,838,989	722,674,455	725,741,068
Value Added Tax	19	41,682,412	50,043,665	53,721,284	53,250,891
Interest Payments on Loans	20	260,450,670	260,860,919	273,552,055	269,938,113
Repayments of Loans	21	179,320,246	249,483,884	179,997,045	181,610,987
Trading Manufacturing operations	22	21,564,690	27,888,104	---	---
<b>TOTAL PAYMENTS</b>		<u>2,337,200,223</u>	<u>2,294,103,653</u>	<u>2,507,382,207</u>	<u>2,507,382,207</u>
Surplus (Deficit) for the year		<u>(44,085,595)</u>	<u>(136,880,612)</u>	<u>(253,029,877)</u>	<u>---</u>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF CHANGES IN NET LIABILITIES/EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 3**

	<b>31 December 2013 (\$)</b>
Restated Opening Balance	2,999,822,719
<b>Changes in net liabilities/equity for 2013</b>	
(Surplus) deficit for the year	44,085,595
Domestic loans raised	172,822,000
Redemption of domestic loans	(162,818,000)
Redemption of overseas loans	(19,652,245)
Revaluation of External Debt	65,287,541
Revaluation of shares	(64,886,925)
Adjustment to Domestic Interest Clearing Account	475,595
Adjustment of JP Morgan Investments	(56,626,065)
Acquisition of New Investment	(4,890,447)
Adjustments of previous years errors	(16,344,883)
Prior year adjustments of loans	(5,150)
Write-off of loans receivable	820,000
Settlement of Lending Fund Account	480,000
Cash Remitted to Fund 1	1,435,290
Operating Revenue booked directly To Equity	(2,851,850)
TMA (Trading and Manufacturing Accounts) - deficit posted to equity	3,457,680
<b>Net liabilities/equity at 31st December 2013</b>	<b>2,960,610,855</b>
	<b>31 December 2012 \$</b>
Opening Balance 1st January	2,815,628,265
Surplus (deficit)	136,880,612
Domestic loans raised	192,102,000
Overseas loans raised	91,587
Redemption of domestic loans	(233,268,000)
Redemption of overseas loans	(19,274,087)
Capitalized interest	1,032,228
Prior year adjustments of loans	32,609,349
Write-off of loans receivable	(277,200)
Revaluation of shares	12,709,536
TMA (Trading and Manufacturing Accounts) - deficit posted to equity	4,664,994
Other sundry	17,772
Restatement of Prior Year JP Morgan Investment Account	56,905,663
<b>Net liabilities/equity as per 31 December 2012</b>	<b>2,999,822,719</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**CASH FLOW STATEMENT (EXCLUDING CONTROLLED ENTITIES)**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 4**

		<b>31 December 2013</b>	<b>31 December 2012</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Direct Taxes		449,707,223	492,714,104
Indirect Taxes		1,429,587,947	1,229,433,474
Fees, Charges, Fines and Penalties		93,692,498	87,195,728
Sales Revenue (TMA)		18,746,128	25,301,914
Other Revenues and Surpluses		27,854,181	20,506,650
Reimbursements and Recoveries		25,865,874	9,976,409
Grants in Aid		15,739,334	13,164,242
Receipts into trust fund accounts		11,749,176	12,644,967
Established Staff		(581,796,373)	(554,739,632)
Unestablished Staff		(40,873,910)	(46,478,107)
Travel and Communications		(24,851,764)	(22,358,274)
Maintenance and Operations		(88,936,085)	(77,298,902)
Purchase of Goods and Services		(71,714,043)	(74,180,842)
Operating Grants and Transfers		(343,397,988)	(313,849,427)
Special Expenditure		(56,393,447)	(36,076,484)
Pensions, Gratuities and Compassionate Allowances		(35,340,641)	(36,371,122)
Value Added Tax		(40,777,317)	(50,043,665)
Cost of Goods Sold (TMA)		(2,643,081)	(27,836)
Trading and Manufacturing Accounts (TMA)		(18,846,560)	(32,740,775)
Interest Payments on Loans		(260,450,670)	(261,893,147)
Net Advance Payment/(Receipt)		(4,331,915)	---
2012 Carried Over Funds Utilized		(17,385,495)	---
Write-off of dormant cash accounts		70,096,505	---
Net cash flows from operating activities		555,299,577	384,879,275
<b>Cash flows from investing activities</b>			
Investing Revenue		62,255,610	73,333,547
Capital Expenditure		(562,674,860)	(533,838,990)
Net-payments term-loans receivable		---	2,840,785
Investments acquired		(5,073,299)	(10,067,562)
Investments in sinking fund		(26,801,724)	---
Net cash flows from investing activities		(532,294,273)	(467,732,220)
<b>Net cash inflows before financing</b>		23,005,304	(82,852,945)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		80,835,392	252,539,335
Repayment of borrowings		---	(153,721,743)
TMA excess cash remittance		6,307,007	---
Net cash flows from financing activities		87,142,399	98,817,592
Net increase/(decrease) in cash and cash equivalents		110,147,703	15,964,647
Cash and cash equivalents at the beginning of the period	2	96,597,006	80,632,359
Effects of exchange rate changes on cash held in foreign currencies		---	---
Cash and cash equivalents at the end of the period	2	206,744,709	96,597,006



**(1) SUMMARY 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. Given the nature of Government's quasi cash environment, the statements have been prepared on a modified accrual basis of accounting.

Where necessary, and where practicable, previous years' figures have been recast to provide valid comparisons.

**b) Consolidated Fund Account**

The Consolidated Fund Account (CFA) is a central bank account that caters for all the revenue of government namely borrowing proceeds; operating and investing revenue. The CFA also accommodates for any other public money generated by government statutory authorities whom are required by law to remit their daily collections to government. These accounts are managed centrally by Ministry of Finance to allow efficient cash management. The breakdown of the various revenue categories mentioned above are listed together with their 2013 individual balances in notes 14; 15 and 16.

As well, some public money is kept outside the Consolidated Fund in accordance with particular legislations. These "extra-budgetary funds" relate to regulatory fees collected and retained by the Ministry of Labour and Industrial Relations in the OHS Education and Accident Prevention Trust Fund.

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

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

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

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

**c) Scope**

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

The statements do not yet include statutory authorities; government commercial companies as well as commercial statutory authorities which are deemed to be controlled entities of government under the Internal Public Sector Accounting Standards (IPSAS) requirements.

In future, it is proposed to adopt the IPSAS. 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.

- d) **Cash**  
Cash comprises of cash on hand and demand deposits.
- e) **Accounts Receivable**  
Accounts receivable represents money owed by third parties to government on the sale of products or services on credit. Account receivable balance mainly comprises of unrecouped TMA receivables as well as state revenue owed to government by third parties.
- f) **Prepayments**  
Prepayments comprise of unrecouped accountable advances paid to civil servants to facilitate official trips and accommodation for both domestic and overseas trips.
- g) **Inventory**  
Inventories are stated at lower of cost and net realizable value. Cost is assigned to inventory on a consistent basis year to year using either the specific identifications; first in first out or weighted average costs. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.
- h) **Investments**  
Valuation of investments is at market value if available. If market value is not available, investments are recorded at cost. Fair value is especially used by entities that are listed on the South Pacific Stock Exchange namely Unit Trust of Fiji Ltd (UTOF) and Amalgamated Telecommunications Holdings (ATH).
- i) **Investment in Sinking Fund**  
Investments in Sinking Fund are converted to FJD using end of year exchange rates prescribed by the RBF. Investments are recorded at the end of the year for which gains/loss on share price are reflected at market value as recorded by J.P Morgan.
- j) **Accounts Payable**  
Accounts payable represent funds approved by the carry-over committee to be rolled over to the new budgetary/financial period.
- k) **Deferred Income**  
Liabilities also include amounts received in advance for future services. Since the amount received (recorded as the asset Cash) has not yet been earned, government defers the reporting of revenues and instead reports a liability such as Unearned Revenues.
- l) **Treasury Bills Payable**  
T-Bills Payable are recorded at face value indicating the level of liability to be paid by Government
- m) **Trust Fund Account**  
Trust Fund Accounts comprises of funds which government of Fiji holds on behalf of its designated beneficiaries. The Trust Fund Accounts comprises of operating trust and true trust monies.
- n) **Term Loans Payable**  
Term Loans Payable comprises domestic bonds recorded at Face Value and External Loans recorded to the amount of disbursement made for each loan and converted to FJD using end of year exchange rates prescribed by the RBF.
- o) **Operating Income**  
Operating Income is recognized in the statement of receipts and payments using both accrual and cash basis system. Where AR Modules are available, revenue is accounted on an accrual basis. However, those Ministries whom have yet to adopt AR module are still accounting for their revenue on a pure cash basis system.
- p) **Investing Revenue**  
Investing Revenue is recorded in the statement of receipts and payments on cash basis system.
- q) **Loans Drawn**  
Loans drawn are proceeds obtained from government's domestic bonds and external loans and bond.
- r) **Expenditure**  
Expenditure is recorded in the statement of cash receipts and payments on a cash basis except for carry-over and accountable advance.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT (cont)**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 5**

**2 CASH AT BANK**

All Government Ministries/Departments use several bank accounts for their operations and 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 Cash at bank represent the value of cheques that were issued but have not been presented to the banks as at the end of the financial year.

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Description of Account</b>		
Overseas Agencies	84,147,140	88,196,257
Domestic Account	126,382,089	53,221,460
Trust Fund Account	64,005,322	53,439,357
Trading and Manufacturing Account	7,782,209	9,100,209
Less: Unpresented Cheques	(75,572,051)	(107,360,277)
<b>Net Cash</b>	<b>206,744,709</b>	<b>96,597,006</b>

Cash held in Overseas Agencies are represented by the following:

Bank in Australia	(560,703)	79,739
Bank in London	(3,120,349)	(1,847,615)
Bank in Japan	895,416	238,405
Bank in New Zealand	280,937	904,309
Bank in Brussels	692,243	684,885
Bank in Sinal Unifil	---	21,956
Bank in Asia	2,066,199	2,229,359
Bank in America:		
<i>Fiji High Commission UN</i>	241,741	270,689
<i>Washington</i>	436,044	378,770
<i>JP Morgan</i>	83,187,412	85,208,767
<i>JP Morgan Interest Account</i>	28,200	26,993
<i>Cash at Overseas Agencies</i>	<b>84,147,140</b>	<b>88,196,257</b>

**Domestic Cash - Credit Facility**

Government also has a credit facility with a \$65,000 limit. As at financial year end 31 December 2013, amount payable on this facility totals \$61,067.

**3 ACCOUNTS RECEIVABLE**

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

Trade Receivables	5,170,331	5,385,193
Non-Trade Receivables	10,955,378	13,807,821
Employee Advances	18,851	152,316
Trade & Sundry Debtors	(193,881)	(411,688)
Accounts receivable from government departments	2,034,946	1,639,124
Miscellaneous Receivable	726,571	679,400
	<b>18,712,196</b>	<b>21,252,166</b>

**4 PREPAYMENTS AND ACCRUED INCOME**

Prepayments and Accrued Income as at year end were as follows:

Prepayments	178,118	2,008,944
Accrued Income	---	319,979
Advances, Dishonored Cheques	4,096,560	11,909,747
Clearing Accounts Term Loans Payable Overseas Loans	---	(551,052)
	<b>4,274,678</b>	<b>13,687,618</b>

FOR THE YEAR ENDED 31 DECEMBER 2013

5 INVENTORY

Inventory comprises of raw materials; work in progress and finished goods of the government Trade and Manufacturing Account operators (TMAs).

Inventories are valued at cost using the periodic inventory method. Inventory as at year end are as follow:

	31 December 2013 \$	31 December 2012 \$
Raw Materials	1,436,650	2,039,995
Work-in-Progress	25,327	1,126
Finished Goods for Sales	2,210,567	5,164,153
	<u>3,672,544</u>	<u>7,205,274</u>

6 TRUSTED ASSETS

Trusted assets as at year end was as follows:

Fiji Mission Malaysia	---	875,150
Carry-over Budget Allocation (Foreign Affairs)	---	(93,579)
	<u>---</u>	<u>781,571</u>

7 TERM-LOANS RECEIVABLE

Term-Loans Receivable

Term-Loans Receivable for Social Services	(5,778,270)	421,844
Term-Loans Receivable for Economic Services	64,175,097	67,391,910
<b>Total Term-Loans Receivable</b>	<u>58,396,827</u>	<u>67,813,754</u>

Loans provided by the government to third parties as at year end are represented as follows:

Term-Loans Receivable for Social Services

Public Officers & Ministers	126,343	152,869
Fijian Affairs Board	6,798,924	7,518,924
PSC (Public Service Commission) Tertiary Education	(2,526,896)	(1,941,555)
PSC (Public Service Commission) Private Students	(3,758,799)	(3,756,326)
Students Scheme	(6,417,842)	(1,552,068)
	<u>(5,778,270)</u>	<u>421,844</u>

Term-Loans Receivable for Economic Services

Native Land Trust Board	87	820,000
Copra Industry Stabilisation Fund	8,685,343	10,262,280
Fiji Pine Ltd	12,000,000	12,000,000
Timber Exporters	---	795,034
Fiji Sugar Corporation Ltd	35,500,000	35,500,000
Viti Corporation Ltd	3,189,667	3,189,667
National Trading Corporation	2,900,000	2,900,000
Agriculture Crop Production	---	16,287
Consumer Co-Operative	---	8,642
Rewa Rice Ltd	1,900,000	1,900,000
	<u>64,175,097</u>	<u>67,391,910</u>

## 8 INVESTMENTS

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

Investments as at year end were as follows:

	31 December 2013	31 December 2012
	\$	\$
<b>Investments</b>		
Investments in Social Services	7,281,246	7,274,885
Investments in Economic Services	216,708,160	209,272,280
Investments in Infrastructure Services	271,985,635	209,650,503
Investment in TMA	182,852	---
<b>Total Investments</b>	<b>496,157,893</b>	<b>426,197,668</b>

Investments by Sectors are represented as follows:

8A <b>Investment in Social Services</b>	<b>Interest</b>		
Post Fiji Ltd	100%	5,600,000	5,600,000
Unit Trust of Fiji (Trustee) Ltd	49%	679,624	674,663
Unit Trust of Fiji (Mngt) Ltd	100%	50,000	50,000
Daily Post	44.76%	951,620	950,220
Fiji Broadcasting Corporation Limited	100%	2	2
		<b>7,281,246</b>	<b>7,274,885</b>
<b>Investments in Economic Services</b>			
Air Pacific Ltd	51%	13,307,075	13,307,075
Fiji Hardwood Corporation	90%	89,999,993	89,999,993
Pacific Fishing Company Ltd	99.50%	14,728,956	14,728,956
Air Fiji Ltd	11.45%	171,804	171,804
Fiji Pine Ltd	99.90%	61,002,064	61,002,064
Fiji Sugar Corporation Ltd	68%	15,119,580	15,119,580
National Trading Corp. Ltd	100%	3,358,186	3,358,186
Rewa Rice Ltd	100%	1,506,224	1,506,224
Viti Corps Company Ltd	100%	6,000,000	6,000,000
Yaqara Pastoral Company Ltd	100%	1,191,846	1,191,846
Food Processors Fiji Ltd	100%	687,680	687,680
Air Terminal Services	51%	765,000	765,000
International Finance Corporation		242,930	232,305
International Bank for Reconstruction and Development		2,106,662	1,110,000
Copra Millers Fiji Ltd	98.4%	6,428,593	---
Yaqara Group Ltd	100%	91,567	91,567
		<b>216,708,160</b>	<b>209,272,280</b>
<b>Investments in Infrastructure Services</b>			
Airports (Fiji) Ltd		92,300,180	92,300,180
ATH Ltd	34.60%	106,530,603	36,483,142
Fiji International Telecommunication Ltd	0%	---	3,570,000
Pacific Forum Line Ltd	0%	---	4,142,329
Fiji Ports Corporation Ltd	100%	73,154,852	73,154,852
		<b>271,985,635</b>	<b>209,650,503</b>
<b>Investment in Trade and Manufacturing Account</b>			
Investments in Fixed Assets		182,852	---
		<b>182,852</b>	<b>---</b>

8B RECONCILIATION OF INVESTMENTS

The reconciliation of changes in investments is as follows:

	31 December 2013	31 December 2012
	\$	\$
<b>Increase in fair value of shares</b>		
Unit Trust of Fiji (Trustee) Ltd	4,961	34,725
Amalgamated Telecommunications Holdings (stock price revaluation)	70,047,461	---
Pacific Forum Line	---	47,666
<b>Exchange Rate adjustments</b>		
International Finance Corporation	10,625	232,305
International Bank for Reconstruction and Development	996,662	1,110,000
<b>Sale of government shares</b>		
Fiji International Telecommunications Ltd (FINTEL)	(3,570,000)	---
Pacific Forum Line	(4,142,329)	---
Fiji Ships and Heavy Industries	---	(7,662,228)
Fiji Television Ltd	---	(1,442,000)
Ports Terminal Ltd	---	(3,084,300)
Equity Investments Mgmnt Co. Ltd	---	(51)
Rewa Co-operative Dairy Co	---	(27,218)
Fiji Sugar Marketing Company	---	(2)
International Hotels of Fiji	---	(2,000,000)
Fiji Shipping Corporation Ltd	---	(10,000)
<b>Additional Investments</b>		
Copra Millers of Fiji Ltd	6,428,593	---
Yaqara Group Ltd	---	91,567
Investment in Fixed Assets	182,852	
<b>Adjustment of errors</b>		
Daily Post	1,400	---
	<u>69,960,225</u>	<u>(12,709,536)</u>

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

9 INVESTMENTS IN SINKING FUND	31 December 2013	31 December 2012
	\$	\$
		(Restated)
JP Morgan managed account	57,319,523	17,873,101
JP Morgan collateral	28,551,009	26,877,935
JP Morgan other offshore short term	96,741,015	90,513,616
	<u>182,611,547</u>	<u>135,264,652</u>

The prior year balances of Investment in Sinking Fund have been overstated by \$56,905,663, therefore, the comparative amounts have been restated to reflect the correct amounts.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
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**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 5**

The reconciliation of changes in fair value of investments in Sinking Fund Account is as follows;

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
		<b>(Restated)</b>
<i>Opening balance at 1 January</i>	135,264,652	169,393,217
<i>Add</i> Interest Capitalised	10,311	29,764
Realised Exchange Rate Gains/(Losses)	8,165,639	(2,121,353)
Subscriptions to Managed Reserve Fund a/c	37,807,183	---
Net gain on rollover of maturing investments	1,363,762	779,561
<i>Less</i> Coupon Payments	---	---
Drawdowns	---	---
Adjustment of prior year error	---	(32,816,537)
<i>Closing balance at 31 December</i>	182,611,547	135,264,652

The investments in sinking fund consist of the managed reserve fund account, collateral account with JP Morgan and other investments held with ANZ and RaboBank of Australia to be used for a bond repayment in 2016.

The JP Morgan Liquidity Fund and the Collateral Dividend Account are reflected under Overseas Cash (Note 2).

The following are the exchange rates used by Ministry of Finance for monthly conversions and adjustments.

<b>Date of Conversion</b>	<b>Exchange Rate</b>
02/01/2013	0.5608
01/02/2013	0.5635
01/03/2013	0.5555
01/04/2013	0.5601
01/05/2013	0.5623
03/06/2013	0.5373
01/07/2013	0.5242
01/08/2013	0.5261
03/09/2013	0.5229
01/10/2013	0.538
01/11/2013	0.5403
02/12/2013	0.5307
31/12/2013	0.5269

**10 ACCOUNTS PAYABLE**

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
Accounts payable as at year end were as follows:		
TMA Trade & Sundry Creditors	(570,525)	(525,893)
Withholding Tax	152,417	225,407
Litigation Claims	353,769	193,818
	<u>(64,339)</u>	<u>(106,668)</u>

**11 DEFERRED INCOME**

Deferred Income as at year end were as follows:

Customs Income Received in Advance	56,569	(146,009)
TMA Income Received in Advance	300,689	(1,138,507)
	<u>357,258</u>	<u>(1,284,516)</u>

## 12 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:

	31 December 2013	31 December 2012
	\$	\$
Deposits, Deductions and Retention Money	15,850,940	19,255,218
Consolidated Trust Fund	63,680,688	54,509,073
<b>Total Trust Fund Account</b>	<b>79,531,628</b>	<b>73,764,291</b>

## 13 TERM-LOANS PAYABLE

Government borrows monies either domestically or from overseas to finance its Capital Programmes. Total debt of Government outstanding as at 31/12/13 are as follows:

		31 December 2013	31 December 2012
		\$	\$
a	<b>Current Liabilities</b>		
	Term-Loans Payable - Treasury Bills	13 (c)	102,278,056
	Total Current Liabilities		111,731,276
b	<b>Non-Current Liabilities</b>		
	Term-Loans Payable - Overseas Loans	13 (d)	1,081,097,414
	Term-Loans Payable - Domestic Loans	13 (e)	2,641,564,500
	Total Non-Current Liabilities		3,722,661,914
	<b>Total Government Debt</b>		<b>3,824,939,970</b>

Government debt is represented as follows:

### (c) 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.

	31 December 2013	31 December 2012
	\$	\$
Outstanding 1 January	111,731,276	70,921,393
Adjustments of error in 2012	1,687	
Restated Opening Balance	111,732,963	
Treasury Bills Issues during the year	138,122,146	306,664,544
Treasury Bills Redemptions during the year	(147,577,053)	(265,852,974)
Sundry movements	---	(1,687)
Outstanding 31 December	102,278,056	111,731,276



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**Schedule 5**

Total outstanding Treasury Bills are represented as follows:

<b>Treasury Bill Number</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>31 December 2013</b>
3764	05/08/2013	01/08/2014	3,983,955
3765	05/08/2013	05/07/2014	4,962,880
3767	22/05/2013	22/01/2014	2,491,638
3768	22/5/2013	21/05/2014	9,935,595
3771	29/5/2013	29/01/2014	4,987,279
3772	29/05/2013	28/05/2014	4,973,711
3773	06/05/2013	02/05/2014	4,988,949
3774	06/05/2013	06/04/2014	4,976,180
3776	06/12/2013	02/12/2014	4,890,153
3777 - A	06/12/2013	06/11/2014	2,488,831
3777 - B	06/12/2013	06/11/2014	2,488,831
3780	07/03/2013	03/05/2014	3,892,945
3781	07/03/2013	07/02/2014	3,884,505
3782	17/7/2013	19/03/2014	3,994,637
3783	17/7/2013	16/07/2014	3,988,069
3785	08/07/2013	04/09/2014	4,894,415
3786	08/07/2013	08/06/2014	4,987,565
3790	21/8/2013	23/04/2014	3,496,480
3791	21/8/2013	20/08/2014	6,986,066
3792	09/04/2013	05/07/2014	2,497,820
3793	09/04/2013	09/03/2014	7,488,798
3794	20/11/2013	19/02/2014	4,998,754
Total outstanding Treasury Bills as at 31/12/13:			<b>102,278,056</b>

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
(d) <b>Overseas loans</b>		
<i>Outstanding 1 January</i>	935,524,571	832,147,104
Prior year adjustment	6,016	689
Cash borrowings raised during the year	---	91,587
Redemptions during the year	(19,652,245)	(19,274,087)
Capitalized interest	465,239	1,032,227
Direct disbursement and non-cash borrowing	99,466,292	136,428,717
Foreign exchange loss on overseas loans	---	(14,895,650)
Increase in public debt due to revaluation	65,287,541	---
Other sundry		(6,016)
<i>Outstanding as at 31 December</i>	<b>1,081,097,414</b>	<b>935,524,571</b>
(e) <b>Domestic loans</b>		
<i>Outstanding 1 January</i>	2,631,565,650	2,647,381,510
Prior year adjustments		15,900,140
Borrowings raised during the year	172,822,000	192,102,000
Redemptions during the year	(162,818,000)	(233,268,000)
Fiji Sugar Cane Growers Loan taken on by government		9,450,000
Write Off of Unredeemed Matured Bonds	(5,150)	
<i>Outstanding as at 31 December</i>	<b>2,641,564,500</b>	<b>2,631,565,650</b>

- (f) Government liability in relation to Concessionary loans from Overseas Institution (13d) are recognised when government draws down from these facility and Government has the right to terminate this facility. In addition to total liability disclosed under Note 13 (d), the total undisbursed amounts for respective concessionary loan accounts converted at 31/12/12 exchange rates are as follows:

<b>Loan Account</b>	<b>Exchange Rate</b>	<b>Foreign Amount</b>	<b>31 December 2013</b>
			<b>FJD (\$)</b>
2004 ADB Suva/Nausori Water Supply & Sewerage Project			
Loan 2055 FJ (USD)	0.5269	572,521	1,086,584
2010 Fiji Low Cost Housing Loan Project (CYN)	0.31	65,660,965	20,354,899
2010 Fiji Public Rental Housing Project (CYN)	0.31	48,661,015	15,084,915
2010 Suva/Nausori Water Supplementary Loan FJ 2603 (USD)	0.5269	5,973,812.47	11,337,659
ADB FRUP 3 Supplementary Loan FJ 2514 (USD)	0.5269	1,990,192	3,777,173
2009 Emergency Flood Recovery Loan 2541 (USD)	0.5269	5,623,974	10,673,703
2010 Roads Improvement Sigatoka/Serea Loan # 729988 (CYN)	0.31	115,856,536	35,915,526
2010 Buca/Moto Road (CNY)	0.31	105,501,059	32,705,328
2012 Nabouwalu/Dreketi Loan (CYN)	0.31	633,845,223	196,492,019
<b>Undisbursed Loan Amounts</b>			<b>327,427,805</b>

\* CYN = Chinese Yen      USD = US dollars

#### 14 OPERATING REVENUE

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

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
Direct Taxes	449,707,223	492,714,104
Indirect Taxes	1,429,587,947	1,229,433,474
Fees, Charges, Fines and Penalties	94,605,959	87,195,729
Trading and Manufacturing Accounts - Sales Revenue	17,037,683	24,222,180
Other Revenues and Surpluses	27,854,181	22,282,985
Reimbursements and Recoveries	25,865,874	9,976,409
Grants in Aid	15,739,334	13,164,242
<b>Total Operating Revenue</b>	<b>2,060,398,201</b>	<b>1,878,989,123</b>

#### 15 INVESTING REVENUE

Repayment of Term-Loans Receivable	25,425	20,882
Sales of Government Assets	10,146,986	25,053,815
Dividend from Investments	11,980,221	10,524,101
Interest from Bank Balances	35,671,873	47,811,625
Return of Surplus Capital from Investments	2,069,922	2,632,660
<b>Total Investing Revenue</b>	<b>59,894,427</b>	<b>86,043,083</b>

16 **LOANS DRAWN**

Eighty new loans were raised locally during the year in the form of Fiji Infrastructure Bonds (FIB) and Viti Bonds, while eleven overseas loans were drawn from loans that had been approved in previous years but were yet to be fully drawn. The loans respective repayment periods ranges from 2013 to 2040.

	31 December 2013	31 December 2012
	\$	\$
<i>Overseas Loans Drawn</i>		
ADB Loan No.2541 Emergency Flood Relief	---	91,587
<b>Total Overseas Loans Drawn</b>	---	---
Domestic Loans Drawn	172,822,000	192,099,248
<b>Total loans drawn</b>	<b>172,822,000</b>	<b>192,190,835</b>

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

	31 December 2013	31 December 2012
	\$	\$
ADB Supplementary Third Road Upgrading project 2010	10,721,446	11,686,863
ADB Rehabilitation of Roads, Water & Sewerage 2009	6,010,541	7,854,112
ADB Supplementary Suva/Nausori Water Supply Project 2010	12,979,576	10,387,349
EXIM Bank of China Fiji Low Cost Housing Project 2010	8,447,846	9,670,439
EXIM Bank of China Fiji Public Rental Housing Project 2010	---	2,690,170
EXIM Bank of Malaysia Queens Highway Rehabilitation Project 2010	5,389,396	14,652,547
ADB Suva Nausori Water Supply and Sewerage Project 2004	155,503	2,417,497
EXIM Bank of China Buca Bay and Moto Road Project 2011	18,934,872	27,330,867
EXIM Bank of China Sigatoka Valley and Sawani Serea Road Project 2011	---	14,179,214
EXIM Bank of China Sigatoka Valley and Sawani Serea Road Project 2011	17,557,796	---
EXIM Bank of China Nabouwalu and Dreketi Road Upgrading Project 2012	19,734,555	36,591,887
<b>Total Overseas Borrowings</b>	<b>99,931,531</b>	<b>137,460,945</b>

17 **OPERATING EXPENDITURE**

Operating expenditure includes the following:

	31 December 2013	31 December 2012
	\$	\$
Established Staff	581,796,373	554,739,632
Unestablished Staff	40,873,910	46,478,108
Travel and Communications	25,501,187	22,358,274
Maintenance and Operations	88,968,169	77,392,481
Purchase of Goods and Services	71,733,445	74,163,071
Operating Grants and Transfers	343,451,514	313,849,427
Special Expenditure	60,167,765	46,635,976
Pensions, Gratuities and Compassionate Allowances	35,340,641	36,371,123
<b>Total Operating Expenditure</b>	<b>1,247,833,004</b>	<b>1,171,988,092</b>

18 **CAPITAL EXPENDITURE**

Capital Expenditure includes the following:

Capital Construction	54,783,794	202,948,106
Capital Purchases	36,367,494	22,500,630
Capital Grants and Transfers	495,197,913	308,390,253
<b>Total Capital Expenditure</b>	<b>586,349,201</b>	<b>533,838,989</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT (cont)**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 5**

<b>19 VALUE ADDED TAX EXPENDITURE</b>	41,682,412	50,043,665
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These are the VAT payments made by Ministries/Departments to FRCA (Fiji Revenue & Customs Authority) during the year.

**20 INTEREST PAYMENTS ON LOANS**

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

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
<i>Interest Payments:</i>		
Overseas Loans	51,976,719	49,322,771
Domestic Loans	207,506,356	---
Treasury Bills	967,595	850,851
<i>Total Interest Paid</i>	260,450,670	260,708,471
Other charges on Public Debt - Miscellaneous Payments	---	152,448
Total Interest Paid and Miscellaneous Payments	260,450,670	260,860,919

*Interest on overseas loans:*

Export Import Bank of Japan 2nd Road Upgrading Project 1993	---	25,752
Japan Bank International Cooperation Nadi and Lautoka Regional Water	586,109	758,990
Export Import Bank of China Fiji Low Cost Housing Project 2010	863,838	679,587
Export Import Bank of China Fiji Public Rental Housing Project 2010	299,635	251,309
Export Import Bank of Malaysia Queens Highway Rehabilitation Project	1,095,269	600,981
Export Import Bank of China Sigatoka Valley and Sawani Serea Road	1,394,575	1,064,313
Export Import Bank of China Buca Bay and Moto Road Project 2011	1,640,292	1,141,139
Asian Development Bank Road Maintenance Project 2003	---	37,526
Asian Development Bank 2nd Road Upgrading Project 2003	151,894	222,251
Asian Development Bank Third Road Upgrading Project 1998	651,646	676,640
Asian Development Bank Suva Nausori Water Supply and Sewerage Project 2004	646,834	---
JP Morgan Fiji Government Global Borrowing 2006	---	---
Eximbank of China E Government Project	---	3,935,021
Asian Development Bank Supplementary Third Road Upgrading project	210,890	---
Asian Development Bank Supplementary Suva/Nausori Water Supply Project 2010	145,351	---
JP Morgan Fiji Government Global Borrowing 2006	41,519,702	39,929,262
Export Import Bank of China E-Government Project 2006	878,754	---
Export Import Bank of China Nabouwalu and Dreketi Road Upgrading Project 2012	1,782,932	---
Asian Development Bank Rehabilitation of Roads, Water & Sewerage 09	108,998	---
	51,976,719	49,322,771

Interest on domestic loans

**Type of Loan**

	<b>31 December 2013</b>
Fiji Development Loan 1998	321,100
Fiji Development Loan 1999	1,929,000
Fiji Development Loan 2000	2,195,000
Fiji Development Loan 2001	2,942,900
Fiji Development Loan 2002	3,682,200
Fiji Development Loan 2003	8,783,002
Fiji Development Loan 2004	14,405,780

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT (cont)**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 5**

**21 REPAYMENTS OF LOANS**

		<b>31 December 2013 \$</b>	<b>31 December 2012 \$</b>
Principal Repayments:			
Overseas Loans	21(a)	19,652,246	16,215,884
Domestic Loans	21(b)	159,668,000	233,268,000
<i>Total Principal Repayments</i>		<u>179,320,246</u>	<u>249,483,884</u>

Total Repayments of loans are represented by:

(a) *Principal Repayments Overseas Loans:*

Export Import Bank of Japan 2nd Road Upgrading Project 1993	---	1,068,578
JICA Loan Nadi/Lautoka Regional Water Supply	2,339,138	2,752,636
Export Import Bank of China E-Government Project 2006	3,153,057	---
Asian Development Bank Road Maintenance Project 2003	---	3,966,989
Asian Development Bank 2nd Road Upgrading Project 2003	2,658,943	2,952,635
Asian Development Bank Third Road Upgrading Project 1998	3,509,315	3,038,208
Asian Development Bank Suva Nausori Water Supply and Sewerage	2,186,271	1,857,231
Asian Development Bank Supplementary Third Road Upgrading project 2010	1,018,082	579,607
	4,787,440	---
<i>Total Principal Repayments</i>	<u>19,652,246</u>	<u>16,215,884</u>

(b) *Principal Repayment Domestic Loans:*

Fiji Development Loan 1998	4,200,000	
Fiji Development Loan 2003	84,560,000	
Fiji Development Loan 2006	27,705,000	
Fiji Development Loan 2008	43,203,000	
	<u>159,668,000</u>	<u>233,268,000</u>

**22 EXPENSES FROM TRADING & MANUFACTURING ACCOUNTS**

Cost of Goods sold	2,643,081	27,836
Other TMA Expenditures	18,921,609	27,860,268
Trading and Manufacturing Accounts	<u>21,564,690</u>	<u>27,888,104</u>

**23 PROVISIONS**

The Provision represents the carry over of unutilised budgetary allocation for various Ministries and Departments relating to Capital Projects and other programmes as approved by the Minister of Finance under Section 19 of the Financial Management Act 2004.

Carryover of 2013 Budgetary Provisions	26,416,732	17,429,329
Carryover of 2013 ODA Budgetary Provisions	---	(1,505)
	<u>26,416,732</u>	<u>17,427,824</u>

**24 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.

	<b>31 December 2013 \$</b>	<b>31 December 2012 \$</b>
Ways and Means Receipts	---	24,900,000
Ways and Means Repayments	---	24,900,000

**25 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 31/12/13 are as follows:

	<b>31 December 2013 \$</b>	<b>31 December 2012 \$</b>
Agriculture	827,576	824,986
Auditor-General	275,125	232,734
Telecommunications Authority of Fiji	5,831,427	---
Education, Youth and Sports	16,330	8,119
Elections Office	---	---
Fiji Islands Maritime Safety Administration	---	123,645
Fiji Islands Revenue & Customs Authority - Customs	6,047,820	3,292,502
Fiji Islands Revenue & Customs Authority - IRD	60,923,881	107,887,503
Fiji Procurement Office	113,548	113,548
Finance (Surcharge)	813,181	702,527
Finance (Pensions Office)	62,036	15,589
Fisheries & Forests	20,507	17,308
Government Printing and Stationery Department	368,368	641,013
Health	210,647	451,365
Immigration	8,197	---
Information Technology & Computing Services	---	1,862
Judicial	11,968,031	11,341,730
Labour and Industrial Relation	---	37,907
Lands	25,228,161	22,729,013
Overseas Peacekeeping Missions	1,623,583	6,133,366
Police	---	2,708
Prisons	---	---
Public Utilities(Water Authority of Fiji)	32,019,392	38,127,154
Provincial Development & Multi Ethnic Affairs	656,688	495,059
Solicitor General`s Office	---	---
Divisional Engineer Works North	288	---
<b>Total Arrears of Revenue</b>	<b>147,014,786</b>	<b>193,179,638</b>

Six revenue earning entities did not submit their Arrears of Revenue reconciliation and are not included in the listing above.

GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF CONTINGENT LIABILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2013

Schedule 6

Name	Liability	Authority	Total Government Guarantee as at 31/12/2013 \$	Liability as at 31/12/2013 \$
<b>Fiji Development Bank</b>	Guarantee of Loans Raised	Approval of House of Representatives 22/02/02;20/02/03;30/11/2004;28/11/05;28/11/06; IGCP15/1/08;IGCP02/12/08; CP(10)13 19/01/10, CP (12) 29	190,048,028	190,048,028
<b>Fiji Electricity Authority</b>	Guarantee of Loans Raised	Approval of House of Representatives Decree 1991 ; IGCP6/02/2001;16/10/03;18/8/05; IGCP26/2/08,28/07/08;CP (10) 291 12/10/10	499,994,200	297,885,353
<b>Fii Hardwood Corporation</b>	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 9/8/06;16/01/09	15,304,157	15,304,157
<b>Fiji Pine Limited</b>	Guarantee of Loans Raised	Approval of House of Representatives dated 6/12/94;17/8/05	17,500,000	13,523,581
<b>Fiji Sugar Corporation</b>	Guarantee of Loans Raised	Approval of House of Representatives ;01/04/2004 ;20/09/04;17/02/2005;10/8/06;IGCP20/05/08; ;05/05/09; CP (10) 74 18/3/10	215,654,160	156,057,008
<b>Housing Authority</b>	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02;2708/03;29/11/05;21/10/08	120,300,000	79,800,000
<b>Fiji Sports Council</b>	Guarantee of Loans Raised	Approval of House of Representatives 19/05/06	18,200,000	12,750,452
<b>Fiji Ports Corporation Limited</b>	Guarantee of Loans Raised	Approval of House of Representatives 17/9/79; Decree No. 22 dated 4/8/89; Decree No. 41 dated 14/10/91; 23/05/02	51,758,034	23,151,587
<b>Fiji Broadcasting Corporation</b>	Guarantee of Loans Raised	Approval of Cabinet; 14/7/2009.	21,594,693	20,868,177
<b>Pacific Fishing Company Limited</b>	Guarantee of Standby Credit Facility	Approval of House of Representatives 02/01/97; 31/08/00	4,100,000	2,843,262
<b>Fiji National Provident Fund</b>	Guarantee of Contributors	Act No. 19 of 1966 Section 9 ; CP (09) 325 18/12/09	1,369,811,890	1,369,811,890
<b>National Bank of Fiji</b>	Guarantee of Depositors	Act No. 14 of 1996	1,602,660	1,602,660
<b>Section A</b>		<b>Total Government Guarantee</b>	<b>2,525,867,822</b>	<b>2,183,646,155</b>
<b>International Bank for Reconstruction and Development</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971	7,120,435	7,120,435
<b>International Development Association</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971	507,091	507,091
		<b>Section B Total Other Contingent</b>	<b>7,627,526</b>	<b>7,627,526</b>
		<b>SUMMARY-</b>		
		Section A	2,525,867,822	2,183,646,155
		Section B	7,627,526	7,627,526
		<b>Total</b>	<b>2,533,495,348</b>	<b>2,191,273,681</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**BUDGET RESULT**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

Schedule 7

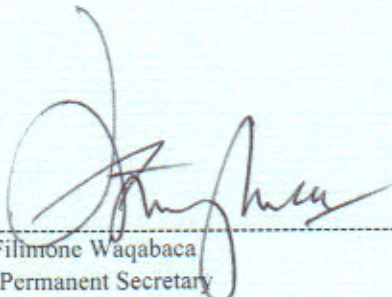
	Estimate 2013 \$	Actual 2013 \$	Increase / (Decrease) \$
<b>REVENUE</b>			
Operating Revenue	1,994,353,607	2,060,398,201	(66,044,594)
Investing Revenue	114,055,200	59,894,427	54,160,773
Public Debt - New Borrowings	398,973,400	172,822,000	226,151,400
<b>TOTAL REVENUE</b>	<b>2,507,382,207</b>	<b>2,293,114,628</b>	<b>214,267,579</b>
<b>EXPENDITURE</b>			
Operating Expenditure	1,276,841,148	1,247,833,004	29,008,144
Capital Expenditure	725,741,068	586,349,201	139,391,867
Value Added Tax	53,250,891	41,682,412	11,568,479
Public Debt Repayments	451,549,100	439,770,916	11,778,184
Trading Manufacturing Account	---	21,564,690	(21,564,690)
<b>TOTAL EXPENDITURE</b>	<b>2,507,382,207</b>	<b>2,337,200,223</b>	<b>170,181,984</b>
<b>BUDGET RESULT</b>	<b>---</b>	<b>(44,085,595)</b>	<b>44,085,595</b>

Note:

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

Ministry of Finance  
 Suva, Fiji

Dated 16<sup>th</sup> of the month of September, 2014

  
 Filimone Waqabaca  
 Permanent Secretary



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**SUMMARY OF REVENUE**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 8**

Heads of Revenue	Estimate	Actual Revenue 2013	Increase	Decrease	Actual Revenue 2012
	\$	\$	\$	\$	\$
<b>OPERATING REVENUE</b>					
21 Direct Taxes.....	433,750,900	449,707,223	15,956,323	---	492,714,104
22 Indirect Taxes.....	1,418,872,300	1,429,587,947	10,715,647	---	1,229,433,474
23 Fees, Fines & Charges.....	86,792,207	94,605,959	7,813,752	---	87,195,729
24 Operating Revenue - Sales.....	---	17,037,683	17,037,683	---	24,222,180
27 Other Receipts.....	27,349,300	27,854,181	504,881	---	22,282,985
28 Reimbursements & Recoveries.....	10,985,500	25,865,874	14,880,374	---	9,976,409
29 Grant Aid.....	16,603,400	15,739,334	---	864,066	13,164,242
<b>Operating Revenue Total.....</b>	<b>1,994,353,607</b>	<b>2,060,398,201</b>	<b>66,908,660</b>	<b>864,066</b>	<b>1,878,989,123</b>
<b>INVESTING REVENUE</b>					
31 Repayments of Term Loans Receivable.....	297,900	25,425	---	272,475.00	20,882
32 Sales of Government Assets.....	72,600,000	10,146,986	---	62,453,014.00	25,053,815
33 Dividends from Investments.....	38,281,000	11,980,221	---	26,300,779.00	10,524,101
34 Interest from Bank Balances.....	217,300	35,671,873	35,454,573	---	47,811,625
35 Return of Surplus Capital from Investment.....	2,659,000	2,069,922	---	589,078.00	2,632,660
	114,055,200	59,894,427	35,454,573	89,615,346.00	86,043,083
<b>BORROWING PROCEEDS</b>					
15. Overseas Loans.....	255,000,000	---	---	255,000,000	91,587
16. Domestic Loans.....	143,973,400	172,822,000	28,848,600	---	192,099,248
Loans Revenue Total.....	398,973,400	172,822,000	28,848,600	255,000,000	192,190,835
<b>Investing/Loans Revenue Total.....</b>	<b>513,028,600</b>	<b>232,716,427</b>	<b>64,303,173</b>	<b>344,615,346</b>	<b>278,233,918</b>
<b>Grand Total.....</b>	<b>2,507,382,207</b>	<b>2,293,114,628</b>	<b>131,211,833</b>	<b>345,479,412</b>	<b>2,157,223,041</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 2013**

**Schedule 9**

Heads and Subheads of Revenue	Estimate	Actual Revenue 2013	Increase	Decrease	Actual Revenue 2012
	\$	\$	\$	\$	\$
<b>OPERATING REVENUE</b>					
<b>21 - DIRECT TAXES</b>					
<b>1. Income Tax</b>					
01. Income Tax.....	344,978,300	432,398,299	87,419,999	---	477,114,927
02. Capital Gains Tax.....	18,732,100	17,308,924	---	1,423,176	15,599,177
03. Withholding & Dividend Taxes.....	70,040,500	---	---	70,040,500	---
Total.....	433,750,900	449,707,223	87,419,999	71,463,676	492,714,104
<i>Net Increase .....</i>			15,956,323	---	
<b>22 - INDIRECT TAXES</b>					
<b>1. Value Added Tax</b>					
01. Value Added Tax.....	752,333,600	765,681,300	13,347,700	---	663,568,403
<b>2. Custom Taxes</b>					
01. Fiscal Duty.....	435,714,100	307,506,322	---	128,207,778	254,519,425
02. Excise Dues.....	---	92,113,584	92,113,584	---	82,980,613
03. Export Duty.....	---	4,458,124	4,458,124	---	7,304,370
04. Import Duty.....	---	37,710,564	37,710,564	---	27,300,762
<b>6. Service Turnover Tax</b>					
01. Hotel Turnover Tax.....	53,484,100	51,592,998	---	1,891,102	52,582,149
<b>7. Water Resource Tax</b>					
01. Water Resource Tax.....	30,780,200	29,505,172	---	1,275,028	28,382,238
<b>9. Departure Tax</b>					
01. Departure Tax.....	103,385,500	95,942,050	---	7,443,450	87,070,821
<b>10. Fish Levy Tax</b>					
01. Fish Levy.....	1,909,500	369,147	---	1,540,353	1,492,522
<b>12. Stamp Duty</b>					
01. Stamp Duty.....	32,896,900	43,520,158	10,623,258	---	21,081,268
<b>14. Telecommunication Levy</b>					
01. Telecommunication levy.....	1,313,000	---	---	1,313,000	---
<b>15. Credit Card Levy</b>					
01. Credit Card Levy.....	5,272,200	---	---	5,272,200	---
<b>16. Third Party Insurance Levy</b>					
01. Luxury Vehicle Tax.....	1,783,200	1,610,208	---	172,992	1,257,500
<b>99. Miscellaneous Fees and Receipts</b>					
01. Miscellaneous Fees and Receipts.....	---	(421,680)	---	421,680	1,893,403
Total.....	1,418,872,300	1,429,587,947	158,253,230	147,537,583	1,229,433,474
<i>Net Increase .....</i>			10,715,647	---	
<b>23 - FEES, FINES &amp; CHARGES</b>					
<b>01. Dues</b>					
01. Light Due - Port & Harbour.....	---	653	653	---	3
<b>02. Duty</b>					
01. Stamp Duty.....	---	155,600	155,600	---	146,833
<b>03. Fees</b>					
01. Agricultural Produce and Inspection.....	34,100	40,830	6,730	---	56,818
02. Native Timber Measurement.....	377,600	675,552	297,952	---	869,944
03. Land and Survey Fees.....	612,300	667,026	54,726	---	563,430
04. Mining Fees.....	1,455,401	523,165	---	932,236	1,311,533
06. Passports.....	10,580,401	9,694,175	---	886,226	9,308,044
07. Town Planning Fees.....	89,901	137,027	47,126	---	82,290
08. Examination Fees.....	28,601	4,925	---	23,676	27,887
09. Government Day Schools-Fees.....	24,301	23,682	---	619	22,901
10. Government Boarding Schools-Fees.....	480,501	351,227	---	129,274	434,546
11. Health Fumigation and Quarantine.....	1,498,101	1,389,079	---	109,022	1,402,187
12. Hospital.....	2,161,000	1,940,042	---	220,958	2,098,305
13. Fiji School of Nursing.....	104,200	1,739	---	102,461	99,823
14. Cemetery Fees.....	49,400	54,689	5,289	---	50,084
15. Air Licensing Fees.....	---	---	---	---	11
16. Departur Tax.....	---	50	50	---	---
17. Audit Fees.....	465,700	504,907	39,207	---	397,874
18. Court Fees.....	1,352,900	1,304,990	---	47,910	1,261,610
19. Registration.....	1,481,300	1,043,175	---	438,125	1,294,538
20. Management Fee.....	13,200	58,562	45,362	---	351,973
21. LTA Fees and Fines.....	24,532,500	22,323,514	---	2,208,986	22,450,043
23. LTA Road User Levy.....	9,040,600	10,347,557	1,306,957	---	8,828,495
75. Levy on International Termination Rates.....	---	6,540	6,540	---	2,200
99. Miscellaneous Fees.....	3,233,100	3,424,086	190,986	---	2,438,871
<b>04. Licenses</b>					
01. Arms.....	75,300	54,578	---	20,722	58,765
02. Banks.....	---	24	24	---	35
03. Coasting.....	---	6,157	6,157	---	26

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 2013**

**Schedule 9**

Heads and Subheads of Revenue	Estimate	Actual Revenue 2013	Increase	Decrease	Actual Revenue 2012
	\$	\$	\$	\$	\$
05. Liquor.....	485,400	928,477	443,077	---	684,789
06. Trading.....	327,700	334,816	7,116	---	298,618
07. Dogs.....	19,700	17,456	---	2,244	19,454
09. Money Lenders.....	88,600	90,619	2,019	---	99,081
10. Hotels and Guest Houses.....	194,900	218,053	23,153	---	150,705
12. Telecommunications and Television.....	3,938,900	10,557,143	6,618,243	---	4,965,920
14. Fishing.....	39,200	98,782	59,582	---	336,771
15. Civil Aviation.....	2,800	---	---	2,800	---
99. Other.....	1,081,700	1,370,198	288,498	---	1,195,751
<b>05. Rates - Public Works</b>					
01. Water Charges.....	20,297,100	23,436,888	3,139,788	---	23,415,022
<b>06. Fees Royalties</b>					
01. Royalties Timber.....	---	---	---	---	---
03. Royalties - Sand, Coral, Metal, etc.....	46,300	26,157	---	20,143	46,510
<b>07. Fines</b>					
01. Court Fines.....	2,562,100	2,786,992	224,892	---	2,406,440
<b>08. Administrative Fines and Penalty</b>					
01. Fines for Overdue, Lost & Damaged Library Books.....	2,800	2,451	---	349	3,219
02. Administrative Fines and Forfeitures.....	14,600	4,376	---	10,224	14,380
Total.....	86,792,207	94,605,959	12,969,727	5,155,975	87,195,729
Net Increase.....			7,813,752	---	
<b>24 - OPERATING REVENUE - SALES</b>					
01. Sales of Government Department.....	---	---	---	---	---
02. Sales of Companies.....	---	17,037,683	17,037,683	---	24,222,180
Total.....	---	17,037,683	17,037,683	---	24,222,180
Net Increase.....			17,037,683	---	
<b>26. OPERATING REVENUE - TMA</b>					
01. Direct Materials Purchases.....	---	---	---	---	---
02. Personal Emolument.....	---	---	---	---	---
13. Vat.....	---	-	---	---	---
Total.....	---	---	---	---	---
Net Decrease.....			---	---	
<b>27 - OTHER REVENUE AND SURPLUSES</b>					
<b>01. Surplus/Deficit from Agency</b>					
01. RBF Revaluation Reserve Account.....	10,000,000	---	---	10,000,000	63
<b>02. Rent and Hire of Government Property</b>					
01. Rental for Land.....	10,489,900	12,817,487.00	2,327,587.00	---	10,588,490
02. Rental for Official Quarters.....	38,700	4,724,201.00	4,685,501.00	---	3,293,676
03. Rental for Buildings.....	4,400	1,956.00	---	2,444	3,507
04. Hire of Plant and Vehicles.....	5,600	1,586.00	---	4,014	5,381
05. Hire of Vessels and Punts.....	---	146.00	146.00	---	---
06. Revenue from Rest Houses.....	5,500	8,682.00	3,182.00	---	6,446
07. Crown Schedule 'A' Land Rents.....	100	---	---	100	---
09. Rental for Non Domestic Quarters.....	---	90	90	---	---
<b>03. Commission Revenue</b>					
01. Commission.....	1,209,100	1,284,692.00	75,592.00	---	1,364,298
<b>99. Other Revenue</b>					
02. Sales of Publications.....	472,700	88,694.00	---	384,006	358,784
03. Revenue from Production of Films.....	5,700	2,017.00	---	3,683	4,822
04. Survey & Sales of Navigation Publications.....	24,000	47,775.00	23,775.00	---	25,564
05. Meat Inspection.....	18,700	20,256.00	1,556.00	---	21,928
06. Veterinary and Animal Quarantine.....	12,900	20,541.00	7,641.00	---	13,106
07. Freight and Charter Receipts.....	121,600	72,416.00	---	49,184	112,718
08. Chemical Analysis.....	9,300	11,823.00	2,523.00	---	11,772
09. Valuation Fees.....	12,300	10,794.00	---	1,506	9,803
10. Produce-Agricultural Experimental Stations.....	26,600	48,211.00	21,611.00	---	32,203
11. Sale of Surplus Farm Produce.....	45,800	60,474.00	14,674.00	---	46,887
12. Agricultural Commercial Undertakings.....	200	---	---	200	115
13. Sale of Fish and Ice.....	241,900	256,914.00	15,014.00	---	236,189
14. Sale of Sheep and Wool.....	14,700	20,276.00	5,576.00	---	15,233
17. Agricultural Landlord and Tenant Tribunal.....	3,600	1,743.00	---	1,857	2,851
18. Board Members Fees.....	138,900	142,701.00	3,801.00	---	183,474
19. Sales of Cattle and Copra.....	17,000	---	---	17,000	---
99. Other Revenue.....	4,430,100	8,210,706.00	3,780,606.00	---	5,945,675
Total.....	27,349,300	27,854,181.00	10,968,875.00	10,463,994.00	22,282,985
Net Decrease.....			504,881.00	---	
<b>28 - REIMBURSEMENT AND RECOVERIES</b>					
<b>11. Reimbursement of Services</b>					
01. Reimbursement for Meteorological Services.....	502,500	528,261	25,761	---	533,838
03. Reimbursement of Debt Servicing.....	1,956,600	---	---	1,956,600	1,389,659

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 2013**

**Schedule 9**

Heads and Subheads of Revenue	Estimate	Actual Revenue 2013	Increase	Decrease	Actual Revenue 2012
	\$	\$	\$	\$	\$
06. Reimbursement-HA Low Cost Housing.....	---	756,751	756,751	---	---
<b>12. Refund of Payments</b>					
01. Training & Productivity Authority of Fiji.....	9,000	---	---	9,000	---
02. Refund of Government Employees Provident Fund....	100	671	571	---	---
03. Recoveries of Overpayments in Previous Years	1,101,600	11,450,222	10,348,622	---	1,422,198
<b>22. Contributions for Capital Projects</b>					
02. Rural Electrifications.....	1,900	1,034	---	866	2,055
<b>23. Contributions for Overseas Peace-Keeping</b>					
02. Multinational Force and Observers.....	3,623,000	4,751,758	1,128,758	---	2,869,713
03. UN International Peacekeeping - IRAQ.....	3,790,800	8,377,177	4,586,377	---	3,758,946
Total.....	10,985,500	25,865,874	16,846,840	1,966,466	9,976,409
Net Increase .....			14,880,374	---	
<b>29 - GRANTS IN AID</b>					
03. United Nations Development Programme.....	5,468,900	---	---	5,468,900	---
05. Japan Grant.....	769,300	---	---	769,300	---
99. Other Grant Aid.....	10,365,200	15,739,334	5,374,134	---	13,164,242
Total.....	16,603,400	15,739,334	5,374,134	6,238,200	13,164,242
Net Decrease .....				864,066	
<b>Total Operating Revenue.....</b>	<b>1,994,353,607</b>	<b>2,060,398,201</b>	<b>308,870,488</b>	<b>242,825,894</b>	<b>1,878,989,123</b>
			66,044,594	---	
<b>INVESTING REVENUE</b>					
<b>31 - REPAYMENTS OF TERM LOANS RECEIVABLE</b>					
<b>11. Interest for Social Services Term Loans</b>					
01. Interest Loans to Public Officers .....	176,000	---	---	176,000	---
<b>21. Interest for Economic Services Term Loans</b>					
01. Interest- Loans to Copra Industry.....	121,900	25,425	---	96,475	20,882
Total.....	297,900	25,425	---	272,475	20,882
Net Decrease .....			---	272,475	
<b>32 - SALES OF GOVERNMENT ASSETS</b>					
21. Sales Proceed in Economic Services.....	20,900,000	---	---	20,900,000.00	17,050,365
31. Sales proceeds in Infrastructure services.....	5,400,000	9,274,914	3,874,914.00	---	3,450
41. Sales Proceed in TMA Operation.....	46,300,000	872,072	---	45,427,928.00	8,000,000
Total.....	72,600,000	10,146,986	3,874,914.00	66,327,928.00	25,053,815
Net Decrease .....			---	62,453,014.00	
<b>33 - DIVIDENDS FROM INVESTMENTS</b>					
01. Investments in Social Services.....	115,000	349,104	234,104	---	570,393
02. Investments in Economic Services.....	26,262,600	4,881,001	---	21,381,599	2,821,102
03. Investments in Infrastructure Services.....	11,903,400	6,750,116	---	5,153,284	7,132,606
Total.....	38,281,000	11,980,221	234,104	26,534,883	10,524,101
Net Decrease .....			---	26,300,779	
<b>34 - INTEREST FROM BANK BALANCES</b>					
01. Interest from Overseas Bank.....	---	317,417	317,417	---	---
02. Interest from Local Banks.....	6,100	35,354,456	35,348,356	---	47,811,625
03. Interest from T/D with Local Banks .....	211,200	---	---	211,200	---
Total.....	217,300	35,671,873	35,665,773	211,200	47,811,625
Net Increase .....			35,454,573	---	
<b>35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS</b>					
74. Return of Surplus Capital from TMA Operations.....	2,659,000	2,069,922	---	589,078.00	2,632,660
Total.....	2,659,000	2,069,922	---	589,078.00	2,632,660
Net Decrease .....			---	589,078.00	
<b>Total Investing Revenue.....</b>	<b>114,055,200</b>	<b>59,894,427</b>	<b>35,454,573.00</b>	<b>89,615,346.00</b>	<b>86,043,083</b>
				54,160,773.00	
<b>41 - LOANS PROCEEDS</b>					
<b>1. Direct Payment -International Bank Loans</b>					
02. ADB Loan Suva/Nausori Water Supply.....	---	---	---	---	---
03. ADB Loan No. 2541 Flood Recovery.....	15,000,000	---	---	15,000,000.00	91,587
04. ADB Loan No. 2603 Supplementary Suva Nsr	13,000,000	---	---	13,000,000.00	---
05. ADB Loan No. 2514 Supplementary FRUP III	10,000,000	---	---	10,000,000.00	---
06. Malaysia Exim - Roads Rehabilitation	---	---	---	---	---
07. China Exim - E-Government Project	---	---	---	---	---
07. EXIM China Low Cost Housing Project	13,000,000	---	---	13,000,000	---
08. EXIM China Fiji Public Rental Housing Project	6,000,000	---	---	6,000,000	---
09. EXIM Malaysia Roads Rehabilitation Project	40,000,000	---	---	40,000,000	---
10. EXIM China Roads Improvement Sgtka/Serea	22,000,000	---	---	22,000,000	---

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 2013**

**Schedule 9**

<b>Heads and Subheads of Revenue</b>	<b>Estimate</b>	<b>Actual Revenue 2013</b>	<b>Increase</b>	<b>Decrease</b>	<b>Actual Revenue 2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
11. EXIM China Roads Improvement Project Buca/Moto	24,000,000	---	---	24,000,000	---
12. EXIM China Roads Nabouwalu-Drekei Road	80,000,000	---	---	80,000,000	---
13. EXIM Bank of Malaysia Nakasi-Nausori Widening	15,000,000	---	---	15,000,000	---
14. EXIM Bank of Malaysia Nadi-Denarau Road Widening	15,000,000	---	---	15,000,000	---
<b>2. Other Overseas Loans</b>					
01. ADB Loans - Reimbursement to Govt	2,000,000	---	---	2,000,000	---
02. International Bond Market	---	---	---	---	---
03. Open Market	---	---	---	---	---
<b>Total</b>	<b>255,000,000</b>	<b>---</b>	<b>---</b>	<b>255,000,000</b>	<b>91,587</b>
<i>Net Decrease.....</i>			---	255,000,000	
<b>42 - DOMESTIC LOANS</b>					
01. Fiji Development Loans.....	143,973,400	172,822,000	28,848,600	---	192,099,248
<b>Total.....</b>	<b>143,973,400</b>	<b>172,822,000</b>	<b>28,848,600</b>	<b>---</b>	<b>192,099,248</b>
<i>Net Increase .....</i>			28,848,600	---	
<b>Total Borrowing Proceeds.....</b>	<b>398,973,400</b>	<b>172,822,000</b>	<b>28,848,600</b>	<b>255,000,000</b>	<b>192,190,835</b>
<b>Grand Total.....</b>	<b>2,507,382,207</b>	<b>2,293,114,628</b>	<b>373,173,661.00</b>	<b>587,441,240.00</b>	<b>2,157,223,041</b>
<i>Net Decrease .....</i>			---	214,267,579.00	
<b>SUMMARY OF REVENUE</b>					
Operating Revenue.....	1,994,353,607	2,060,398,201	308,870,488	242,825,894	1,878,989,123
Investing Revenue	114,055,200	59,894,427	35,454,573	89,615,346	86,043,083
Loans Revenue.....	398,973,400	172,822,000	28,848,600	255,000,000	192,190,835
<b>Grand Totals.....</b>	<b>2,507,382,207</b>	<b>2,293,114,628</b>	<b>373,173,661</b>	<b>587,441,240</b>	<b>2,157,223,041</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**Schedule 10**

<b>Heads of Appropriation</b>	<b>Original Budget \$</b>	<b>Redeployment \$</b>	<b>Revised Estimate \$</b>	<b>Actual Expenditure 2013 \$</b>	<b>(Over) / Under Expenditure \$</b>
<b>GENERAL ADMINISTRATION</b>					
Office of the President	1,942,837	532,283	2,475,120	2,408,050	67,070
Office of the Prime Minister	64,770,091	3,741,642	68,511,733	66,936,820	1,574,913
Attorney General and Solicitor General	8,821,153	(695,353)	8,125,800	7,012,878	1,112,922
Ministry of Finance	77,701,303	(3,398,262)	74,303,041	69,395,218	4,907,823
Ministry of iTaukei Affairs	18,510,356	(322,225)	18,188,131	15,270,002	2,918,129
Ministry of Defence, National Security and Immigration	6,019,770	---	6,019,770	5,971,936	47,834
Ministry of Labour, Industrial Relations and Employment	8,525,336	---	8,525,336	8,493,665	31,671
Ministry of Foreign Affairs, International Co-operation	37,438,786	1,213,787	38,652,573	34,870,144	3,782,429
Office of the Auditor General	4,492,178	-	4,492,178	3,538,198	953,980
Elections	13,866,400	(5,458,997)	8,407,403	3,799,984	4,607,419
Judiciary	28,945,886	(6,239,309)	22,706,577	21,567,479	1,139,098
Legislature	2,236,400	(356,868)	1,879,532	1,025,906	853,626
Office of Accountability and Transparency	790,201	(137,500)	652,701	413,493	239,208
Office of the Director of Public Prosecutions	5,109,385	---	5,109,385	3,946,975	1,162,410
Ministry of Justice and Anti-Corruption	24,646,642	---	24,646,642	23,436,420	1,210,222
Ministry of Information	7,108,294	(1,270,308)	5,837,986	5,264,345	573,641
Ministry of Strategic Planning, National Development and Statistics.	11,452,456	---	11,452,456	10,147,496	1,304,960
Ministry of Provincial Development and Disaster Management	32,845,000	15,326,290	48,171,290	47,398,287	773,003
Fiji Military Forces	106,835,872	26,272,322	133,108,194	126,847,032	6,261,162
Fiji Police Force	92,176,710	(2,499,789)	89,676,921	87,806,106	1,870,815
<b>Total for General Administration</b>	<b>554,235,056</b>	<b>26,707,713</b>	<b>580,942,769</b>	<b>545,550,434</b>	<b>35,392,335</b>
<b>SOCIAL SERVICES</b>					
Ministry of Education, National Heritage, Culture and Arts	268,490,128	(1,365,132)	267,124,996	277,484,043	(10,359,047)
Ministry of Health	167,451,445	1,703,601	169,155,046	170,466,071	(1,311,025)
Department of Housing	23,804,891	3,392,772	27,197,663	15,469,969	11,727,694
Ministry of Social Welfare, Women and Poverty Alleviation	39,161,760	(6,302,152)	32,859,608	29,837,482	3,022,126
Department of Youth and Sports	5,689,631	(120,008)	5,569,623	5,384,394	185,229
Higher Education Institutions	67,597,203	(1,101,940)	66,495,263	66,495,262	---
<b>Total for Social Services</b>	<b>572,195,058</b>	<b>(3,792,859)</b>	<b>568,402,199</b>	<b>565,137,221</b>	<b>3,264,978</b>
<b>ECONOMIC SERVICES</b>					
Department of Agriculture	51,604,927	(2,621,338)	48,983,589	44,983,612	3,999,977
Department of Fisheries and Forests	16,581,701	(40,855)	16,540,846	16,412,313	128,533
Ministry of Lands and Mineral Resources	26,570,073	(4,306,283)	22,263,790	21,194,955	1,068,835
Ministry of Industry and Trade	14,332,506	(1,372,474)	12,960,032	11,579,558	1,380,474
Ministry of Sugar	15,760,918	(780,858)	14,980,060	14,596,186	383,874
Ministry of Public Enterprise, Communications, Civil Aviation and Tourism	35,435,530	(2,476,938)	32,958,592	32,100,112	858,480
Ministry of Local Government, Urban Development and Environment	12,189,293	235,000	12,424,293	11,630,087	794,206
<b>Total for Economic Services</b>	<b>172,474,948</b>	<b>(11,363,746)</b>	<b>161,111,202</b>	<b>152,496,823</b>	<b>8,614,379</b>
<b>INFRASTRUCTURE SERVICES</b>					
Ministry of Works and Transport	53,721,078	(1,878,866)	51,842,212	48,583,007	3,259,205
Department of Public Utilities and Energy	134,632,446	(3,282,258)	131,350,188	127,059,073	4,291,115
Government Shipping Services	12,178,684	2,087,706	14,266,390	12,992,862	1,273,528
Fiji Roads Authority	422,441,300	---	422,441,300	304,470,017	---
<b>Total for Infrastructure</b>	<b>622,973,508</b>	<b>(3,073,418)</b>	<b>619,900,090</b>	<b>493,104,959</b>	<b>8,831,619</b>
<b>UNALLOCABLE</b>					
Miscellaneous Services	90,107,135	2,422,310	92,529,445	84,234,539	8,294,906
Pensions, Gratuities and Compassionate Allowances	41,847,401	(8,900,000)	32,947,401	35,340,641	(2,393,240)
Charges on Account of Public Debt	453,549,101	(2,000,000)	451,549,101	439,770,916	11,778,185
Trading and Manufacturing Account Expenses	---	---	---	21,564,690	(21,564,690)
<b>Total for Unallocable Services</b>	<b>585,503,637</b>	<b>(8,477,690)</b>	<b>577,025,947</b>	<b>580,910,786</b>	<b>(3,884,839)</b>
<b>GRAND TOTALS</b>	<b>2,507,382,207</b>	<b>---</b>	<b>2,507,382,207</b>	<b>2,337,200,223</b>	<b>52,218,472</b>

GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2013

Schedule 11

Heads of Appropriation	Original Budget	Redeployment	Supplementary Appropriation	Virements	Revised Estimate	Actual Expenditure 2013	(Over) / Under Expenditure
SUMMARY BY SEGs	\$	\$	\$	\$	\$	\$	\$
1. Established Staff	578,997,295	(324,000)	---	6,184,190	572,489,105	581,796,373	(9,307,268)
2. Unestablished Staff	39,003,888	-	---	(1,374,945)	40,378,833	40,873,910	(495,077)
3. Travel and Communications	23,642,008	-	---	(3,002,735)	26,644,743	25,501,187	1,143,556
4. Maintenance and Operations	87,153,778	(1,410,856)	---	(6,588,998)	92,331,920	88,968,169	3,363,751
5. Purchase of Goods and Services	75,391,237	(2,216,598)	---	(3,611,757)	76,786,396	71,733,445	5,052,951
6. Operating Grants and Transfers	354,991,676	(5,220,499)	---	(4,324,578)	354,095,755	343,451,514	10,644,241
7. Special Expenditures	76,410,086	17,623,413	---	12,866,503	81,166,996	60,167,765	20,999,231
8. Capital Construction	69,602,813	(8,705,426)	---	(2,007,947)	62,905,334	54,783,794	8,121,540
9. Capital Purchase	42,261,338	(4,891,906)	---	(1,114,647)	38,484,079	36,367,494	2,116,585
10. Capital Grants and Transfers	610,810,304	16,159,914	---	2,618,563	624,351,655	495,197,913	129,153,742
11. Pensions, Gratuities & Compassionate Allowances	41,847,400	(8,900,000)	---	---	32,947,400	35,340,641	(2,393,241)
12. Charges on Account of Public Debt	453,549,100	(2,000,000)	---	---	451,549,100	439,770,916	11,778,184
13. Value Added Tax	53,721,284	(114,042)	---	356,351	53,250,891	41,682,412	11,568,479
Trading and Manufacturing Accounts	---	---	---	---	---	21,564,690	(21,564,690)
<b>Grand Total</b>	<b>2,507,382,207</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>2,507,382,207</b>	<b>2,337,200,223</b>	<b>170,181,984</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**BUDGET RESULT, ESTIMATE AND PROJECTIONS**  
**FOR THE PERIOD 2011 - 2014**

**Schedule 12**

	<b>Actual 2011 \$</b>	<b>Actual 2012 \$</b>	<b>Estimate 2013 \$</b>	<b>Actual 2013 \$</b>	<b>Projected 2014 \$</b>	<b>Projected 2015 \$</b>
<b>REVENUE</b>						
Operating Revenue	1,771,566,057	1,878,989,123	1,994,353,607	2,060,398,201	1,984,306,000	2,045,206,900
Investing Revenue	29,699,917	86,043,083	114,055,200	59,894,427	209,800	210,000
Public Debt - New Borrowings	650,513,643	192,190,835	398,973,400	172,822,000	338,481,200	377,189,300
<b>TOTAL REVENUE</b>	<u>2,451,779,617</u>	<u>2,157,223,041</u>	<u>2,507,382,207</u>	<u>2,293,114,628</u>	<u>2,322,997,000</u>	<u>2,422,606,200</u>
					1994353.70	
<b>EXPENDITURE</b>						
Operating Expenditure	1,066,503,492	1,171,988,091	1,276,841,148	1,247,833,004	1,169,372,600	1,167,397,200
Capital Expenditure	494,534,924	533,838,990	725,741,068	586,349,201	506,486,500	399,383,100
Value Added Tax	43,978,964	50,043,665	53,250,891	41,682,412	53,803,600	51,161,200
Interest Payments on Loans	258,434,474	260,860,919	269,938,113	260,450,670	267,552,100	267,647,300
Repayment of Principal of Loans	511,787,423	249,483,884	181,610,987	179,320,246	185,997,000	203,947,100
Trading Manufacturing Account	27,513,240	27,888,104	---	21,564,690	---	---
<b>TOTAL EXPENDITURE</b>	<u>2,402,752,517</u>	<u>2,294,103,653</u>	<u>2,507,382,207</u>	<u>2,337,200,223</u>	<u>2,183,211,800</u>	<u>2,089,535,900</u>
<b>BUDGET RESULT</b>	<u>49,027,100</u>	<u>(136,880,612)</u>	<u>---</u>	<u>(44,085,595)</u>	<u>139,785,200</u>	<u>333,070,300</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 2010 - 2015**

**Schedule 13**

	<b>Estimate 2013 \$</b>	<b>Actual 2013 \$</b>	<b>Projected 2014 \$</b>	<b>Projected 2015 \$</b>
<b>REVENUE</b>				
<b>Operating Revenue</b>				
Direct Receipts (Income Tax & Capital Gain Tax)	433,750,900	449,707,223	456,161,000	478,751,500
Indirect Revenue				
Customs	435,714,100	441,788,594	453,362,800	460,119,700
Service Turnover Tax	53,484,100	51,592,998	56,247,400	59,032,900
Water Resource Tax	30,780,200	29,505,172	32,370,500	33,973,600
Superyacht Charter Fee			---	---
Departure Tax	103,385,500	95,942,050	108,727,100	114,111,600
Stamp Duty	32,896,900	43,520,158	34,596,500	36,309,900
Fish Levy	1,909,500	369,147	2,008,200	2,107,600
Telecommunication Levy	1,313,000	---	1,380,800	1,449,200
Credit Card Levy	5,272,200	---	5,544,600	5,819,200
Third Party Insurance Levy	1,783,200		1,875,400	1,968,200
Luxury Vehicle Tax	---	1,610,208	---	---
Miscellaneous Fees & Receipts	---	(421,680)	---	---
VAT	752,333,600	765,681,300	783,965,700	799,919,400
Fees, Fines, Charges and Penalties	86,792,207	94,605,959	91,201,400	95,652,000
Operating Revenue Sales	---	17,037,683	---	---
Operating Revenue TMA	---	---	---	---
Other Revenue and Surpluses	27,349,300	27,854,181	28,738,600	30,141,100
Reimbursement and Recoveries	10,985,500	25,865,874	11,543,800	12,107,100
Grant in Aid	16,603,400	15,739,334	17,446,800	18,298,200
<b>Total Operating Revenue</b>	<b>1,994,353,607</b>	<b>2,060,398,201</b>	<b>2,085,170,600</b>	<b>2,149,761,200</b>
<b>Investing Revenue</b>				
Repayment of Term Loans Receivable	297,900	25,425	313,100	328,400
Sale of Government Assets	72,600,000	10,146,986	5,674,300	5,951,200
Dividends from Investment	38,281,000	11980221	40,225,600	42,188,700
Interest from Bank Balance	217,300	35671873	228,300	239,500
Return of Surplus Capital from Investment	2,659,000	2,069,922	2,794,100	2,930,400
Gain on Exchange Rate	---	---	---	---
<b>Total Investing Revenue</b>	<b>114,055,200</b>	<b>59,894,427</b>	<b>49,235,400</b>	<b>51,638,200</b>
Loans drawn	398,973,400	172,822,000	477,189,300	20,000,000
<b>TOTAL REVENUE</b>	<b>2,507,382,207</b>	<b>2,293,114,628</b>	<b>2,611,595,300</b>	<b>2,221,399,400</b>
<b>EXPENDITURE</b>				
<b>General Administration Services</b>				
Operating Expenditure	472,344,543	465,693,561	460,246,600	447,302,000
Capital Expenditure	58,193,025	61,303,292	22,269,700	7,285,000
<b>Total General Administration</b>	<b>530,537,568</b>	<b>526,996,853</b>	<b>482,516,300</b>	<b>454,587,000</b>
<b>Social Services</b>				
Operating Expenditure	511,809,235	519,352,533	502,944,600	502,944,600
Capital Expenditure	47,700,291	36,545,775	35,769,600	18,599,600
<b>Total Social Services</b>	<b>559,509,526</b>	<b>555,898,308</b>	<b>538,714,200</b>	<b>521,544,200</b>
<b>Economic Services</b>				
Operating Expenditure	86,822,156	79,056,380	84,317,400	84,317,500
Capital Expenditure	76,765,000	66,372,579	71,655,000	71,655,000
<b>Total Economic Services</b>	<b>163,587,156</b>	<b>145,428,959</b>	<b>155,972,400</b>	<b>155,972,500</b>
<b>Infrastructure Services</b>				
Operating Expenditure	134,294,133	124,077,787	131,826,400	131,823,900
Capital Expenditure	483,856,003	365,250,884	398,900,200	231,505,000
<b>Total Infrastructure Services</b>	<b>618,150,136</b>	<b>489,328,671</b>	<b>530,726,600</b>	<b>363,328,900</b>
<b>Miscellaneous Services</b>				
Operating Expenditure	30,209,901	24,312,105	26,249,900	26,249,900
Capital Expenditure	56,270,131	56,876,670	39,253,300	39,153,300
<b>Total Miscellaneous Services</b>	<b>86,480,032</b>	<b>81,188,775</b>	<b>65,503,200</b>	<b>65,403,200</b>
<b>Pensions, Gratuities and Compassionate Allowance</b>				
Value Added Tax	41,847,401	35,340,641	41,847,400	41,847,400
Interest Payments on Loans	53,721,288	41,682,410	46,759,900	43,168,900
Repayment of Principal of Loans	273,552,100	260,450,671	267,647,300	259,244,300
Trading and Manufacturing Operations	179,997,000	179,320,245	199,297,100	141,436,600
	---	21,564,690		
<b>TOTAL EXPENDITURE</b>	<b>2,507,382,207</b>	<b>2,337,200,223</b>	<b>2,328,984,400</b>	<b>2,046,533,000</b>
Surplus (deficit) for the year	---	(44,085,595)	282,610,900	174,866,400

**GOVERNMENT OF THE REPUBLIC OF FIJI  
ESTIMATE AND ACTUAL BUDGET RESULT  
FOR THE PERIOD 2011 - 2013**

**Schedule 14**

	<b>Actual 2011 \$</b>	<b>Actual 2012 \$</b>	<b>Estimate 2013 \$</b>	<b>Actual 2013 \$</b>
<b>REVENUE</b>				
Operating Revenue	1,771,566,057	1,878,989,123	1,994,353,607	2,060,398,201
Investing Revenue	29,699,917	86,043,083	114,055,200	59,894,427
Public Debt - New Borrowings	650,513,643	192,190,835	398,973,400	172,822,000
<b>TOTAL REVENUE</b>	<b>2,451,779,617</b>	<b>2,157,223,041</b>	<b>2,507,382,207</b>	<b>2,293,114,628</b>
<b>EXPENDITURE</b>				
Operating Expenditure	1,066,503,492	1,171,988,091	1,276,841,148	1,247,833,004
Capital Expenditure	494,534,924	533,838,990	725,741,068	586,349,201
Value Added Tax	43,978,964	50,043,665	53,250,891	41,682,412
Interest Payments on Loans	258,434,474	260,860,919	269,938,113	260,450,671
Repayment of Principal of Loar	511,787,423	249,483,884	181,610,987	179,320,245
Trading Manufacturing Account	27,513,240	27,888,104	---	21,564,690
<b>TOTAL EXPENDITURE</b>	<b>2,402,752,517</b>	<b>2,294,103,653</b>	<b>2,507,382,207</b>	<b>2,337,200,223</b>
<b>BUDGET RESULT</b>	<b>49,027,100</b>	<b>(136,880,612)</b>	<b>---</b>	<b>(44,085,595)</b>

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

## Whole of Government Financial Statements

The Ministry is responsible for formulating and implementing fiscal, financial and monetary policies. Its main functions are the collection and disbursement of public revenue, raising and repayment of loans, and developments of economic policies. It also provides various services to other departments.

Section 46 of the Financial Management Act states the following:

46. (1) The whole of government financial statements required to be included in the whole of government annual report for a financial year must include:

(a) for financial years where the Minister is satisfied that relevant reliable accrual information is available:

- (i) a statement of financial position;
- (ii) a statement of financial performance;
- (iii) a statement of changes in net assets;
- (iv) a cash flow statement; and
- (v) notes on significant accounting policies,

prepared in accordance with international accounting standards relevant to whole of government reporting on an accrual basis; or

(b) for financial years where the Minister is satisfied that relevant reliable accrual information is not available:

- (i) one or more statements of receipts and payments;
- (ii) a statement of assets and liabilities, including details of cash balances, investments, sinking funds and borrowings; and
- (iii) a statement of contingent liabilities.

(2) The whole of government financial statements must:

- (a) be signed by the chief executive officer of the Ministry of Finance; and
- (b) be as audited by the Auditor-General and be accompanied by the Auditor-Generals audit opinion.

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## **1.0 FINANCIAL POSITION OF GOVERNMENT**

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

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

### **1.1 Financial Performance 2013**

The performance of the Fiji Government for the year 2013 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2013

Item	Original Budget 2013 (\$'000)	Revised Budget 2013 (\$'000)	Actual Results 2013 (\$'000)	Variance <sup>(1)</sup> 2013 (\$'000)	Variance (%)
<b>REVENUE</b>					
Operating Receipts					
Direct Taxes	433,750.8	433,750.9	449,707.2	(15,956.3)	(3.7)
Indirect Taxes	1,418,872.3	1,418,872.3	1,429,588.0	(10,715.7)	(0.8)
Others	180,011.6	141,730.4	181,103.0	(39,372.6)	(27.8)
<b>Total Operating Receipts</b>	<b>2,032,634.7</b>	<b>1,994,353.6</b>	<b>2,060,398.2</b>	<b>(66,044.6)</b>	<b>(3.3)</b>
Total Investing Receipts	75,774.2	114,055.2	59,894.4	54,160.8	47.5
<b>TOTAL REVENUE</b>	<b>2,108,408.9</b>	<b>2,108,408.8</b>	<b>2,120,292.6</b>	<b>(11,883.8)</b>	<b>(0.6)</b>
<b>EXPENDITURE</b>					
Operating	1,550,989.8	1,546,779.2	1,508,284.0	38,495.2	2.5
Capital	722,674.5	725,741.0	586,349.2	139,391.8	19.2
Value Added Tax	53,721.1	53,250.8	41,682.4	11,568.4	21.7
<b>TOTAL EXPENDITURE</b>	<b>2,327,385.4</b>	<b>2,325,771.0</b>	<b>2,136,315.6</b>	<b>189,455.4</b>	<b>8.1</b>
<b>Net Surplus/(Deficit)</b>	<b>(218,976.5)</b>	<b>(217,362.20)</b>	<b>(16,023.00)</b>	<b>201,339.2</b>	<b>92.6</b>
<b>Debt Repayment</b>	<b>179,997.0</b>	<b>181,610.9</b>	<b>179,320.20</b>	<b>2,290.80</b>	<b>1.3</b>
<b>Gross Surplus/(Deficit)</b>	<b>(398,973.5)</b>	<b>(398,973.1)</b>	<b>(195,343.20)</b>	<b>203,629.9</b>	
<b>Net Deficit/(Surplus) As A Percent of GDP</b>	<b>(2.8%)</b>	<b>(2.80%)</b>	<b>(0.26%)</b>		
<b>Nominal GDP</b>	<b>7,744,976</b>	<b>7,744,976</b>	<b>+6,014,000</b>	<b>1,703,976</b>	

Original Budget 2013 is sourced from the 2013 Budget Book.

+ Provisional Nominal GDP Figure [Source: Ministry of Strategic Planning and Bureau of Statistics, FBOS Release No.51, 2014]

The actual gross deficit for the year was \$195.3 million which was \$203.6 million less than the 2013 original forecast of \$398.9 million.

The reduced deficit was attributed to a decrease in revenue collection by \$11.9 million and a decrease in total expenditure by \$189.5 million or 8.1% and decrease in debt repayment by \$2.3 million or 1.3%.

The loans raised in 2013 to finance the budget deficit (Table 1.3) totalled \$272.7 million. In addition, treasury bills were also raised in 2013 to meet short term financing shortfalls. These are discussed in Section 1.5 and Table 1.4.

## 1.2 2013 Appropriation Decree

There was a total of 38 appropriation heads in the 2013 budget<sup>1</sup>. The expenditure under the various heads and their variances are detailed in *Appendix 1.0*. Against a revised budget of \$2,507,382,207, the government spent \$2,315,635,533 excluding Trading and Manufacturing expenditure of \$21,564,690 resulting in a budget saving of \$191,746,674 or 7.6%.

Three agencies exceeded their budgets totalling \$14.1 million which are outlined in Table 1.2 below:

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

<sup>1</sup> Schedule 1 of the Appropriation Decree 2012

TABLE 1.2 MINISTRY'S WITH OVERSPENT BUDGET

Heads of Appropriation	Original Budget (\$)	Redeployment (\$)	Revised Estimate (\$)	Actual Expenditure 2013 (\$)	Over-Expenditure (\$)	% Over - spent
Ministry of Education, National Heritage, Culture and Arts	268,490,128	(1,365,132)	267,124,996	277,484,043	(10,359,047)	4%
Ministry of Health	167,451,445	1,703,601	169,155,046	170,466,071	(1,311,025)	1%
Pensions, Gratuities and Compassionate Allowances	41,847,401	(8,900,000)	32,947,401	35,340,641	(2,393,240)	7%
<b>Total</b>	<b>477,788,974</b>	<b>(8,561,531)</b>	<b>469,227,443</b>	<b>483,290,755</b>	<b>(14,063,312)</b>	<b>3%</b>

The loan outstanding to Government as at 31/12/13 totalled \$58,396,827 (2012: \$67,813,754) as shown in Note 7 to the Whole of Government Financial Statement.

### 1.3 Operating Results

A net deficit totalling \$16.0 million was recorded in 2013 as shown in Table 1.1 compared to the forecasted net deficit of \$217.3 million; a decrease by \$201.3 million (92.6%).

This was attributed to the decrease in total spending resulting in the overall budget saving of \$191.8 million in 2013.

### 1.4 Financing of Operating Expenditure

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

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

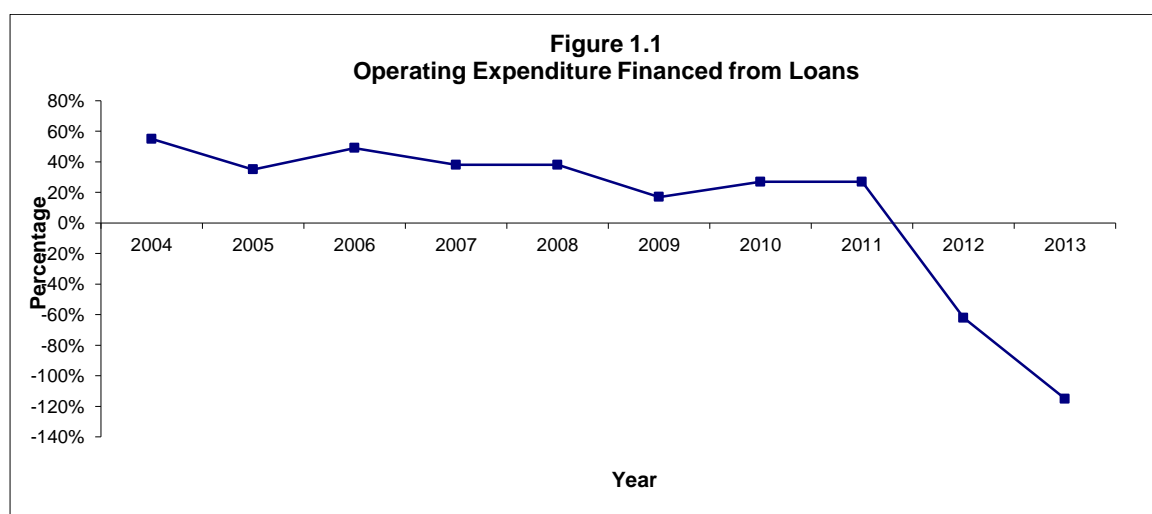




TABLE 1.3: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)	2009 (\$'000)	2010 ('000)	2011 ('000)	2012 (\$000)	2013 (\$000)
Total Loans (Domestic & Overseas)	458,468	328,608	417,810	334,937	345,649	405,390	462,965	693,707	329,655	272,745
Less Capital Expenditures	205,609	213,509	212,642	206,933	212,748	335,014	339,654	503,910	534,842	586,349
Balance for Operating Expenditures	252,859	115,099	205,168	128,004	132,901	70,376	123,311	189,797	(205,187)	(313,604)
% Loans Utilized for Operating Expenditures	55%	35%	49%	38%	38%	17%	27%	27%	(62%)	(115%)

The percentage of loans which financed operating expenditure varied over the years. However, during 2013, the ratio of loans utilised for operating expenditure reduced to (115%) which was financed by operating revenue during the year.

## 1.5 Treasury Bills

The Government borrowing for year 2013 shall not exceed the sum of \$398,973,400.<sup>2</sup>

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 31/12/13 amounted to \$102,278,056. Table 1.4 details the loans raised by government to finance its budget deficits over the last 10 years.

TABLE 1.4: ORIGINAL BUDGET DEFICIT VS. LOANS RAISED

Details	2004 (\$)	2005 (\$)	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
Gross Deficit	302,912,124	366,334,030	394,450,200	369,552,279	225,554,800	498,557,100	363,566,600	302,976,000	338,436,800	398,973,400
Domestic Loans	449,200,000	319,965,000	356,778,570	100,536,321	341,266,932	404,239,758	452,734,100	117,370,000	192,102,000	172,822,000
Overseas Loans	9,267,717	8,641,300	61,031,585	234,400,549	4,381,720	1,149,982	10,231,002	576,336,884	137,552,531	99,931,531
Treasury Bills	126,987,822	136,018,387	141,311,687	141,160,433	64,552,990	97,721,294	74,969,800	70,921,393	111,731,276	102,278,056
Loans	585,455,539	464,624,687	559,121,842	476,097,303	410,201,642	503,111,034	537,934,902	764,628,277	441,385,807	375,031,587
Loan as % of Gross Deficit	52%	79%	71%	78%	55%	99%	68%	40%	77%	106%
Excessive Borrowings %	48%	21%	29%	22%	45%	1%	32%	60%	23%	(6%)

The gross deficit to be funded by borrowings as approved in the 2013 Budget Estimate was \$398,973,400.<sup>3</sup>

<sup>2</sup> 2013 Budget Estimate, Loan Funding Programme, Page 354

<sup>3</sup> Page 2, 2013 Budget Estimate

Over the years from 2004 – 2012, government had borrowed in excess of the budget deficit at varied percentage. However during 2013, government borrowing did not exceed the budget deficit, an indication of working within its budget provision.

## 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 audited and accompanied by an audit opinion prepared by the Auditor General.

Furthermore, section 70 (3) of the Instructions provides that the draft financial statements must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General.

Of the 35 Ministries/Departments appropriated in the 2013 appropriation decree, 8 failed to submit their Agency Financial statements (AFS) by 31/3/14 delaying the issue of their audit reports. Refer Table 1.5 for details of Ministry/Department that failed to submit their AFS by 31 March.

TABLE 1.5: LATE SUBMISSION OF DRAFT AFS

Ministry/Department	Date AFS Submitted	Appropriated Budget (\$)
Office of the President	01/04/14	1,942,837
Ministry of Public Utilities and Energy	11/04/14	134,632,446
Ministry of Works and Transport	11/04/14	53,721,078
Ministry of Sugar	08/05/14	15,760,918
Ministry of Strategic Planning, National Development and Statistics	03/04/14	11,452,456
Ministry of Information	07/05/14	7,108,294
Office of Accountability and Transparency	15/04/14	790,201
Ministry of Foreign Affairs and International Cooperation	01/04/14	37,438,786
<b>Total</b>		<b>262,847,016</b>

Moreover, Finance instruction 71(1) provided that each agency must include the following in its Annual Financial Statement:

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

## 2.0 CASH AND CASH EQUIVALENTS

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

The Cash at Bank balance increased significantly from \$96,597,006 in 2012 to \$206,744,709 in 2013. This increase was due to a significant increase in domestic bank balance and trust fund account cash at bank balance by 137% and 20% respectively.

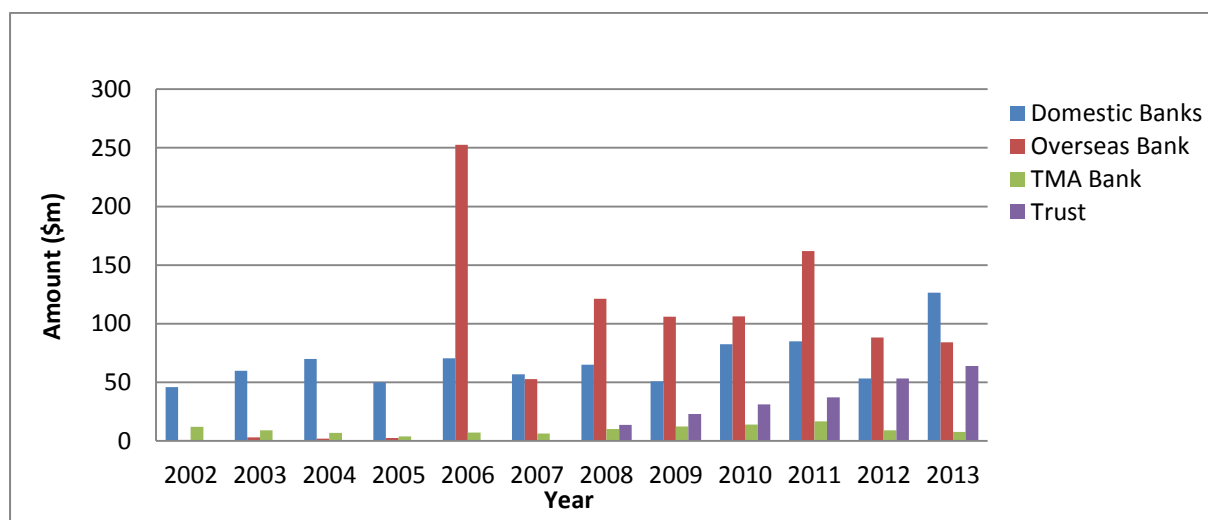
However, there was a decrease in the overseas bank balance and trading and manufacturing account (TMA) cash at bank balance by 5% and 14% respectively. Refer to Table 2.1 below for details.

TABLE 2.1: CASH AT BANK BALANCE AS AT 31/12/13

Account	2013 Balance (\$)	2012 Balance (\$)	Variance (\$)	% Change
Domestic Bank	126,382,089	53,221,460	73,160,629	137
Fiji Overseas Agencies	84,147,140	88,196,257	4,049,117	5
Trading & Manufacturing Account (TMA)	7,782,209	9,100,209	1,318,000	14
Trust Fund Account	64,005,322	53,439,357	10,566,964	20
Drawings Account	(75,572,051)	(107,360,277)	31,788,226	(30)
<b>Net Cash</b>	<b>206,744,709</b>	<b>96,597,006</b>	<b>110,147,702</b>	<b>114</b>

A graphical presentation of the major account balances for the past twelve years is provided in Figure 4.0 below.

FIGURE 2.1: CASH AT BANK BALANCE (2002 - 2013)



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

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

## 2.1 Accounting Issues

### 2.1.1 Incorrect Translation of Foreign Account Balances

Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.<sup>5</sup>

The cash flows of a foreign controlled entity shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.<sup>6</sup>

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>7</sup>

The audit noted of the variances between an independent recalculation of the bank reconciliations statements as at 31 December 2013 with the FMIS general ledger balances as at 31 December 2013. In addition, the foreign bank account balances were converted into Fijian dollars using the 31<sup>st</sup> December 2013 exchange rates provided by Reserve Bank of Fiji (RBF). Refer to Table 2.2 below for details of these:

TABLE 2.2: OVERSEAS BANK BALANCE VS. GENERAL LEDGER BALANCE

Description	Bank / Expected GL from audit calculation* (\$)	FMIS (\$)	Variance (\$)	GL (Overstated) / Understated
Fiji Consulate General Sydney	256,431	222,038	34,393.15	Understated
Fiji High Commission Canberra	65,264	55,430	9,833.75	Understated
COGS Australian Bank	135,219	(838,171)	973,390	Understated
Fiji High Commission London	(881)	44,043	(44,924)	Overstated
Fiji Embassy Tokyo Dominion Cash	744,289	895,416	(151,128)	Overstated
Fiji High Commission Wellington	62,916	20,406	42,511	Understated
COGS New Zealand Bank	55,487	(145,674)	201,160	Understated
Fiji Mission Brussels	340,952	692,243	(351,290)	Overstated
Washington	537,992	436,045	101,948	Understated
Bank in Kular Lumpur	18,984	63,274	(44,290)	Overstated
Bank in Kular Lumpur	8,370	42,616	(34,246)	Overstated
Bank in Kular Lumpur	48,309	43,474	4,835	Understated
Bank in Kular Lumpur	537,126	549,010	(11,884)	Overstated
Closing Balance for PNG	40,416	(3,540)	43,956	Understated
FHC New Delhi	94,134	834,232	(740,098)	Overstated
Fiji Embassy Indonesia	78,466	379,553	(301,088)	Overstated
Fiji Embassy Indonesia	11,935	157,580	(145,645)	Overstated
<b>Total</b>	<b>3,063,609</b>	<b>3,476,174</b>	<b>(412,565)</b>	<b>Overstated</b>

\*Formula: Bank Certificate/Statement Amount less Unpresented Cheques add Lodgement not credited

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

<sup>5</sup> IPSAS 2 – Cash Flow Statements – Foreign Currency Cash Flows - 36

<sup>6</sup> IPSAS 2 – Cash Flow Statements – Foreign Currency Cash Flows - 37

<sup>7</sup> Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

## **Recommendations**

- **The Ministry of Finance should be making regular consultations with Ministry of Foreign Affairs about the variances which needs to be rectified and can be supported to be adjusted to reflect actual cash held**
- **The Ministry of Finance should regularly follow up with Accounting Heads of these accounts to submit proper and correct reconciliations**

## **Management Comment**

*These recommendations are noted and the current legislations that are being drafted will be ensured to incorporate the highlighted points.*

## **2.2 Control Issues**

### **2.2.1 Non Preparation of Bank Reconciliations**

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

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

The audit noted that numerous bank accounts for the Domestic and Overseas Agencies did not have bank reconciliations statements prepared for the year ended 31/12/2013.

Refer to Table 2.3 for examples of Domestic cash and overseas agencies general ledger accounts without bank reconciliations being prepared.

TABLE 2.3: CASH GENERAL LEDGER BALANCES WITHOUT RECONCILIATIONS

Account ID	Description	GL Balance (\$)
<b>Domestic Bank</b>		
1-05101-05101-520415	BSP/CNB - Indigenous Affairs Scholarship	510,233
9-30B01-78068-520301	WBC - Fisheries Bank Account	(25,965.57)
9-32301-78608-520301	Generated Account	154
9-36301-36001-520301	Communications	2,906,717
9-37301-37999-520301	Generated Account	688,204
9-37301-37999-520401	Generated Account	564
9-23401-23006-520301	TF Hud Litter Decree Publicity	599,036
9-23401-23006-520401	TF Hud Litter Decree Publicity	264,396
9-05201-68999-520301	Provincial Development	(1,959,997.81)
9-06201-70002-520301	Trust Fund Bank Account - Immigration	10,129,318
9-41101-41039-520301	Rural Electrification Unit	1,501,242
9-07301-07999-520401	CFA - CNB Suva - Environment	3,273
<b>Total Domestic Bank</b>		<b>\$14,617,174</b>
<b>Overseas Agencies</b>		

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

Account ID	Description	GL Balance (\$)
1-08103-80102-510106	Fiji Consulate General Sydney	222,038
1-08103-80101-510107	Fiji High Commission Canberra	55,430
1-08103-81001-510202	Fiji High Commission London	44,043
1-08103-80501-510401	Fiji Embassy Tokyo Dominion Cash	895,416
1-08103-80701-510502	Fiji High Commission Wellington	20,406
1-08103-80201-510504	Fiji High Commission Beijing	406,205
1-08103-80301-510601	Fiji Mission Brussels	692,243
1-08103-81001-510801	Fiji High Commission UN	12,178
1-08103-81101-510801	Fiji High Commission UN	229,563
1-08103-81102-510802	Washington	436,045
1-08103-80402-510901	Bank in Kular Lumpur (Indonesia)	63,274
1-08103-80405-510901	Bank in Kular Lumpur (Abu Dhabi)	42,616
1-08103-80406-510901	Bank in Kular Lumpur (Seoul)	43,474
1-08103-80601-510901	Bank in Kular Lumpur (Malaysia)	549,010
1-08103-80801-510902	Closing Balance for PNG	(3,540)
1-08103-80301-510903	FHC New Delhi	809,590
1-08103-80401-510903	FHC New Delhi	24,642
1-08103-80402-510905	Fiji Embassy Indonesia (Indonesia)	339,654
1-08103-80403-510905	Fiji Embassy Indonesia (Brasil)	203,067
1-08103-80404-510905	Fiji Embassy Indonesia (South Africa)	39,899
1-08103-80405-510905	Fiji Embassy Indonesia (Abu Dhabi)	(45,486)
1-04101-04202-510201	Crown Agents London	(359,811.79)
1-04102-04202-510201	Crown Agents London	(2,804,580.07)
	<b>Total Overseas Agencies</b>	<b>1,915,375</b>
	<b>Total Domestic and Overseas Agencies</b>	<b>16,532,549</b>

In addition to the above, the following findings were noted,

- There were numerous bank reconciliations for overseas agencies for the year ended 31 December 2013 which could not be verified as these were not provided for audit which included the Fiji High Commission United Nation, Crown Agents London and the Fiji High Commission Beijing.
- In addition, there was no reconciliation conducted by the Ministry of Foreign Affairs to reconcile the overseas agencies cash balance to the cash balance reflected in the FMIS.

Despite the issue of non-preparation of bank -reconciliation for cash at bank raised in previous audit reports, the Ministry has yet to take remedial actions to minimise these material errors and omissions.

### **Recommendations**

- **The Ministry of Finance should have a consultative approach with the Ministry of Foreign Affairs in terms of ensuring all overseas agencies general ledger accounts do have bank reconciliations and reconciled with the bank records both on an agreed timeline and on a regular basis.**
- **The responsibility of maintaining records rests with Ministry of Finance and Ministry of Foreign Affairs hence therefore roles are clearly demarcated between these two agencies to take ownership to rectify any variances identified.**

### **Management Comment**

*Recommendation is noted, Ministry of Finance will be assisting Ministry of Foreign Affairs in updating its reconciliation of mission accounts as well as monitoring the correctness of postings.*

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

Independent audit confirmation is a tool available to auditors to verify those account balances with the client's external (third) party. The mechanism checks that the audited entity's account balances 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 have been recorded.

The following anomalies were noted:

1. There were 10 domestic cash general ledger accounts totalling \$4.92 million as shown in Table 2.4 that did not have any evidence of cash held when verified to bank certificates;
2. Two domestic cash general ledger accounts totalling \$1,985,964 were reflected as overdrawn bank accounts without any supporting details provided;
3. There were 3 domestic cash general ledger accounts being referenced as 2, 4 and 5 that are carried forward balances from prior years which cannot be substantiated. Refer to Table 2.4 below for details:

TABLE 2.4: DOMESTIC BANK ACCOUNTS WITHOUT BANK AUDIT CERTIFICATES FOR CASH HELD

No.	General Ledger Account	Account Description	Amount (\$)
<b>Operating Fund Account</b>			
1	1-05101-05101-520415	BSP/CNB - Indigenous Affairs Scholarship	510,233
<b>Trust Fund Account</b>			
2	9-30B01-78068-520301	WBC -Fisheries Bank Account	(25,966)
3	9-32301-78608-520301	Generated Account	154
4	9-23401-23006-520401	TF Hun Litter Decree Publicity	264,396
5	9-05201-68999-520301	Provincial Development	(1,959,998)
6	9-07101-07003-520301	Workman's Compensation	1,218,604
7	9-07101-07006-520401	OHS Trust Account	4,735,999
8	9-07101-07010-520401	Employee Relations Agency Trust Fund	179,949
9	9-07101-07011-520401	Child Labour Unit Trust Fund	430
10	9-07301-07999-520401	CFA - CNB Suva – Environment	3,273
		<b>TOTAL</b>	<b>4,927,074</b>

<sup>9</sup> Audit Act 1998, section 7 (1) (2)

4. There were 7 overseas cash general ledger accounts totalling (\$3.5) million as shown in Table 2.5 did not have evidence of cash held;
5. In addition, 4 of these overseas cash general ledger accounts totalling \$4,148,237 were overdrawn without any supporting details;
6. There were 4 overseas missions' bank accounts that include Fiji Embassies in South Korea, Abu Dhabi, Brazil and South Africa which have yet to be recorded. Refer to Table 2.5.

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

No.	Account ID	Account Description	Amount (\$)
1	1-04301-65101-510108	COGS Australian Bank	(838,171)
2	1-08103-80201-510504	Fiji High Commission Beijing	406,205
3	1-04301-65101-510505	COGS New Zealand Bank	(145,674)
4	1-08103-81001-510801	Fiji High Commission UN	12,178
5	1-08103-81101-510801	Fiji High Commission UN	229,563
6	1-04101-04202-510201	Crown Agents London	(359,812)
7	1-04102-04202-510201	Crown Agents London	(2,804,580)
	<b>TOTALS</b>		<b>(3,500,291)</b>
8	Fiji Embassy in Seoul South Korea (Korea Exchange Bank) US\$17,683.32 – FJ\$33,561.06		Yet to be recorded in the FMIS General Ledger as at 31/12/2013
9	Fiji Embassy in Abu Dhabi (National Bank of Abu Dhabi) 499,201.61 (AED) – FJ\$257,958.67		
10	Fiji Embassy in Brazil		December Bank statements/certificates not available with the Ministry of Foreign Affairs.  Bank Reconciliation maintained for Brazil and South Africa were only up to September and November 2013 respectively.
11	Fiji High Commission South Africa		

The above reflects the lack of supervision and the lack of coordination between Ministry of Foreign Affairs and the Ministry of Finance to ensure that there is minimal material misstatement or omissions of cash at bank.

### **Recommendations**

**The Ministry of Finance FMIS Unit and Ministry of Foreign Affairs Accounts Officers should have regular consultations and to ensure that material omissions or misstatements of these general ledger accounts for cash at banks are minimized.**

### **Management Comment**

*Recommendation is duly noted; Ministry of Finance will be verifying all Government Bank Accounts and cross checking with the FMIS system. Reconciliation of such accounts will be updated and warranted adjustments will be done accordingly.*



### 2.2.3 *Anomalies in the Cash at Bank General Ledger Records*

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>10</sup>

The following anomalies were noted:

1. The general ledger description for some bank accounts did not match with the bank confirmation received. For example the general ledger account named as COGS Australian Bank<sup>11</sup> and COGS New Zealand Bank<sup>12</sup> are related to the Westpac bank accounts used by Pensions Office; and
2. Three general ledger account allocations reflect an overdrawn account that includes COGS Australia by \$838,171, COGS New Zealand by \$145,674 and Bank in PNG by \$3,540. An independent check of the general ledger account balances showed a different total for three (3) allocations by \$135,219, \$55,487 and \$40,416 respectively.

Refer to Table 2.6 below for details of these.

TABLE 2.6: OVERSEAS BANK AS PER BANK CONFIRMATION/EXPECTED GENERAL LEDGER AND GENERAL LEDGER (FMIS) CASH AT BANK BALANCE

Description	Audit Calculation of Expected FMIS Balance* (\$)	FMIS (\$)	Variance (\$)	GL (Overstated) / Understated
Fiji Consulate General Sydney	256,431	222,038	34,393.15	Understated
Fiji High Commission Canberra	65,264	55,430	9,833.75	Understated
COGS Australian Bank	135,219	(838,171)	973,390	Understated
Fiji High Commission London	(881)	44,043	(44,924)	Overstated
Fiji Embassy Tokyo Dominion Cash	744,289	895,416	(151,128)	Overstated
Fiji High Commission Wellington	62,916	20,406	42,511	Understated
COGS New Zealand Bank	55,487	(145,674)	201,160	Understated
Fiji Mission Brussels	340,952	692,243	(351,290)	Overstated
Washington	537,992	436,045	101,948	Understated
Bank in Kuala Lumpur	18,984	63,274	(44,290)	Overstated
Bank in Kuala Lumpur	8,370	42,616	(34,246)	Overstated
Bank in Kuala Lumpur	48,309	43,474	4,835	Understated
Bank in Kuala Lumpur	537,126	549,010	(11,884)	Overstated
PNG	40,416	(3,540)	43,956	Understated
FHC New Delhi	94,134	834,232	(740,098)	Overstated
Fiji Embassy Indonesia	78,466	379,553	(301,088)	Overstated
Fiji Embassy Indonesia	11,935	157,580	(145,645)	Overstated
<b>Total</b>	<b>3,063,609</b>	<b>3,476,174</b>	<b>(412,565)</b>	<b>Overstated</b>

\*Formula: Bank Certificate/Statement Amount /less Unpresented Cheques add Lodgement not credited

3. There was a variance of \$15.9 million for trust cash general ledger account after an independent verification of the individual general ledger account without any valid explanations provided during the audit. Refer to Table 2.7 for details.

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

<sup>11</sup> Westpac bank account currently used by the Pensions Office

<sup>12</sup> Westpac bank account currently used by the Pensions Office

TABLE 2.7: TRUST BANK BALANCE VS. GENERAL LEDGER BALANCE

Description	Audit Calculation of Expected GL* (\$)	FMIS (\$)	Variance (\$)	GL (Overstated) / Understated
Generated Account	55,645	(536,216)	591,860	Understated
Co-op Small Business Institute	73,003	73,008	(5)	Overstated
Communications	16,429,890	2,906,717	13,523,173	Understated
Generated Account	2,453,124	1,287,804	1,165,320	Understated
WBC Suva - COGS Bank Account	1,170,615	1,176,315	(5,700)	Overstated
Trust Fund Bank Account - Immigration	11,924,013	10,129,318	1,794,695	Understated
Workmen Compensation	1,524,703	1,218,604	306,099	Understated
Forfeited Assets Fund	98,341	98,349	(8)	Overstated
Prison Trust	211,335	206,203	5,132	Understated
Provincial Development	1,882,601	5,072,760	(3,190,159)	Overstated
Rural Electrification Unit	1,625,063	1,501,242	123,821	Overstated
Taiwanese Grant TF	68,127	78,091	(9,964)	Overstated
Generated Account	4,830,113	3,599,617	1,230,497	Understated
OHS Trust Account	4,849,777	4,735,999	113,777	Understated
Employee Relations Agency TF	187,357	179,949	7,409	Understated
Child Labour Unit TF	425	430	(5)	Overstated
Generated Account	84,841	80,121	4,720	Understated
Cardiology Services	388,648	77,076	311,573	Understated
	<b>47,857,621</b>	<b>31,885,387</b>	<b>15,972,234</b>	<b>Understated</b>

\*Formula: Bank Certificate/Statement Amount less Unpresented Cheques add Lodgement not credited

4. Moreover, there was a variance of \$1.5 million for TMA cash general ledger account after an independent verification of the individual general ledger account without any valid explanations provided during the audit; Refer to Table 2.8 for details of these.

TABLE 2.8: TMA BANK BALANCE VS. GENERAL LEDGER BALANCE

Description	Audit Calculation of Bank / Expected GL* (\$)	FMIS (\$)	Variance (\$)	GL (Overstated) / Understated
TMA Dominion Cash ANZ Suva	114,436	(7,534)	121,970	Understated
TMA Dominion Cash WBC Suva	369,528	782,487	(412,959)	Overstated
TMA Dominion Cash WBC Suva	319,861	1,023,105	(703,244)	Overstated
TMA Dominion Cash WBC Suva	158,368	659,891	(501,523)	Overstated
TMA Dominion Cash CNB Suva	89,368	109,356	(19,988)	Overstated
TMA Dominion Cash CNB Suva	1,576,339	1,639,894	(63,555)	Overstated
TMA Dominion Cash CNB Suva	114,977	114,873	104	Understated
TMA Dominion Cash CNB Suva	468,458	456,637	11,821	Understated
	<b>3,211,335</b>	<b>4,778,709</b>	<b>(1,567,374)</b>	<b>Overstated</b>

\*Formula: Bank Certificate/Statement Amount less Unpresented Cheques add Lodgement not credited

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

## **Recommendations**

- The Ministry of Finance should ensure that bank reconciliations are prepared on an agreed interval for all bank accounts with variances fully explained and the general ledger is adjusted accordingly to reflect actual cash held.
- The Ministry of Finance should put more effort and resources in terms of training of Accounts Officers on how to rectify these variances and put in disciplinary measures to ensure that errors are minimised.

## **Management Comment**

Ministry of Finance is tightening up on Ministries Reporting compliance through Table 5 of their respective ACP.

### **2.2.4 Cash General Ledger 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.<sup>13</sup>

The audit noted a total of \$6.7 million in the cash at bank general ledger recorded credit balance thus an overdrawn balance though there are no overdraft facilities made by the bank. Refer to Table 2.9 below for details of these;

TABLE 2.9: CASH GENERAL LEDGER WITH NEGATIVE BALANCES

Account ID	Description	GL Balance (\$)
<b>Overseas Bank Balance</b>		
1-08103-80801-510902	Closing Balance for PNG	(3,540)
1-08103-80405-510905	Fiji Embassy Indonesia	(45,486)
1-04101-04202-510201	Crown Agents London	(359,811.79)
1-04102-04202-510201	Crown Agents London	(2,804,580.07)
1-04301-65101-510108	COGS Australian Bank	(838,171)
1-04301-65101-510505	COGS New Zealand Bank	(145,674)
<b>Trust Fund Account</b>		
9-05201-68999-520301	Provincial Development	(1,959,998)
9-30B01-78068-520301	WBC - Fisheries Bank Account	(25,965.57)
9-32301-76068-520301	Generated Account	(536,216)
<b>Trading and Manufacturing Account</b>		
4-15251-71999-540101	TMA Dominion Cash ANZ Suva	(7,534)
<b>Total</b>		<b>(6,726,976)</b>

In the absence of reconciliation, satisfactory explanation could not be provided by the Ministry of Finance with evidence for the result of the negative account balances.

Hence, the cash at bank balance in whole of Government financial statement of assets and liabilities cannot be deduced to be fairly stated of the actual cash held.

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

## **Recommendation**

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

## **Management Comment**

*We will be rectifying all overseas mission accounts and Trust Accounts in 2014 by sorting out their reconciliations and clearing the balances that need to be posted.*

### **2.2.5 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.<sup>14</sup> The Accounting Head shall certify the monthly drawings reconciliation statements before submitting to the Ministry of Finance.<sup>15</sup>

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

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safe once year. Any discrepancies must be accounted for and brought to the attention of the Permanent Secretary through the board of survey report<sup>16</sup>.

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

1. Eight (8) drawings account showed debit balances in the general ledger totalled \$2.44 million which indicate that these accounts have not been monitored and reconciled on a timely basis;
2. There were no bank reconciliation prepared for bank accounts maintained with Westpac and BSP Bank Suva. 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	1-30101-30102-530201	Drawings WBC Suva	598
2	1-30701-76999-530301	Drawings BSP Suva	128,372
3	1-36101-36999-530301	Drawings BSP Suva	5,000
4	1-36101-86999-530301	Drawings BSP Suva	56,415
5	1-37101-37999-530301	Drawings BSP Suva	1,197,032
6	1-12101-12101-530301	Drawings BSP Suva	1,053,568
7	1-18201-91991-530301	Drawings BSP Suva	40
8	1-40601-84999-530382	Drawings CNB PWD Western	5
<b>TOTAL</b>			<b>2,441,030</b>

3. Moreover, there was a variance of \$20.2 million between the general ledger for Drawings bank account and the Board of Survey Report for each bank account at year end. It indicates that this balance is understated by \$20.2 million. In addition, the Ministry did not take any action to investigate these variances between the Board of Survey Report and the general ledger balances. Refer to Table 2.11 for details of this.

<sup>14</sup> Proforma Finance Manual 2011 – Section 7.4.3

<sup>15</sup> Proforma Finance Manual 2011 – Section 17.3.1

<sup>16</sup> Section 31 of Financial Management Act 2004

TABLE 2.11: DRAWINGS BOARD OF SURVEY BALANCE VS. GENERAL LEDGER BALANCE

Description	FMIS (\$)	Drawings Board of Survey (\$)	Variance (\$)	GL (Overstated) / Understated
DRAWINGS ANZ SUVA	(414,883)	(99,712)	(315,171)	Overstated
DRAWINGS ANZ SUVA	(151,661)	(151,718)	57	Understated
DRAWINGS WBC SUVA	(64,701)	(46,041)	(18,660)	Overstated
DRAWINGS WBC SUVA	(333,656)	(474,124)	140,469	Understated
DRAWINGS BSP SUVA	(231,697)	(316,825)	85,128	Understated
DRAWINGS BSP SUVA	(25,061,106)	(31,453,130)	6,392,024	Understated
DRAWINGS BSP SUVA	(1,726,825)	(1,938,944)	212,119	Understated
DRAWINGS BSP SUVA	(270,895)	(229,820)	(41,075)	Overstated
DRAWINGS BSP SUVA	(236,885)	(5,088,034)	4,851,149	Understated
DRAWINGS BSP SUVA	(7,529)	(7,362)	(168)	Overstated
DRAWINGS BSP SUVA	(170,120)	(147,153)	(22,967)	Overstated
DRAWINGS CNB SUVA	(44,691)	(44,638)	(53)	Overstated
DRAWINGS BSP SUVA	(2,171,382)	(2,139,825)	(31,557)	Overstated
DRAWINGS BSP TREASURY	(2,150,100)	(11,153,257)	9,003,157	Understated
DRAWINGS BSP PENSIONS	(14,692)	(14,457)	(235)	Overstated
DRAWINGS BSP SUVA (IMMIG)	(102,543)	(110,337)	7,794	Understated
<b>Total</b>	<b>(33,153,366)</b>	<b>(53,415,377)</b>	<b>20,262,011</b>	<b>Understated</b>

### **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 FMIS before the closure of the accounts.**
- **The Ministry should adopt a check and review mechanism for all reconciliations to ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.**
- **Proper supervision should be carried out as reconciliation is an important control check in order to ensure that balances reflected in the accounts are correctly and fairly stated.**

### **Management Comment**

*The reconciliation team at FMIS has been allocated additional staff to cater for ministerial assistance through providing training on the drawings account reconciliation and clearance. FMIS has tightened up controls regarding the clearance of encumbrances and commitments and furthermore, FMIS has brought a new process where the sweeps from the Consolidated Fund Accounts are loaded directly from an excel spread sheet into the FMIS (no more manual loading of sweeps). Finally, FMIS has begun inactivation of all unused drawings accounts to avoid miss-postings.*

*As per Finance Circular 2/2014, a new format for the Drawings Reconciliation has been issued and Training is currently underway. This will greatly assist ministries in clearing the reconciliation issues.*

## **2.2.6 Un-presented Cheques**

The accounts supervisor shall prepare bank reconciliation within 5 days of the end of the month. Details of un-presented cheques and other reconciling items should be attached to the reconciliation statement.<sup>17</sup>

<sup>17</sup> Proforma Finance Manual 2011 – Part 7 Cash Management Section 7.4.8 & 7.4.9

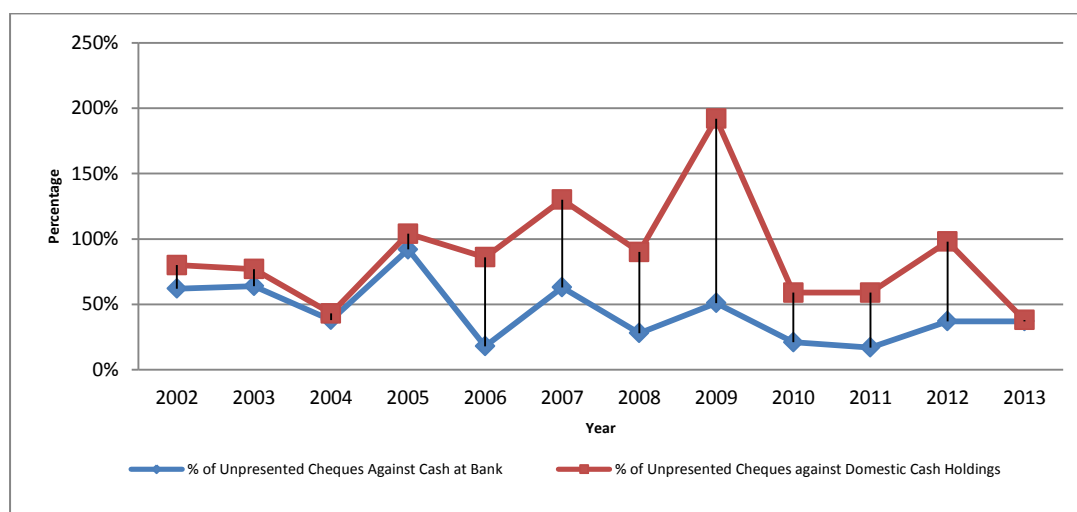
Permanent Secretaries are requested to advise their Section Heads to plan well ahead for all their proposed purchases of goods and services to ensure their Local Purchase Orders (LPOs) are prepared and approved by 06/12/13 and that all payments are made by 31/12/13. Accounting Heads are also requested to advise various suppliers to present all their unrepresented cheques to the bank before or on 31/12/13 to avoid unnecessary large cash balances sitting in the various drawings account.<sup>18</sup>

A review of the unrepresented cheques balances over the past 11 years provided in Table 2.12 and Figure 2.2 below indicate unrepresented cheques accounts for a significant portion of the domestic cash at bank and total cash holdings of Government.

TABLE 2.12: BREAKDOWN OF UNPRESENTED CHEQUES AGAINST CASH AT BANK BY YEARS (2002 – 2013)

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
2012	107,711,878	232,420,373	46	109,818,694	98
2013	75,572,051	206,744,708	37	198,169,619	38

Figure 2.2: Un-presented Cheques versus the Cash at Bank



A decrease was noted in unrepresented cheques for 2013 compared to 2012 of \$32.14 million or 43%. Illustrated in Table 2.13 are examples of Ministries and Departments that continued to have significant unrepresented cheque balances as at 31/12/13:

<sup>18</sup> Finance Circular 20/2013, 2013 Closing of Accounts Procedures, Paragraph 7.1.4

TABLE 2.13: MINISTRIES AND DEPARTMENTS WITH SIGNIFICANT UN-PRESENTED CHEQUE BALANCES

Ministries/Departments	Amount (\$)	% of Total
Prime Minister's Office	(26,787,931)	35.45
Finance	(15,654,488)	20.71
Health	(5,374,589)	7.11
Works	(5,234,383)	6.93
Police	(4,671,603)	6.18
Provincial Development	(2,419,150)	3.20
Social Welfare	(2,179,448)	2.88
RFMF	(2,171,382)	2.87
Local Government	(2,128,652)	2.82
Agriculture	(2,042,761)	2.70
Sugar	(1,449,981)	1.92
Others	(5,457,683)	7.23
<b>TOTAL</b>	<b>(75,572,051)</b>	<b>100</b>

The significant un-presented cheques balances indicated that spending for these Ministries and Departments are concentrated towards the end of the year.

Such spending often results in uneconomical purchases, which affect the following year's budgetary allocations and sometimes did not comply with procurement procedures.

### **Recommendations**

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

### **Management Comment**

*As per Prime Minister's Directive for 2014, all Ministries are to use 60% of their budget within the first 6 months of the year. This will greatly minimize spending at the end of the year as Ministries will only have 40% of their budget to use.*

## **2.2.7 Cash balances not recorded in the General Ledger**

All bank accounts must be reconciled monthly with the bank reconciliation showing all the outstanding cheques and other reconciling items and signed and dated by the responsible officer.<sup>19</sup>

The following cash balances and fixed deposits held with the Westpac Bank were not recorded in the Cash and Investment general ledger. Refer to Table 2.14 below for details.

TABLE 2.14: DETAILS OF CASH BALANCES NOT RECORDED IN THE GENERAL LEDGER

Account Name	Account Number	Amount (\$)
Cons- Social Welfare Assist Holdings Account	9803041533	1,336,251.16
Fixed term deposits	9802595430	2,500,000.00
Fixed term deposits	9802675711	1,058,188.27

<sup>19</sup> Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

Account Name	Account Number	Amount (\$)
<b>TOTAL</b>		<b>4,894,439.43</b>

Explanations for the non-recording of these cash and fixed term deposit balances cannot be provided.

The above anomaly indicates the laxity of responsible accounting officers in ensuring that all cash holdings of government are properly recorded, hence resulting in the cash balance being understated.

### **Recommendation**

**The Ministry should ensure that all transactions are properly recorded in the FMIS general ledger of government.**

### **Management Comment**

*Ministry of Finance will be confirming all Bank Accounts that exist with the Banks and those that are not yet recorded in the FMIS will be brought into the FMIS system.*

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

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

The following balances which are reflected in the whole of Government financial statement of assets and liabilities contained errors and omissions as shown in Table 2.15.

TABLE 2.15: ERRORS AND OMISSIONS IN CASH AT BANK

Errors and Omissions	2013 Overstatement/ (Understatement)
Non-preparation of bank reconciliations	16,532,549
Bank Balances without evidence of Cash Held	1,426,783
Variance between Cash at Bank in the General ledger and the Audit Calculations for General Ledger amount	(13,992,296)
Cash at bank with Negative balance	(6,726,976)
Debit balance in the Drawings accounts	2,441,030
Variance between Drawings BOS balance and General Ledger	(20,262,011)
Cash balances not recorded in the GL	(4,894,439)
<b>Net Errors and Omissions</b>	<b>(25,475,360)</b>

The net impact on Cash at Bank of the errors and omissions in the 2013 accounts is substantial and reflects the existence of weak internal controls in cash management.

### **Recommendations**

- **The Ministry should ensure that bank balances are reconciled monthly and those errors and omission are taken seriously with strategies to ensure cash at bank is fairly stated.**
- **Disciplinary actions are to be instigated for officers failing to reconcile the account balances.**



## **Management Comment**

*Ministry of Finance will be tightening up on the reconciliation and various requests by defaulting ministries will be declined until reconciliations are submitted. Furthermore, the weighting of various Permanent Secretaries will be decreased in Table 5 of their Annual Corporate Plan if their ministry fails to comply with the reconciliation requirement.*

## **3.0 ACCOUNTS RECEIVABLES**

An accounts receivable (or debtor) generally arises after a sale of goods or services where payment is not immediately received by Government. It is important to have in place a stringent credit policy and debt recovery procedures to counter the risk of losses of irrecoverable debts.<sup>20</sup>

The accounts receivables (debtors) of Government as at 31/12/13 totalled \$18,712,196 which is a decrease of \$2,539,970 or 12 % compared to \$21,252,166 at 31 December 2012.

The significant decline noted in 2013 is attributed to the write off of dormant accounts in the general ledger amounting to \$3,386,760 as approved by the Minister of Finance.<sup>21</sup> As at 31 December 2013, the total Accounts Receivable balance recorded by government was \$18,712,196.

Despite the write off of dormant accounts conducted by the Ministry of Finance in the 2013 general ledger, the audit noted that 74% or \$13,965,780 of the total receivable amount disclosed in the financial statement were not supported by reconciliations and source documents.

## **3.1 Accounting Issues**

### **3.1.1 Credit balances in Receivables**

All Permanent Secretaries and Head of Department are required to submit monthly reconciliations to the Ministry of Finance by the 15<sup>th</sup> of each month.<sup>22</sup>

Accounts receivable are classified as assets of government and are debit in nature at year end. Credit balances indicate that debtors have overpaid their accounts hence are to be refunded by government.

Contrary to the above, the audit noted that \$1,078,793 of accounts receivable showed credit balances which indicate that debtors have overpaid their accounts. However there was no evidence of a review to ascertain the reasons for these credit balances. Refer to Table 3.1 below for details.

TABLE 3.1: RECEIVABLE ACCOUNTS WITH CREDIT BALANCES

Ministry / Department	GL Account Code	Particulars	Amount (\$)
Public Service Commission	1-02301-02999-560301	AP EMPLOYEE ADVANCES	(31,756.06)
	1-02303-02999-560203	AR INDIVIDUALS	(1,510.40)
	1-02304-02999-560203	AR INDIVIDUALS	(103.20)
	1-02305-02999-560203	AR INDIVIDUALS	(610,927.29)
Department of Housing	1-23101-23999-560203	AR INDIVIDUALS	(215,731.90)
Ministry of Finance	4-04351-65999-560401	GL TRADE DEBTORS OPEN ITEMS	(194,556.35)

<sup>20</sup> Part 9 Pro-Forma Finance Manual 2013

<sup>21</sup> Financial Management Act 2004, Section 34

<sup>22</sup> Finance Circular No. 2/2013

Ministry / Department	GL Account Code	Particulars	Amount (\$)
Ministry of Health	4-22251-22999-560101	AR GOV DEPTS & AGENCY	(1,506.15)
	4-22251-22999-560102	AR COMPANIES	(10,626.93)
Ministry of Works and Transport	4-40258-91011-567466	DEBTOR-GOVT PRINTING	(450)
	4-40258-91011-567468	DEBTOR-PROVINCIAL DEVELOPMENT	(1,205.77)
	4-40263-93011-567483	DEBTOR-WORK SERVICES	(9,132.19)
Department of Fisheries and Forest	9-32301-78999-560102	GENERATED ACCOUNT	(1,287.04)
<b>Total</b>			<b>(1,078,793.28)</b>

The above credit balances could be attributed to the incomplete processing of receipting in the Accounts Receivable (AR) module. Ministries and Departments generally complete the receipting process in the system through journal vouchers that is susceptible to errors. This is further aggravated by the absence of reconciliations and supporting documentation of these accounts.

In failing to address the above, the governments accounts receivable balances will continue to be understated both at agency and whole of government level as some of these entries may have been actually receipted through journal vouchers.

### **Recommendation**

**The Ministry should liaise with the respective Permanent Secretaries to take responsibility in ensuring that monthly reconciliations for accounts receivable are fully supported and general ledgers amounts regularly reviewed.**

### **Management Comment**

*Emphasis on the comment for MOF to liaise with the respective Ministry's PS is duly noted; FMIS is pursuing the option of respective Ministries Audit Opinions to be part of the PS's KPI.*

## **3.2 Control Issues**

### **3.2.1 Unsubstantiated Accounts Receivable Balances**

All Permanent Secretaries and Head of Department are required to submit monthly reconciliations to the Ministry of Finance by the 15<sup>th</sup> of each month.<sup>23</sup> 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.<sup>24</sup>

There were some Ministries and Departments that did not prepare reconciliations while in some instances balances in reconciliations prepared could not be explained nor supported to source documents. Refer to Table 3.2 below for details.

<sup>23</sup> Finance Circular No. 2/2013

<sup>24</sup> Finance Instructions – s6.4.1

TABLE 3.2: UNSUBSTANTIATED ACCOUNTS RECEIVABLES BALANCES

Ministry / Department (GL Account Code)	Amount (\$)	Remarks
Ministry of Agriculture (1-30101-30101-560203)	413,316	Reconciliation prepared, however the AR balance cannot be explained with the listing of debtors.
Ministry of Fisheries and Forest 1-32201-77101-560102 1-32201-78999-560102 1-32201-77101-560202	646,364	AR reconciliation was not prepared for these accounts.
Ministry of Health 4-22251-22999-560101 4-22251-22999-560102 4-22251-22000-560103	4,959	AR reconciliation was not prepared for these accounts.
Public Service Commission 1-02301-02999-560203, 1-02301-02999-560301	11,302,508	AR reconciliation was not prepared for these accounts.
Govt. Printing & Stationery Dept. 4-04451-66999-560101, 4-04451-66999-560103	643,816	AR reconciliation was not prepared for these accounts.
Ministry of Lands & Mineral Resources 1-33301-79999-560103	954,817	Reconciliation prepared, however the AR balance cannot be explained with listing of debtors.
<b>Total</b>	<b>\$13,965,780</b>	

This is further exacerbated by the absence of debtors' registers contrary to the requirements of the Finance Instructions.

The above indicates the laxities of the relevant Accounting Heads in ensuring monthly reconciliations are prepared and debtors' registers are maintained.

In the absence of debtors' registers and proper reconciliations being carried out, receivable balances cannot be validated and substantiated for existence by audit.

### **Recommendation**

- **The Ministry of Finance should ensure that all Ministries/Departments maintain a debtor register and reconciled to the account receivable reconciliations on a monthly basis and submitted to the Ministry of Finance for verification purposes.**
- **The Ministry should liaise with the respective Permanent Secretaries with the recommendation to take disciplinary actions against their Accounting Heads for failing to take responsibility in ensuring that monthly reconciliations are fully supported and general ledgers amounts are regularly reviewed for correctness.**

### **Management Comment**

*Whilst having debtors registers, Ministries and Departments should also utilize the AR module scheduling report panels for reconciling purposes; reports can be generated through customer's details, orgs and group.*

*FMIS is strengthening reconciliation monitoring and is currently monitoring balance sheet items, in which all allocations with balances categorized under the balance sheet items should be reconciled and submitted to FMIS.*

*Emphasis on the comment for MOF to liaise with the respective Ministries' PS is duly noted; onto that note upon advisory Deputy Secretaries were notified on the status of reconciliation on the Ministries/Departments that are lagging behind in submissions.*

### 3.3 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.

#### 3.3.1 *Quarterly Arrears of Revenue Report not submitted to Ministry*

The Return of Arrears and outstanding debt for the final quarter of 2013 must be submitted to the Debt and Cash flow Management Unit of the Ministry of Finance no later than 31st January 2014 to be incorporated in the Accounts and Finance Report<sup>25</sup>.

The Senior Accounts Officer (Treasury) shall prepare a quarterly report on the level of outstanding and overdue debts<sup>26</sup>.

Note 24 in the Whole of Government Accounts provided disclosure on the level of outstanding debt as at 31 December 2013 totaling \$147,014,786.

The audit noted that six entities did not submit the fourth quarter arrears report of 2013. This included (i) Maritime and Safety Authority of Fiji, (ii) Ministry of Labour & Industrial Relations, (iii) Rewa Rice Limited, (iv) Meteorological Services, (v) Fiji Police Force and (vi) Divisional Engineer (Northern).

The unavailability of these data may not fully show the true status of the amounts owed to Government. In addition, the Ministry’s circular did not address on action to be taken if there is non-compliance to the Finance Circular requirement.

Discussions with the Debt Unit Officials revealed that despite reminders being sent to ministries and departments on the submission of fourth quarter arrears of revenue, the above agencies failed to submit the arrears of revenue returns.

### **Recommendations**

- **The Ministry’s Arrears of Revenue task force must ensure that the submission of quarterly arrears of revenue is adhered to by Ministries and Departments; and**
- **The Ministry may put in measures to influence Ministry and Department Accounting Heads to submit these quarterly reports.**

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<sup>25</sup> Part 12 of Finance Circular 20/2013 dated 18 October 2013

<sup>26</sup> Section 9.3.1 of Finance Manual 2011

### **Management Comment**

*The members of the taskforce are continuously reminded through emails and meetings about the importance of providing timely and accurate quarterly Arrears of Revenue report to the Ministry. The taskforce will continue to strictly monitor reasons on non-submission and accordingly put in measures for its improvement. The Ministry will look into new measures to influence Ministry and Department HOD's in the submission of their quarterly reports and accordingly incorporates it in the Ministry's Finance circular.*

### **3.3.2 Aging and Recovery of Arrears of Revenue**

A provision shall be recognized when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation<sup>27</sup>.

The audit noted that debt owed by Ministries and Departments for more than five (5) years amounted to \$45,742,825. Table 3.4 below shows those arrears for Ministries and Departments which are outstanding for more than five years.

TABLE 3.4: ARREAR OF REVENUE FOR MORE THAN 5 YEARS

Ministry/Department	Total Arrears (A) (\$)	Arrears for >5 Years (B) (\$)	(B/A*100) (%)
Fiji Procurement Office	113,548	113,548	100%
Agriculture	827,576	704,780	85%
Judicial	11,968,031	9,485,449	79%
Water Authority of Fiji	32,019,392	14,566,599	45%
Finance Surcharge	813,181	302,747	37%
Auditor-General	275,125	77,055	29%
Lands	25,228,161	6,198,589	25%
Fiji Islands Revenue & Customs Authority-Customs	6,047,820	741,766	12%
Fiji Islands Revenue & Customs Authority.-IRD	60,923,881	13,453,744	22%
Provincial Development & Multi Ethnic Affairs	656,688	93,414	14%
Health	210,647	5,134	2%
<b>Total</b>	<b>139,084,050</b>	<b>45,742,825</b>	<b>32%</b>

The following analysis was made from the table above:

- 85% of the arrears of revenue amounting \$ 704,780 for Agriculture are more than five years. The arrears deemed irrecoverable as the department is considering a write off for the aging debt of five years and above;
- 79% of arrears of revenue amounting \$ 9,485,449 for Judicial are over 5 years old. The execution of warrants for revenue collection is undertaken by Fiji Police Force. Lack of timely collection of revenue was due to non-availability of resources such as vehicles; and

<sup>27</sup> IPSAS 19 – Paragraph 22

- 45% of Arrears for Water Authority of Fiji amounting \$ 14,566,599 are more than five years old. The Arrears accumulated due to high billing complaints by commercial customers, and high water billing arrears and new tenants not clearing overdue accounts for previous years.

The likelihood of recovering the arrears of revenue more than five years is minimal and there is a risk of being irrecoverable.

### **Recommendations**

**Ministry of Finance should impose more stringent measures and recovery policies on ministries / departments and monitor their debt recovery procedures as there is significant number of irrecoverable debts which are more than 5 years.**

### **Management Comment**

*Through the taskforce, the ministry is again made aware of the major constraints faced by ministries/departments in the collection and reporting of revenue arrears. Given that the write-off option is available for aging debtors for more than 5 years, some departments still wishes to exhaust all avenues of revenue recovery before doing so. Thus resulting in the significant arrears of revenue outstanding provided, especially by Judicial, Water Authority of Fiji, Lands and FRCA.*

*The Ministry will consider providing provision for doubtful debts into the accounts as required under IPSAS.*

### **3.3.3 Significant Balances Owed By Ministries and Departments**

The arrears of revenue as at 31 December 2013 totaled \$147,014,786 excluding those entities that did not provide the status of arrears of revenue as at 31 December 2013.

The audit of the arrears of revenue for Ministries and Departments revealed huge proportion of debt were in relation to Income Tax, VAT and Customs arrears for Fiji Revenue & Customs Authority totaling \$66,971,701 or 46% followed by Water Authority of Fiji (WAF) of \$32,019,392 or 22% with various Ministries and Departments making up the remaining arrears balance of \$48,023,693 or 32%. Table 3.5 below show the details of significant balances by Ministries and Departments.

TABLE 3.5: SIGNIFICANT ARREARS OF REVENUE OVER 5 YEARS

Year	FRCA - Customs	FRCA - IRS	WAF	Lands	Judicial	Others	Total
2009	4,170,038	84,509,589	36,755,411	17,486,274	10,828,342	15,096,210	<b>168,845,864</b>
2010	11,530,304	132,520,763	34,843,653	17,970,765	10,970,177	19,096,783	<b>226,932,445</b>
2011	8,331,984	136,069,034	-	19,561,844	11,397,061	7,603,028	<b>182,962,951</b>
2012	3,292,502	107,887,503	38,127,154	22,729,013	11,341,730	9,801,736	<b>193,179,638</b>
2013	6,047,820	60,923,881	32,019,392	25,228,161	11,968,031	10,827,501	<b>147,014,786</b>

The above table indicates that Fiji Revenue & Customs Authority, Water Authority of Fiji, Department of Lands and Judicial Department comprise more than 90% of the arrears of revenue for the government over the past five years.

As a result of the large arrears held by the entities, Government continues to lose potential revenues and there is a risk of amounts being written off or being deemed irrecoverable over time.

Discussion with the Senior Accounts Officer – Debt Unit revealed that the constraints faced by the Ministries and Departments to reduce the arrears are as follows:

- FRCA (Customs and Inland Revenue Services) – Cases pending with the court of law, some debtors are under receivership process making collection of taxes and fines difficult for the Authority. Some companies have fraud cases with fines pending, and delays in the legal proceedings and disputing audit findings.
- Water Authority of Fiji - The arrears accumulated due to disputes on the high billing complaints by customers and new tenants not clearing overdue prior years accounts;
- Department of Lands and Survey – Lack of resources and finances to commence collection of revenue, pursue legal actions for land rental arrears.
- Judicial Department – Fines have increased even though the fine enforcement team was implemented. In addition, there is an officer based in Land Transport Authority to monitor the collection of revenues.

The Government will continue to lose funds if Ministries and Departments do not take proactive actions to collect these arrears and there is an increasing risk of these balances being deemed irrecoverable.

### **Recommendation**

**Ministry of Finance should request Ministries & Departments carrying huge balance of the arrears of revenue to check and ensure that arrears of revenue reports are submitted on a timely quarterly basis so that recovery of risky amounts can be collected from debtors.**

### **Management Comment**

*The Ministry will continue to liaise with departments/ ministries in enhancing revenue recovery measures, tightening collaboration with related agencies in the recovery of risky amounts, such as Judicial department collaborating with Police and LTA, FRCA in the issue of TIN letters to new vendors requesting water meters and improvement in the software used for recording loans and collections, especially for Lands department.*

## **4.0 PREPAYMENTS AND ACCRUED INCOME**

Prepaid expense is expense paid in advance but which has not yet been incurred. While accrued income is income which has been earned but not yet received.

As at 31 December 2013, Prepayments and Accrued Income was \$4,274,678. The total balance decreased by \$9,412,940 or 68.8% from the 2012 balance of \$13,687,618.

### **4.1 Accounting Issues**

#### **4.1.1 Unsubstantiated Prepayments and Accrued Income Balances**

Permanent Secretary of each ministry is responsible for the preparation of their respective Financial Statements.<sup>28</sup> The Ministry of Finance to compile a set of financial statements for the whole of Government at the financial year end (31<sup>st</sup> December).<sup>29</sup>

The total prepayments and accrued income balance for the year 2013 was \$4,274,678.

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<sup>28</sup> Financial Management Act 2004 - s28

<sup>29</sup> Financial Management Act 2004 – s46

- (i) The audit was not able to substantiate \$2,417,878 or 56% of the total amount. The unsubstantiated balance was in relation to advances for Ministry of Agriculture for prior years.
- (ii) In addition, the total prepayment and accrued income amount comprised of advances, dishonoured cheques and surcharge which are in credit balances thus understate the prepayments and accrued income by the same amount. Refer to Table 4.1 below for details of credit balances.

TABLE 4.1: PREPAYMENTS WITH CREDIT BALANCES

Ministries/Department	Allocation	Description	Amount (\$)
Fiji Military Forces	1-19101-19999-570301	Advances	(403,951.49)
Youth & Sports	1-25101-25101-570101	AP Prepaid Expenses	(22,696.61)
Bureau of Statistics	1-17201-64101-570301	Advances	(3,606.60)
Government Shipping Services	1-42101-42101-570301	Advances	(1,200.00)
Attorney General	1-03101-03101-570302	Dishonoured Cheques	(890.06)
I-Taukei Affairs	1-05101-05101-570301	Advances	(158.59)
Health	1-22101-22101-570301	Advances	(129.96)
Youth & Sports	1-25101-25101-570301	Advances	(54.35)
Department of Immigration	1-06201-70999-570304	Surcharges	(16.60)
Ministry of Works & Transport	1-40201-81101-570301	Advances	(3.59)
		<b>Total</b>	<b>(432,708)</b>

In the absence of carrying out reconciliations and reviewing these balances on regular basis, there is a risk of amounts not being fairly stated at whole of government level.

### **Recommendations**

- **In view of full accrual accounting adoption by Government, the Ministry of Finance should consider upgrading the FMIS system to allow the generation of prepayments schedules both at agency level and at whole of government level.**
- **The Ministry must carry out a review of the prepayments and accrued income account balances to ensure that correct balances are posted to the general ledger.**
- **The Ministry should consider taking surcharge actions against accounting heads if they fail to take responsibility to ensure that monthly reconciliations are fully supported and general ledger amounts are regularly reviewed.**

### **Management Comment**

*We totally concur with the recommendations above; the Ministry of Finance is reviewing its legislations and process to ensure that every transaction goes through the AP & AR Module. The FMIS has the ability to generate schedule but the reviewing of the process must be done first.*

*The Ministry is facilitating the implementation of a Receipting Application which eliminates the JV process and ensures that all revenue transactions are posted through the AR module.*

#### **4.1.2 Analysis of Outstanding Advances, Dishonoured Cheque, Unclaimed Monies & Surcharges**

All Permanent Secretaries and Head of Departments are required to submit monthly reconciliations to the Ministry of Finance by the 15<sup>th</sup> of each month. This exercise is extremely important to verify validity of the accounting practices and correctness of financial reports.<sup>30</sup>

<sup>30</sup> Finance Circular No. 02 of 25<sup>th</sup> January, 2013



The ledger reconciliation statement shall be forwarded to the Accounts Officer Treasury. The Accounting Head must ensure that, all balances are accurate and adequately supported and any misallocations or outstanding balances from the previous month have been dealt with.<sup>31</sup>

The average of the total unclaimed monies was around the \$6.0 million mark whilst the outstanding balances for advance were between the ranges of \$3.1 to \$4.0million for the past 5 years.

Out of \$4.09 million balance in advances, \$2.4 million was related to accountable advances issued to staffs of the Ministry of Agriculture without proper records being maintained.

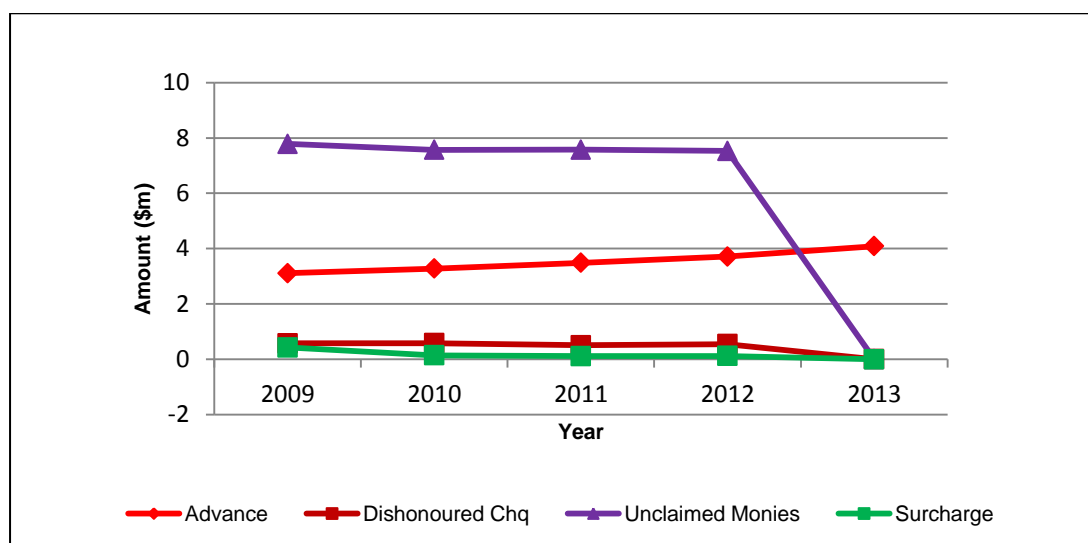
Significant decrease was noted for the unclaimed monies, dishonoured cheques and surcharge balances when compared to the balance as at 31/12/12 as attributed to a write-off of \$9.9m<sup>32</sup> as at 31/12/13. Refer to Table 4.2 and figure below for trend analysis on these accounts:

TABLE 4.2: ADVANCES, DISHONOURD CHEQUE, UNCLAIMED MONIES & SURCHARGE

Year	Advance [570301] (\$)	% age Change	Dishonored Chq [570302] (\$)	% age Change	Unclaimed Monies [570303] (\$)	% age Change	Surcharge [570304] (\$)	% age Change
2009	3,107,138.93		576,037.48		7,783,826.14		428,110.33	
2010	3,275,503.01	5	584,016.74	1	7,572,689.46	(3)	142,393.83	(67)
2011	3,485,311.80	6	504,871.32	(14)	7,576,903.35	0	113,096.11	(20)
2012	3,712,183.60	7	546,390.84	8	7,531,861.34	(0.6)	119,311.57	5
2013	4,087,805.64	10	3,909.94	(99)	4,851.88	(99)	(7.50)	(100)
<b>On Average</b>	<b>3,533,588.60</b>		<b>443,045.26</b>		<b>6,094,026.43</b>		<b>160,580.87</b>	

Graphical representation of balances as per specific type: Advances, Dishonoured Cheques, Unclaimed Monies and Surcharge are shown below in Figure 4.1:

Figure 4.1: Trend Analysis of Advances, Dishonoured Cheque, Unclaimed Monies & Surcharge



<sup>31</sup> Finance Manual 2011, Section 16.3.6

<sup>32</sup> Ministry of Finance submission dated 16/01/14

In comparison with 2012 balance of \$13,687,618<sup>33</sup> the Ministry has written off 73% of these balances. Despite a substantial write off, there were certain Ministries and Departments that continued to have significant accountable advance balances as at 31/12/13.

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

### **Recommendations**

**The Ministry should ensure that:**

- **Outstanding balances in SAG 57 are cleared by respective Ministries and Departments as prolonged delays could increase the risk of non-recovery and further write offs.**
- **All RFA reconciliations submitted by Ministries and Departments are thoroughly scrutinized by desk officers for regular clearance on a monthly basis.**
- **If accounting heads fail to take responsibility to ensure that monthly reconciliations are fully supported and general ledgers amounts are regularly reviewed, surcharge action should be taken.**

### **Management Comment**

*The comments and recommendations stated herein are noted. However, in light of the recommendation for surcharge action to be taken for Accounting Heads that fail to comply, it must be noted that we had earlier sought advice from the Office of the Solicitor General on this and it was advised that we could not instigate surcharge for non-compliance of instructions. Furthermore clause 63 (1) of the Finance Instructions 2010 has quite clearly specified the cases of when a surcharge may be imposed and these are when an officer who is director or indirectly responsible for:-*

- (a) Expenditure which has not been properly authorized in accordance with 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.*

*All in all, surcharge may be imposed when there is a quantifiable loss to Government and not for non-compliance of accounting processes and procedures.*

## **4.2 Control Issues**

### **4.2.1 Writing off Prepayments General Ledger**

Write off losses in excess of \$50,000 must be referred to the Minister for Finance<sup>34</sup>. The Financial Management Act requires Permanent Secretaries to exercise care and diligence in safeguarding assets and in approving the write off of damaged equipment, debt or any other monetary loss that cannot be recovered.

As custodian of the Financial Management Act and Finance Instructions, the Ministry of Finance is mandated to ensure proper administration of funds appropriated to the Ministries and Departments through the submission of monthly reconciliation by agencies.<sup>35</sup>

<sup>33</sup> Prepayments & accrued income balance as at 31/12/12

<sup>34</sup> Finance Instruction 2010 – Section 57(3)

<sup>35</sup> Finance Circular No. 02 of 25 January, 2013

Reconciliations basically compare two sets of records to make sure they are in agreement. As such it will safeguard validity of the accounting practices and correctness of financial reports.

On 19/01/14, the Minister for Finance approved write off of dormant and un-reconciled prepayment and accrued income figures in the FMIS general ledger totalling \$9,962,307.77. The audit noted that Ministry of Finance made necessary consultations with the Ministries and Departments to write off amount totalling \$ 9,693,297.52 while \$269,010.25 was written off upon recommendation by the Ministry of Finance due to dormant general ledgers.

In addition, the write off was the mere book entry adjustment to equity hence it did not require any budgetary provisions or funding to facilitate the transaction. Refer to Table 4.3 for details of these write off.

TABLE 4.3: WRITE OFF AMOUNT BY MINISTRY/DEPARTMENTS

Ministries	Amount (\$)
Ministry of Finance	(7,122,713.58)
Ministry of Social Welfare, Women & Poverty Alleviation	(1,605,955.48)
Ministry of Public Utilities & Energy	(500,721.76)
Ministry of Lands & Mineral Resources	(413,509.06)
President's Office	(151,973.20)
PM's Office	(92,515.91)
Department of Agriculture	(20,036.27)
Ministry of iTaukei Affairs	(17,063.50)
Judiciary	(16,129.71)
Foreign Affairs & International Co-operation	(10,964.03)
Elections Office	(9,604.00)
Auditor General	(8,660.31)
Ministry of Strategic Planning	(7,256.86)
Ministry of Provincial Development	(4,417.37)
Parliament	(1,500.00)
Attorney General	(689.00)
Ministry of Justice	(684.75)
Ministry of Youth & Sports	45.00
Ministry of Information	5,248.41
Ministry of Public Enterprise, Communication, Civil Aviation & Tourism	16,793.61
<b>Total</b>	<b>(9,962,307.77)</b>

The writing off exercise of the general ledger amounts was due to the laxity of Accounting Heads of Ministries and Departments and the Ministry of Finance in terms of monitoring the ledger balances to ensure the correctness of the monthly reconciliations submitted by the Ministries and Departments.

### **Recommendations**

- **The Ministry of Finance desk officers should ensure that Ministries and Departments reconciliations are verified with general ledger on a monthly basis. Any variances noted in the reconciliations must be returned to the Ministries for re-submission.**
- **The Ministry of Finance must prepare monthly reconciliation of prepayments and accrued income from the Ministries reconciliation at whole of government level. A copy of the whole of government monthly reconciliation should be forward to the Auditor General for audit purposes.**
- **The Ministry of Finance should always take regular review of accounts which are static and make consultations with Ministries/Departments to ensure that these amounts can be fully supported and are valid amounts.**

**Management Comment**

*We totally concur with the recommendations above, the Ministry of Finance has design new RFA, SLG84 & True Trust Reconciliation Format in Financial Circular 02/2013 in order to curb recurrence of such situation and also to detect Red Flag areas at a very early stage.*

**5.0 INVENTORY**

The value of Inventory held by Government as at 31 December 2013 was \$3,672,544 which decreased by \$3,532,729 or 49% from \$7,205,274 in 2012. Inventory is measured at Cost.

**5.1 Control Issues****5.1.1 Analysis of Inventory Balance**

The value of Inventory held by Government was \$3,672,544 as at 31 December 2013 compared to \$7,205,274 in 2012 which was measured at cost.

Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it<sup>36</sup>.

Inventories which are material in value must be recorded in an inventory system.<sup>37</sup> A stock take must be undertaken each year to verify the existence and condition of inventories on hand.<sup>38</sup>

The following anomalies were noted:

- The Ministry of Agriculture's stock certificate report reflected closing stock of \$1,058,578 which were carried out by officers who are directly involved in maintaining and accounting the stock. Thus the stock count to validate the stock has been compromised with the involvement of these officers and not being independent.
- There are no evidence to show that Ministries/Departments does carry out an assessment to provide for a write down during the year in relation to obsolete stocks, losses and theft;
- In addition, the government lacks an effective inventory management system. The audit noted that tally cards are used to update inventory movements in the year. Any obsolesce, theft and damage to inventory would be determined after the stock take at year end after which the general ledger is then updated.

With this current system, thefts, losses and stock adjustment are prevalent for trading and manufacturing accounts operated by Ministries/Departments. Verbal discussions held on August 2014 with Ministry of Finance Officials revealed they are in the process of introducing inventory module on FMIS to capture the inventory movement.

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<sup>36</sup> Finance Instructions 2010 – Section 49(2)

<sup>37</sup> Finance Instruction 2010 – Section 37

<sup>38</sup> Finance Instruction 2010 – Section 38

## **Recommendations**

**The Ministry should consider:**

- that annual boards of survey are conducted by Officers being independent from TMA stock custody; and
- To introduce an effective inventory management system interfaced with purchasing, accounts payable and accounts receivable systems to ensure that all inventory movements are captured in the general ledger.

## **Management Comment**

*Recommendation is noted and the issues of conducting independent Annual Board of Survey will be highlighted to respective offices during Annual stock take and will also be covered in the inventory policies currently being developed. For the introductions of an effective inventory management system, the ministry is currently discussing the issues with FMIS consultant on the introductions of the FMIS inventory module for TMAs.*

## **6.0 TERM LOANS RECEIVABLE**

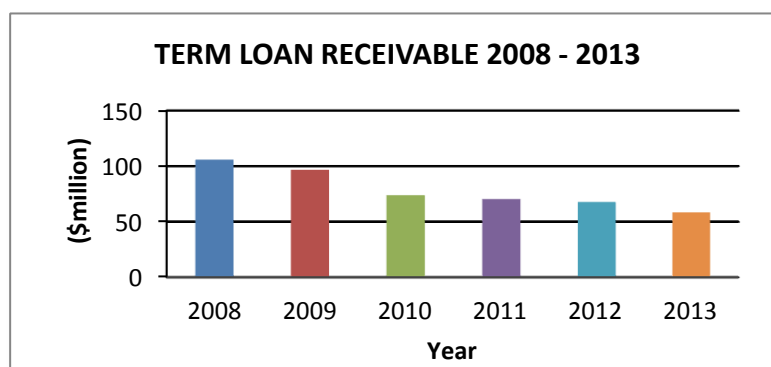
The Minister may, on behalf of the state, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside Fiji.<sup>39</sup> The outstanding loans owed to Government as at 31/12/13 totalled \$58,396,827 which is a decrease of \$9,416,927 or 14 % compared to \$67,813,754 outstanding at 31 December 2012.

The significant decline noted in 2013 is attributed to the write off of dormant accounts in the general ledger amounting to \$5,755,744 as approved by the Minister of Finance.<sup>40</sup>

The Term Loan Receivable balances in the past six years is graphed and tabulated below.

TABLE 6.1: TREND OF TERM LOAN RECEIVABLE ACCOUNT BALANCES

Year	Balance Outstanding (\$)
2008	105,861,373
2009	96,594,079
2010	73,833,129
2011	70,377,340
2012	67,813,754
2013	58,396,827



In addition to the write offs made, the decline is also a result of the incorrect accounting entries being passed by the Public Service Commission to record transactions relating to its various scholarship loan accounts.<sup>41</sup> This is further elaborated in part 6.1.2.

<sup>39</sup> Financial Management Act 2004, Section 61 (1)

<sup>40</sup> Financial Management Act 2004, Section 34

<sup>41</sup> Comprises of Tertiary Education, Private Students and Student Loan Scheme

## 6.1 Accounting Issues

### 6.1.1 Accounting of Scholarship Loan Account

The Student Loan Scheme (SLS) is only for local studies where students have their tuition fees paid for and the respective students receive an allowance to support their tertiary studies. Under the Loan Scheme, students are provided financial assistance until the end of their studies and are required to repay the cost of their tertiary education once they have found permanent employment.<sup>42</sup>

The recipient on being employed is to repay the 100% amount of loan used on his/her education by an annual remittance of 20% from his/her gross wages/salary per annum.<sup>43</sup>

The Fiji Government Scholarship operates on a cost sharing system in which the Government contributes two thirds (2/3) and the student and or guardians one third (1/3) of the total cost of training. Government pays all fees and allowances at the outset and the 1/3 contribution by the student is treated as an interest free loan which will be paid at the end of their studies and on assumption of employment.<sup>44</sup>

The Term Loans Receivable balance as at 31/12/13 includes three scholarship loan accounts which are controlled by the Public Service Commission (PSC). At the balance date, all three accounts were noted to have negative balances as detailed in Table 6.2 below:

TABLE 6.2: SCHOLARSHIP ACCOUNTS UNDER TERM LOANS RECEIVABLE (LENDING FUND)

Loan Account	Balance as at 31/12/13 (\$)	Balance as at 31/12/12 (\$)	Increase (\$)	% Change
Tertiary Education	(2,526,896)	(1,941,555)	585,341	30%
Private Students	(3,758,799)	(3,756,326)	2,473	0%
Student Loan Scheme	(6,417,842)	(1,552,068)	4,865,774	314%

The PSC confirmed on the process when a scholarship is issued to a student of an approved institution:

1. Manual files are created by desk officers for respective institutions for each student after receiving bond documents;
2. Offer letters are provided to the students to submit at institutions for invoicing;
3. Tuitions are paid upon receipt of Institution Invoices and allowances for students are paid to the students' bank accounts. These payments are recorded in the students files;
4. Student graduates after completing of their studies and student files are handed to the Loan Recovery Unit for loan recovery and bond monitoring;
5. Recovery Process takes place and students files are invoiced according to the final cost of studies to their respective institution allocations;
6. Upon receiving of repayments either manual or direct deduction and bank deposit, it is manually updated in the excel sheet and posted to FMIS GL using the students invoice numbers;
7. After the students pay the full amounts, reconciliations are done and clearance letter are provided to the students.

The audit noted that the Public Service Commission has been using incorrect accounting treatment for recording of debtors and has resulted in the loan receivables shown in negative balances as at 31 December 2013.

<sup>42</sup> Public Service Commission Media Release No 2/2012 issued on 3/01/13.

<sup>43</sup> PSC Scholarship and Student Loan Scheme Handbook

<sup>44</sup> PSC Scholarship and Student Loan Scheme Handbook

**Issue of a scholarship: Accounting Entries**

<b>Accounting Entry 1</b>	DR: Expenditure – SEG 06 CR: Drawings (SAG 53) (to pay the Institution as per invoice)
<b>Accounting Entry 2</b>	DR: Drawings (SAG 53) CR: Cash (SAG 52) (to adjust cash when cheque is presented to the banks)
<b>Accounting Entry 3</b>	DR: Accounts Receivable (SAG 56) CR: Term Loans Receivable (SAG 61) (to book the Debtor account)

Upon repayment by students, the following journals are passed:

<b>Accounting Entry 4</b>	DR: Cash (SAG 52) CR: Term Loans Receivable (SAG 61) (To record repayment of Scholarship Loan)
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The Accounting entries 3 and 4 are processed through the Accounts Receivable (AR411) module of the FMIS system where SAG 56 - Accounts Receivable is debited on default during the invoicing process to record the debtor, while SAG 61- Term Loans Receivable is credited on default during the receipting process in the AR 623 module.

The following anomalies were noted from the review of the current accounting and reconciliation processes:

- The invoices are only raised and receivables recognised when a student completes the programme under scholarship and the file is forwarded to the Recovery Unit and not at the point when semester fees are paid to the Institutions. Hence, the loans receivables are not recognised in the correct accounting period.
- The reconciliation of the Lending Fund Account accounts submitted by PSC shows only the movement (debits and credits) in the general ledger without reconciling to the source documents hence details of the general ledger amounts could not be verified from the reconciliation provided by PSC as at 31 December 2013.
- The s loan records for each students maintained by the PSC were not updated as all loan records are manually maintained in various student files exacerbated by the lack of staffs at the Recovery Unit to reconcile the records manually.
- As a result, a variance of \$2,852,645 was noted between the amount of loan recovered in the Lending Fund Account statement submitted by Ministry of Finance of \$5,453,588 and \$2,600,943 submitted by PSC. This indicates that there was no monitoring or check made by Lending Fund Account Desk Officer and to advise PSC of the correct account general ledger code to reduce the huge credit balances in the SAG 61 – Term Loan Receivable.
- In addition, a variance of \$481,701 was also noted between the ending balances as per the FMIS general ledger and ending balances as per the December reconciliation submitted by PSC which were attributed to the subsequent write off of dormant accounts in the FMIS GL as approved by the Minister of Finance. Refer to Table 6.3 below for details;

TABLE 6.3: DETAILS OF VARIANCE

GL Account	Description	PSC Reconciliation 31/12/13 (\$)	GL Balance 31/12/13 (\$)	Variance (\$)
1-02300-00000-610800	Tertiary Education	(2,979,107)	(2,526,896)	(452,210)
1-00000-00000-610900	Student Loan Scheme	(10,206,132)	(10,176,641)	(29,491)
1-00000-00000-611100	& Private Students			
<b>Total</b>				<b>(481,701)</b>

- The PSC did not prepare bank reconciliation for the year 2013 to reconcile the Bank Account (BSP Account 7663868) to facilitate the PSC scholarship direct repayments by scholarship recipients.

While it is noted that the Debt and Cash Flow Unit of the Ministry of Finance are holding meetings with the Public Service Commission to rectify this problem, no material improvement has been noted in terms of correcting the accounting entries and improving the processes and record keeping of scholarship funds.

### **Recommendations**

- **The Ministry of Finance should make consultation with the Commission to ensure that the credit balances in the asset account SAG 61 are identified and rectified and correctly reflect the total loan receivable at the end of each financial year.**
- **The Ministry of Finance should formulate standing operating procedures relating to the accounting procedure for scholarship accounts.**

### **Management Comment**

*The Ministry of Finance has taken an array of measures to highlight to PSC the anomalies related to the operations and book-keeping of the Scholarship Loan Account. This issue was extensively discussed at Revenue Arrears Taskforce Committee which PSC is a member of. Furthermore, there was a Table 5-Annual Corporate Plan Meeting with the respective PSC Heads on July 24th where the recurring negative (credit) balances for PSC Lending Fund Account was further discussed. Ministry of Finance has formally conveyed to PS PSC on the poor book-keeping of the scholarship fund account and has requested for his indulgence on this matter.*

*We do not agree that Ministry of Finance should formulate the Standard Operating Procedures. However, Ministry of Finance can guide PSC accounts team in drafting the SOP. The FMIS team of Ministry of Finance have already met with PSC Accounts Team and have advised them on the measures that need to be put in place to rectify the accounting anomalies.*

## **6.2 Control Issues**

### **6.2.1 Copra Industry Stabilization of Earnings Fund**

The Copra Industry Stabilization of Earnings Fund balance was \$8,685,344 or 15% of the total term loan receivable balance of \$58,396,827 as at 31 December 2013.

The Minister, with the approval of the Minister for Agriculture and Fisheries may fix and from time to time vary the minimum price at which copra produced in Fiji shall be purchased by purchasers carrying on business in Fiji.<sup>45</sup> The payment and recovery of monies authorized by the House of Representatives for the support of any minimum copra price shall continue to be made by such copra millers or other

<sup>45</sup> Section 2, Chapter 153 Copra Industry Loan, Act No. 26 of 1976 Section 3 (2)



agents as have been or shall from time to time be appointed by the Minister. Such agents shall maintain full accounts of the payment made to and repayments made by copra producers to the satisfaction of the Permanent Secretary for Finance.<sup>46</sup>

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

The Debt Management Unit (DMU) of Ministry of Finance confirmed that the Copra Industry for Stabilization of Earnings accounts is not a lending fund account and receipts are not a repayment of loan but more like a risk Premium charge and should be revenue of the State.

Farmers and millers have to remit 25 per cent of every dollar above the support price which currently stands at \$500 per metric tonne for producers and \$130 for millers in 2012. In 2013, Cabinet<sup>48</sup> approved the increase in minimum price for producers and millers to \$780 and \$202.80 per tonne respectively from 01 September 2013. Should the price of copra go below the support price, Government will subsidise the cost from the funds set aside under the Copra Stabilisation Fund.

The audit noted that the copra stabilisation fund general ledger accounts are not recording any repayments from millers and farmers as revenue but only reduce the loan amount as reflected under Standard Asset Group (SAG) 620200.

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

### **Recommendations**

- **The Ministry should ensure that the Fund is correctly reflected in the General Ledger and the financial statement**
- **A standard operating procedure should be developed which Accounting Officers are aware of the accounting entries to be affected when loan repayments are made.**

### **Management Comment**

*DCFMU will ensure that the Fund is correctly reflected in FMIS and the financial statement.*

*Copra Price Stabilisation Fund is not a Loan Account in substance. It is merely a support fund for copra producers and millers when the copra price goes below the market price of \$780. In the event the price goes above \$780, 25% of every dollar earned by farmers should be remitted to Government.*

*Ministry of Finance will further enhance the SoP for this Fund for ease of new Accounting Officers doing the necessary financial recording and reporting.*

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<sup>46</sup> Chapter 153 Copra Industry Loan Act revised 1985

<sup>47</sup> Section 3 (4) Chapter 153 Copra Industry Loan Act revised 1985

<sup>48</sup> Cabinet decision number CP (13)188 dated 26/08/13

### **6.2.2 Misstatement of National Trading Corporation Ltd (NATCO) loan balance**

The Accounting Head is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>49</sup>

The Term Loans Receivable listing currently records \$2.9million as the loan receivable balance from the National Trading Corporation Ltd (NATCO) as at 31/12/13.

However, out of the \$2.9 million debt recorded, the audit noted that Cabinet<sup>50</sup> in 2009 had approved the balance sheet restructure of the NATCO whereby all debts of NATCO were transferred to the Food Processors of Fiji Ltd.

Part of the restructure was the conversion of \$1million of NATCOs debt to equity in the Food Processors Fiji Limited books hence the loan receivable balance of government is overstated by the same amount.

The above misstatements indicates the laxity of the officer responsible to update the lending fund account record as the decision was made in 2009 and may possibly emanate from the lack of coordination between the Asset Management Unit and the Debt Management Unit of the Ministry of Finance.

#### **Recommendation**

**The Ministry of Finance should ensure that all Cabinet decisions are complied with necessary adjustments made to the Term Loans Receivable (Lending Fund) Account and Investment Account balances.**

#### **Management Comment**

*This issue is delayed due to the slow reform process of NATCO. Ministry of Public Enterprises is the focal agency which is leading the reform process. There is no point pursuing account receivable when the debtor position is basically defunct. Moreover, DCFMU will ensure that a journal voucher to be raised as soon as practical to show the correct balances for NATCO.*

### **6.2.3 Absence of Loan Agreement with Fiji Sports Council**

Any sum payable by the Government in fulfilment of a guarantee given under section 62 (5) of the 2004 Finance Management Act:

- (a) is appropriated from the Consolidated Fund without further appropriation than this Act; and
- (b) is taken to be a loan to the entity whose financial liability has been guaranteed.

Cabinet agreed on the 30/08/2005 that a loan agreement between the Fiji Sports Council and Government be drawn up to facilitate repayment by the Council of the total sum paid by Government to Fiji National Provident Fund (FNPf), consistent with the Financial Management Act.<sup>51</sup>

The loan agreement between Government and Fiji Sports Council is yet to be drawn up contrary to the Cabinet Decision number CP (05) 320.

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<sup>49</sup> Pro-forma Finance Manual 2011, Section 16

<sup>50</sup> Cabinet Decision number CP(283) 2009

<sup>51</sup> Cabinet Decision number CP(05) 320 of 30/08/2005 on Lawaga Park Loan Recovery Proposal

The audit noted that the Fiji Sports Council loan from FNPF which is being repaid by Government on behalf of the Council were not reflected in the Government books as at 31/12/13.

Detailed in Table 6.4 below are the repayments made by Government to FNPF on behalf of the Fiji Sports Council.

TABLE 6.4: DETAILS OF PAYMENTS MADE

Year	Amount (\$)	Evidence of Payment
2001	364,033.23	Govt Chq No. 36408 of 2707/01
2002	124,038.79	FNPF RR No.575726 of 28/06/02
	60,384.72	FNPF RR No.575729 of 28/06/02
	115,247.69	FNPF RR No.584465 of 14/08/02
	62,951.07	FNPF RR No.584466 of 14/08/02
2003	178,198.76	FNPF acknowledge of receipt
2005	321,870.03	Govt chq No. 3280 of 15/07/05
2006	178,198.76	Govt chq No. 173540 of 01/02/06
	179,236.22	Govt chq No. 394691 of 25/08/06
2007	178,198.76	Govt chq No. 396984 of 31/01/07
	178,198.76	Govt chq No. 397751 of 31/07/07
2008	178,198.76	Govt chq No. 398203 of 31/01/08
	178,198.76	Govt chq No. 398590 of 31/07/08
2009	178,198.76	Govt chq No. 398973 of 30/01/09
	178,198.76	Govt Chq No. 399539 of 30/08/09
2010	178,198.76	Govt chq No. 400074 of 29/01/10
	178,198.76	Govt chq No. 400603 of 03/08/09
2011	178,198.76	Govt chq No. 401340 of 31/01/11
	178,198.76	Govt chq No. 401820 of 28/07/11
2012	178,198.76	Confirmed receipt from FNPF
	178,198.76	Govt chq No. 403279 of 15/08/12
2013	178,198.76	Govt chq No. 403836 of 01/02/13
	178,198.76	Govt chq No. 404259 of 31/07/13
	<b>\$4,078,941.91</b>	<b>Total repayment</b>

The Fiji National Provident Fund has confirmed that as at 31/12/13, the Fiji Sports Council loan balance was \$350,764.<sup>52</sup>

The term loans receivable account of government as at 31/12/13 payable by Fiji Sports Council of \$4,078,941 is understated by the loan repayment amount.

### **Recommendations**

- **The Ministry should ensure that a loan agreement between the Fiji Sports Council and the Government is finalized.**
- **The Ministry should reflect in its books for the term loan receivable of Fiji Sports Council for the amount repaid by government over the years.**

<sup>52</sup> Government Guaranteed Loans confirmation letter from FNPF dated 31/07/14

### **Management Comment**

*The draft loan agreement is with the Debt Unit and has been vetted by the Solicitor General's Office. The Fiji Sports Council Executive Management had requested the ministry if the loan could be converted to grant. Once the matter is resolved, MOF will accordingly reflect the outcome on its books.*

### **Further OAG Comments**

**The Cabinet approval for a loan agreement between Government and the Fiji Sports Council was made in 2005 and OAG notes the time period taken by Ministry of Finance to implement the Cabinet's decision and does not change the fact that the agreement is still yet to be signed.**

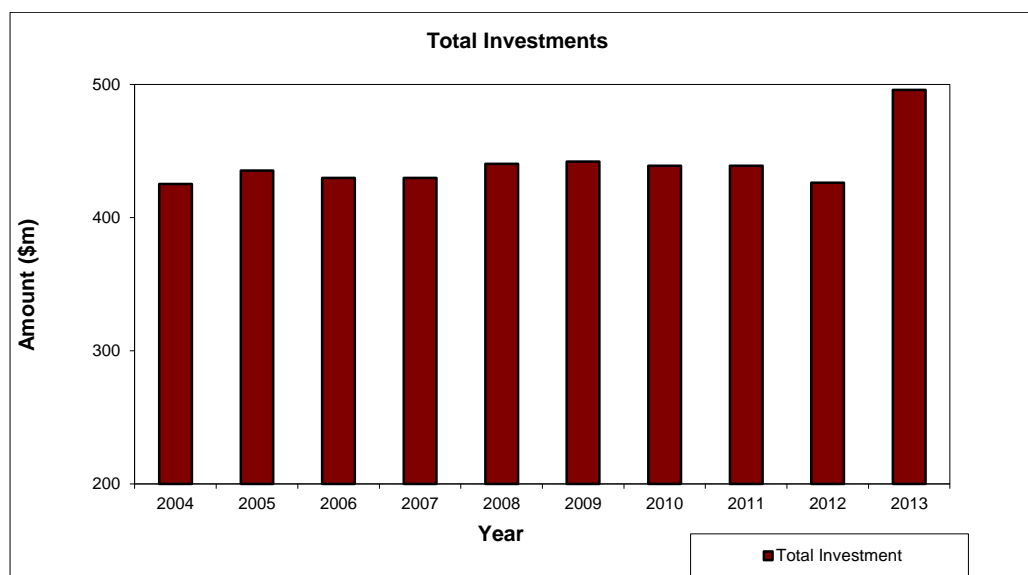
**Moreover, the request made by the Fiji Sports Council executive management will ultimately require Cabinet approval and in the absence of this, audit will still rely on the Cabinet decision made in 2005.**

## **7.0 INVESTMENTS**

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 investments in 2013 totalled \$495,975,041<sup>53</sup> comprising of shares held in 26 companies, increased by \$69,777,373 or 16% compared to 2012. The investment of the Government for the last 10 years is shown in Figure 7.1 below.

FIGURE 7.1: TOTAL GOVERNMENT INVESTMENTS: 2004 – 2013



The increase in government investment is attributed to the subsequent measurement of governments' investments in Amalgamated Telecom Holdings (ATH) at fair value<sup>54</sup> in 2013 which were previously recorded at cost<sup>55</sup>.

<sup>53</sup> excludes Investments in TMA balance

<sup>54</sup> 73 cents per share

<sup>55</sup> 25 cents per share

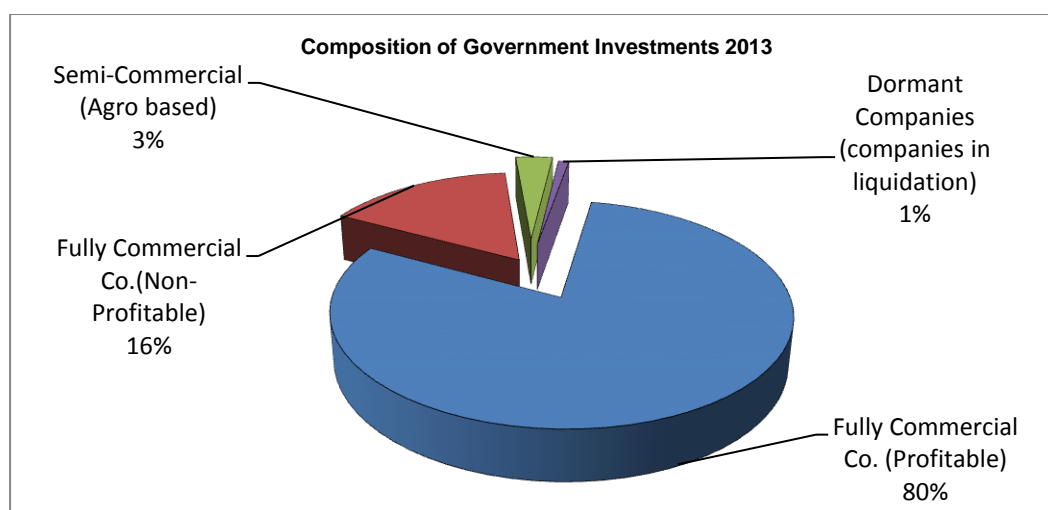
Additionally, in the year, government acquired 12.9 million shares<sup>56</sup> in Copra Millers of Fiji Limited (CMFL). This is by way of transfer of 3.1 million shares held by the Coconut Industry Development Authority's (CIDA) with CMFL to government. In addition both CMFL and CIDA's debt to government of \$4.9 million, equivalent to 9.8 million shares were converted to equity.

Government also disposed its shares in FINTEL and Pacific Forum Line Ltd to the Amalgamated Telecom Holdings Ltd (ATH) and Government of Samoa respectively during the year 2013.

## 7.1 Composition of Government Investments

The composition of Government Investments for 2013 is shown in the Figure 7.2:

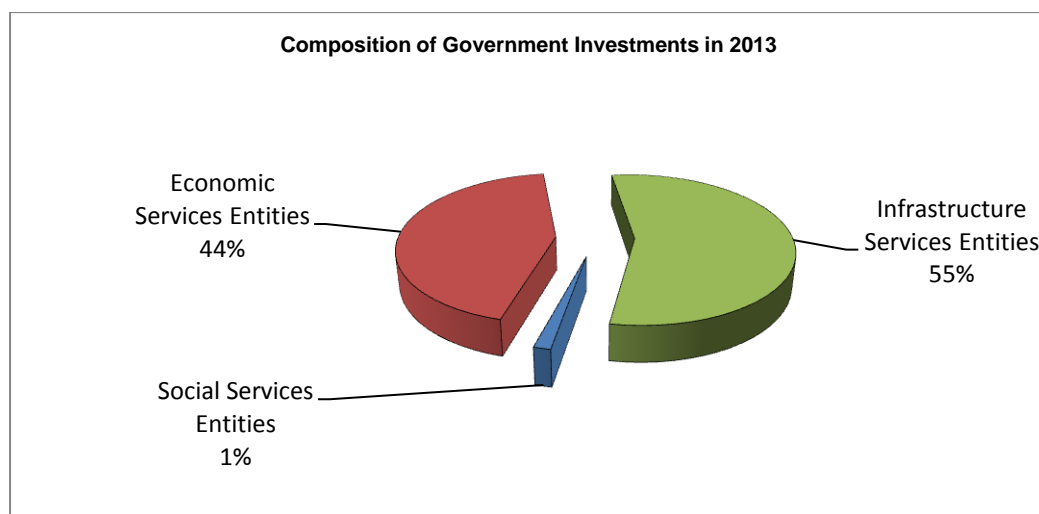
FIGURE 7.2: COMPOSITION OF GOVERNMENT INVESTMENTS BY TYPE



The major component of the Government Investments as at 31/12/13 consists of profitable fully commercial companies totalling \$397,116,200 or 80% of total investments. Fully commercial companies that were not profitable accounted for \$78,562,805 or 16% with semi-commercial (agro-based) accounted for \$15,814,343 or 3% whilst the remaining 1% or \$4,481,693 made up of government investments in companies in liquidation.

<sup>56</sup> 50 cents per share

FIGURE 7.3: COMPOSITION OF GOVERNMENT INVESTMENTS BY SECTOR



Sectorial wise, investments in the Infrastructure sector entities comprises majority of governments investments totalling \$271,985,635 or 55% of the total government investments. The Economic Services sector entities investments made up 44% or \$216,708,160 whilst the remaining 1% or \$7,281,246 comprises of governments investments in the Social Services sector entities.

## 7.2 Return on Investments

Return on Investments provides information on performance to evaluate the efficiency of Governments investments and how well government has generated cash flow in relation to the funds being invested.

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.<sup>57</sup>

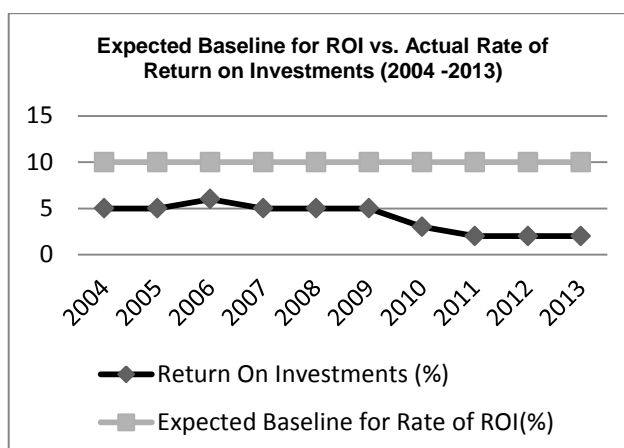
Our analysis of governments return on investments indicates that the overall average rate of return on investment of 2% was recorded in 2013 which has remained constant over the last 3 years. Over the 10 years period, an overall average rate of return on investments of 4% has been recorded with the highest overall average of 6% attained during the year 2006. Collectively, the 10% baseline as required by the 2003 Corporate Governance Policy Framework has not been achieved in the past 10 years.

Table 7.1 outlines Governments return on capital over the past 10 years from Government Commercial Companies and Commercial Statutory Authorities as reflected in the Statement of Investments.

<sup>57</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 22

TABLE 7.1: RETURN ON INVESTMENTS 2004 – 2013

Year	Total Government Shareholding (\$)	Dividends On Investment (\$)	Return On Investments %
2004	425,216,242	20,834,101	5
2005	435,208,218	23,701,130	5
2006	429,778,664	27,619,234	6
2007	429,861,896	21,971,159	5
2008	440,255,991	21,515,841	5
2009	441,960,505	22,827,214	5
2010	438,862,903	12,726,623	3
2011	438,907,122	10,631,806	2
2012	426,197,586	10,524,101	2
2013	495,975,041	11,980,221	2



### 7.3 Analysis of Dividends and Investments

The Asset Management Unit (AMU) of the Ministry of Finance is tasked to monitor Government Investments which was the targeted output for the Ministry of Finance for the management of financial asset and liability with respect to market and portfolio management with an allocation of \$1.080 million in 2013.

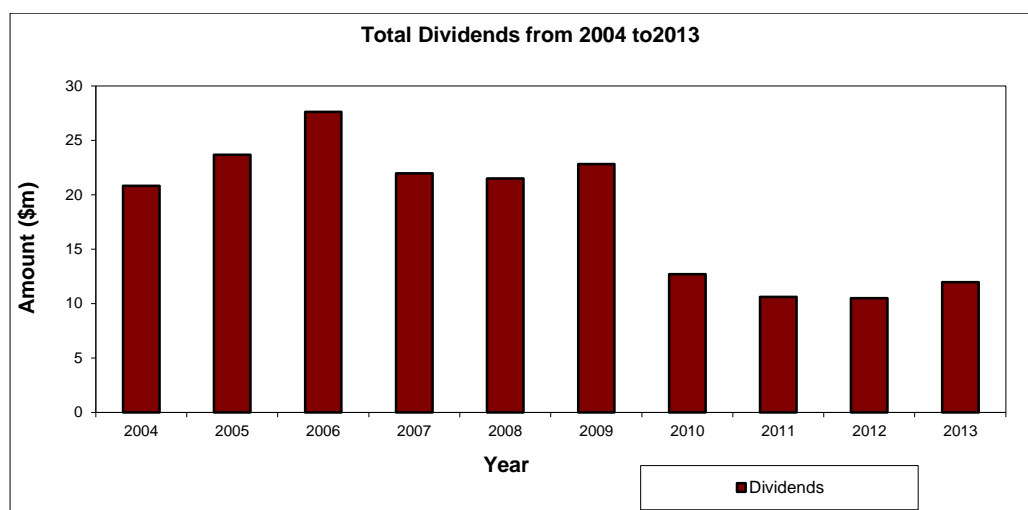
Moreover, the forecast for dividend revenue in 2013 was \$38.28 million with actual dividend revenue for 2013 totalled \$11.98 million. There was a shortfall of \$26.3 million or by 69%. Refer to Table 7.2 for details of analysis:

TABLE 7.2: INVESTMENTS AND DIVIDENDS RECEIVED 2004 – 2013

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% of Dividend Paying Entities
2004	425,216,242	20,834,101	19	10	30	33
2005	435,208,218	23,701,130	14	9	30	30
2006	429,778,664	27,619,234	17	12	32	38
2007	429,861,896	21,971,159	(20)	11	30	37
2008	440,255,991	21,515,841	(3)	7	30	23
2009	441,960,505	22,827,214	(2)	8	31	26
2010	438,862,903	12,726,623	(39)	8	30	27
2011	438,907,122	10,631,806	(16)	8	30	27
2012	426,197,586	10,524,101	(1)	6	25	24
2013	495,975,041	11,980,221	14	6	26	23

Refer to Figure 7.4 for the graphical analysis of dividends collected over the 10 year period:

FIGURE 7.4: TOTAL DIVIDENDS REMITTED: 2004 - 2013



Over the past 10 years, the number of entities paying dividends to Government averaged at 9 entities compared to the average of 29 companies it had investments with.

The low average number of entities remitting dividends indicates the high number of non-performing portfolios and thus warrants the stringent reviews for its investments to be able to realise maximum returns on Government investment.

## 7.4 Dividends Remitted per Entity

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.<sup>58</sup>

All Government Commercial Companies and Commercial Statutory Authorities pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister for Public Enterprises, Minister of Finance, and relevant Minister.<sup>59</sup>

A total of \$11.98 million was received by government as dividends in 2013 from three<sup>60</sup> government commercial companies, one<sup>61</sup> majority owned company, and two<sup>62</sup> from a minority owned company.

TABLE 7.3: ANALYSIS FOR ENTITIES WHICH REMITTED DIVIDENDS: 2010 - 2013

Description	Value of Investments as at 31/12/13 (\$)	Dividend for 2013 (\$)	Dividend for 2012 (\$)	Dividend for 2011 (\$)	Dividend for 2010 (\$)
Post Fiji Limited	---	---	---	434,820	184,126
UTOF (Management) Limited	50,000	113,574	74,276	---	2,250
Air Terminal Services	765,000	235,530	496,117	319,651	514,248
Yaqara Pastoral Company Limited	1,191,846	1,226,124	0	279,287	---

<sup>58</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 22

<sup>59</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 26

<sup>60</sup> Yaqara Pastoral Company Ltd, Fiji Ports Corp Ltd, UTOF (Management) Ltd

<sup>61</sup> Air Terminal Services

<sup>62</sup> Amalgamated Telecom Holdings and Pacific Forum Line



Description	Value of Investments as at 31/12/13 (\$)	Dividend for 2013 (\$)	Dividend for 2012 (\$)	Dividend for 2011 (\$)	Dividend for 2010 (\$)
Fiji Ports Corporation Limited	73,154,852	3,654,877	2,821,102	2,641,643	---
Public Trustee Corporation	---	---	---	---	3,000,000
Airports (Fiji) Limited	---	---	1,020,640	1,000,000	3,000,000
Amalgamated Telecom Holding Limited	*106,530,513	6,566,949	4,377,966	4,377,966	3,594,494
Fiji International Telecom Limited	---	---	1,734,000	1,376,559	---
Fiji Television Limited	---	---	---	201,880	173,040
Ports Terminal Limited	---	---	---	---	1,758,465
Civil Aviation Authority of the Fiji Islands	---	---	---	---	500,000
Pacific Forum Line(2006)	---	183,167	---	---	---
<b>Dividends from Investments</b>	<b>181,692,211</b>	<b>11,980,221</b>	<b>10,524,101</b>	<b>10,631,806</b>	<b>12,726,623</b>

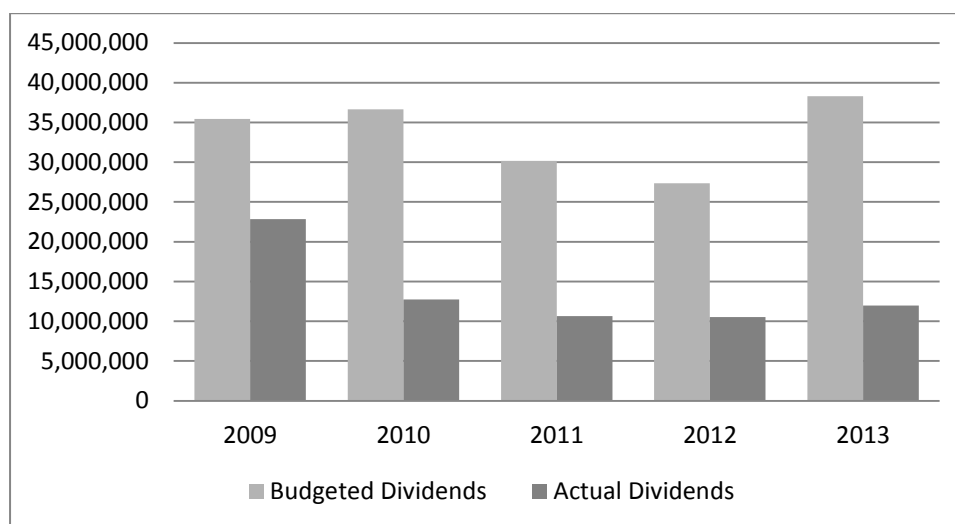
\*measured at fair value

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

TABLE 7.4: BUDGETED VS. ACTUAL DIVIDEND REVENUE

Descriptions	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)
Actual Dividends	11,980,221	10,524,101	10,631,806	12,726,623	22,827,214
Budgeted Dividends	38,281,000 <sup>63</sup>	27,356,500	30,149,700	36,642,100	35,457,600
% of Budgeted Dividends collected	31%	38%	35%	35%	64%

FIGURE 7.5: BUDGETED VS. ACTUAL DIVIDEND REVENUE



Of the total investments values of \$495.9 million<sup>64</sup>, only \$181.7 million worth of investment in 2013 or 37% of the investment returned dividend to government. Refer to Table 7.5 below for details of Government entities which paid dividend in year 2013.

<sup>63</sup> 2013 Budget Estimate Pg. 351 & 352

<sup>64</sup> Includes all investments in Statement of Investments in Appendix 9

TABLE 7.5: GOVERNMENT ENTITIES WHICH PAID DIVIDEND IN 2013

Entity	Value of Investments as at 31/12/13 (\$)	Dividend 2013 (\$)	% of Dividend to total Investments value
UTOF (Management) Limited	50,000	113,574	227
Air Terminal Services	765,000	235,530	31
Yaqara Pastoral Company Limited	1,191,846	1,226,124	103
Fiji Ports Corporation Limited	73,154,852	3,654,877	5
Amalgamated Telecom Holding Limited	*106,530,513	6,566,949	6
Pacific Forum Line (2006)	0	183,167	
<b>Total</b>	<b>181,692,211</b>	<b>11,980,221</b>	<b>7</b>

\*measured at fair value

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

In addition, the investment for Pacific Forum Line was disposed during the month of April, 2013 and government received a dividend of \$183,167.

## 7.5 Accounting Issues

### 7.5.1 Variance between Ministry and Entity Investment Records

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.<sup>65</sup>

A variance of \$3.97m is noted between the Ministry of Finance records and the three (3) entities shareholding records namely the Food Processors Fiji Ltd (FPFL), Pacific Fishing Company Ltd (PAFCO) and the International Finance Corporation (IFC). Refer to Table 7.7 below for details.

TABLE 7.7: VARIANCE BETWEEN ENTITY AND MINISTRY OF FINANCE RECORDS

Entity	Entities Shareholding Records	MOF Records	Variance	Remarks
Food Processors Fiji Ltd	2,627,142 shares @ \$1/share	687,680 shares @ \$1/share	1,939,462 shares @ \$1/share	Confirmation received from Food Processors Fiji Ltd indicated that Government of Fiji holds a total of 2,627,142 shares with FPFL.
International Finance Corporation	287 shares @ \$1,897.89/share	128 shares @ \$1,897.89/share	159 shares @ \$1,897.89	Confirmation received from the International Finance Corporation noted that the Government of Fiji has 287 shares while the Ministry of Finance only has records of 128 shares with the IFC.
Pacific Fishing Company Ltd (PAFCO)	5,864,478 shares @ \$2/share	5,000,000 shares @ \$2/share	864,478 shares @ \$2/share	Share certificate states the Government of Fiji has 5,864,478 shares while Ministry of Finance records only 5, 000, 0000 shares.
<b>Total</b>	<b>\$13,961,329</b>	<b>\$10,930,610</b>	<b>\$3,970,183</b>	

<sup>65</sup> Pro-forma Finance Manual 2011, Section 16

Despite the issue raised in the previous report, no action has been taken by the Ministry of Finance to address the laxity of the Asset Management Unit officers in ensuring that records of government investments are updated and properly maintained.

Therefore, the investments figure in the financial statements is either under or overstated.

### **Recommendations**

- **The Ministry should ensure that the records of government investments are regularly updated in line with decisions made by Cabinet.**
- **The Ministry should investigate the variance of \$3,970,183 and rectify them to ensure that amounts on the Whole of Government accounts are fairly stated.**

### **Management Comment**

*The issues raised are noted and the Ministry of Finance will undertake necessary actions accordingly to resolve this audit issues.*

#### **7.5.2 Sale of FINTEL below Market Valuation Price**

A formal valuation of governments' investments is important when intending to sell off its shares to ensure that government maximizes its return on its investments.

The Government in 2013 sold off its 51% shareholding in FINTEL to the Amalgamated Telecom Holdings (ATH) for a sum of \$9 million.<sup>66</sup>

The review of the sale process of Governments 51% shareholding or 3.57million shares in FINTEL in 2013 noted the following;

- The Ministry of Finance had carried out its own valuation of governments' shares in FINTEL and there was no evidence that an independent valuation was carried out on the 51% government shares in FINTEL;
- The valuation carried out by the Ministry valued the government shares in the range of \$11.1m to \$19.8m. In addition, the lowest range of \$11.1 million was based on the 2011 audited accounts for FINTEL and future cash flow forecasts while the highest range of \$19.8million represents the Net Asset Value on FINTEL based on the 2012 audited accounts.
- Despite the valuation exercise done, government shares in FINTEL were sold to Amalgamated Telecom Holdings in 2013 for \$9 million which was \$2.1 million below the lowest valuation range and \$10.8million below the highest valuation range.

The sale of the government shares to the ATH below the lowest valuation range defeats the whole purpose of the valuation exercise being done, exacerbated by the fact that government has not realised the full value of its investments in FINTEL over the years.

In the absence of an independent and credible valuation carried out by certified valuation entities, the government may not fully realise the value of its investments.

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<sup>66</sup> Deputy Secretary FAM Ministerial Brief dated 20/05/13 approved by the Minister of Finance on 26/05/13

## **Recommendation**

**All future valuations of government investments should be carried out independently and the Ministry should carry out its investment appraisal with due diligence process to ensure that government fully realises the value of its investments.**

## **Management Comments**

*The comment raised on the hiring of an independent certified valuation entity is noted. However, the Ministry had conducted its internal valuation due to the available capacity within that could conduct the valuation exercise instead of hiring a valuation entity that would have lead Government to incur additional costs. Furthermore, the process of hiring an independent valuation would have prolonged the need to execute the sale on time.*

*The FINTEL sale of \$9 million was realized instead of realizing the lowest range of \$11.1 million is due to the in-active financial market in the economy where the buyer had the bargaining power to negotiate and influence the selling price. Therefore, the purpose of conducting valuation was not defeated as the government had estimated the value it expect to sell its investment between the range of \$11.1million to \$19.8 million but the willing buyer valued the investment up to \$3 million. However, with further negotiations both parties agreed to execute the transaction at the value of \$9 million.*

## **7.6 Control Issues**

### **7.6.1 Missing Share Certificates**

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

- a) on deposit with a bank;
- b) in securities issued by a statutory authority;
- c) by way of advances authorized by an Act or by resolution of the House of Representatives;
- d) in any way in which trustees are authorized to invest money under the Trustee Act;
- e) in any way in which the particular money may be invested under the authority of another Act.<sup>67</sup>

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

The audit noted that investment totalling to \$42,490,246 as reflected in the statement of assets and liabilities were without share certificates. Refer to Table 7.6 below for details:

TABLE 7.6: MISSING SHARE CERTIFICATES

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

<sup>67</sup> Financial Management Act 2004, Section 55 (1)

The share certificates were also not available with the Ministry of Public Enterprise. The audit sought confirmation from the listed entities to verify governments' control or rights over the shares owned by government. The following entities were able to confirm the share investment of government which includes:

- (i) Post Fiji
- (ii) Unit Trust of Fiji (Trustee) Ltd
- (iii) Unit Trust of Fiji (Management) Ltd
- (iv) Pacific Fishing Company Ltd
- (v) International Finance Corporation
- (vi) Yaqara Pastoral Company Ltd
- (vii) Copra Millers of Fiji Ltd
- (viii) Air Terminal Services
- (ix) Amalgamated Telecom Holdings
- (x) Fiji International Telecommunications Ltd
- (xi) Pacific Forum Line Ltd
- (xii) Fiji Ports Corporation Limited
- (xiii) Rewa Rice Ltd
- (xiv) Airports Fiji Limited
- (xv) Food Processors Ltd

While the following entities did not provide confirmation for the shareholding of government:

- (i) Fiji Broadcasting Corporation
- (ii) Daily Post
- (iii) Fiji Airways (formerly Air Pacific Ltd)
- (iv) Fiji Hardwood Corporation Ltd
- (v) Fiji Sugar Corporation
- (vi) Fiji Pine Ltd
- (vii) Yaqara Group Ltd
- (viii) International Bank for Reconstruction and Development
- (ix) Viti Corps Company Ltd
- (x) Air Fiji Ltd
- (xi) National Trading Corporation Ltd

In the absence of share certificates, the verification of governments' control or rights over the shares cannot be confirmed.

The above indicates poor maintenance of government investment records by both the Ministry of Finance (Asset Management Unit) and the Ministry of Public Enterprise.

### **Recommendations**

- **The Ministry of Finance through the Ministry of Public Enterprise should ensure that all investment records of government are properly maintained and stored in a secured location.**
- **The Ministries should liaise with these companies for share certificates to be provided as evidence of shareholding and investment made.**

### **Management Comment**

*The issue raised is noted and the Ministry of Finance will liaise with Ministry of Public Enterprise to ensure that both ministries share certificates are kept and stored in a secured locations.*

## 8.0 ACCOUNTS PAYABLE

A liability is defined as a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.<sup>68</sup>

As at 31 December 2013, total Accounts Payable as reflected in the general ledger totaling (\$64,339), a decrease of \$42,329 or 40% from (\$106,668) as recorded during the financial year 2012.

### 8.1 Control Issue

#### 8.1.1 Unsubstantiated Account Payable balances

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>69</sup>

TABLE 8.1: DETAILS OF ACCOUNTS PAYABLE AS AT 31/12/13

Particulars	Amount (\$)
TMA Trade & Sundry Creditors	(570,525)
Withholding Tax	152,417
Litigation Claims	353,769
<b>Total Accounts Payable</b>	<b>(64,339)</b>

The audit noted the following anomalies in the recognition of accounts payable:

- 1) Supporting documents to substantiate TMA Trade & Sundry Creditors of \$570,525 and the withholding tax of \$152,417 were not produced for audit verification.
- 2) TMA Trade & Sundry Creditors showed debit balance of \$570,525 contrary to the nature of the balance that the account should have.

#### Recommendations

- The Ministry should review the TMA Trade & Sundry Creditors account and make necessary adjustment to correct the account.
- The Ministry should ensure that adequate supporting and reconciliations are prepared for all posting into the general ledger accounts.

#### Management Comment

*Recommendation is noted, kindly note that as for the TMA \$570,525 this will be included in the 2014 write off as this balance was part of the FMR mapping back in 2005. FMIS is currently widening it net to also include the Withholding Tax.*

<sup>68</sup> Conceptual Framework, Para. 4.4(b)

<sup>69</sup> Ministry's Finance Manual – Section 18.1.3

## 9.0 DEFERRED INCOME AND ACCRUED EXPENSES

Deferred income is revenue received in advance but which is not yet earned while accrued expenses is expense which has been incurred but not yet paid. As at 31 December 2013, Deferred Income and Accrued Expenses had a balance of \$357,258, an increase of \$1,641,774, or 128% from a debit balance of (\$1,284,516) shown during the year 2012.

The change was the result of the write off of \$1.8 million by Republic of Fiji Military Forces (RFMF) for the over expenditure relating to the Telstat operations carried out by the RFMF on behalf of Telecom Fiji in 2006 in setting up satellites in rural areas and outer islands. Telecom Fiji was to reimburse the RFMF on the over spending.

### 9.1 Control Issues

#### 9.1.1 Poor Maintenance of Deferred Income and Accrued Expenses Records

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental clearance accounts, and expenditure and commitment accounts. Any transaction that is raised affecting these accounts shall be entered in the appropriate ledger.<sup>70</sup>

Standard Liability Group (SLG) 85 Deferred Income and Accrued Expenses under the FMIS general ledger reflects cash holdings of Trade Manufacturing Account's (TMA) for works, jobs and projects that have been committed to be completed in the next financial year.

The audit could not trace to any reconciliation or validate to TMA expenditure ledgers from the Ministries a total of \$109,956 or 31% of the total balance of \$357,258 reflected as Deferred Income and the Accrued Expenses (SLG85) for the year ended 31/12/13. Details and explanations obtained from the Ministries concerned are provided in Table 9.1 below:

TABLE 9.1: DETAILS OF SLG 85 BALANCES NOT SUBSTANTIATED

Ministries	Account Number	Account Description	Amount at 31/12/13 (\$)	Explanation from Ministry
Ministry of Finance	1-04102-04251-850101	AP Unprocessed	56,569	No satisfactory explanation on the misallocations provided.
Ministry of Public Works and Transport	4-40252-91011-850202	GL Deferred Income	53,387	No response received from the Ministry.
<b>Total</b>			<b>109,956</b>	

The Asset Management Unit (AMU) of the Ministry of Finance is currently working towards improving the reconciliation format and assisting TMA operators in proper maintenance of the general ledger balances.

The issue indicates the laxity of accounting heads of the concerned Ministries in failing to properly maintain supporting documents and reconciliations to adequately support general ledger balances.

Therefore, the completeness and existence of \$109,956 reflected in the Financial Statement of the Whole of Government for the financial year ended 31/12/13 could not be determined.

<sup>70</sup> Pro-forma Finance Manual 2011 – s16.3.1

## **Recommendations**

- **The Ministry of Finance with the Ministries concerned should review the general ledger balance for SLG 85 and correct the balances from the ledgers.**
- **The AMU should consider having Standard Operating Procedures on the Operations of the TMA.**
- **Ministries and departments to be reminded through the various accounting heads forums to properly maintain supporting documents and prepare reconciliation for all account balances reflected in the general ledgers.**

## **Management Comment**

*The comments above is noted and supported. The TMA monitoring team has already created awareness around June to July 2014 on the new format of the 2014 Receivables and payables reconciliations. Currently the team is formulating the Finance Circular to be passed in September, 2014. All TMA Operators will be required to submit Accounts Receivable, Creditors, Accrued expenses and Deferred Income Reconciliations.*

*The TMA monitoring team will work collaboratively with the Financial Policy and Assurance Unit (FPAU) and all TMA operators on all TMA policies to be passed which will include TMA Manuals to define standard operating procedures.*

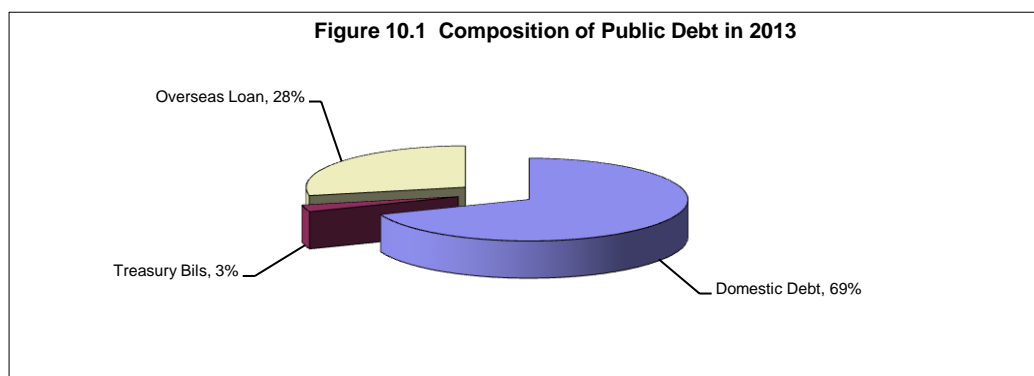
## **10.0 TERM LOANS PAYABLE**

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

Public debt in 2013 totalled \$3,824,939,970 and comprised of domestic borrowings of \$2,641,564,500 or 69% of total debt; overseas borrowings of \$1,081,097,414 or 28%; and treasury bills of \$102,278,056 or 3%.

These are illustrated in Figure 10.1 below.

FIGURE 10.1: COMPOSITION OF PUBLIC DEBT IN 2013



The government also receives short term advances from the Reserve Bank of Fiji (RBF) referred to as Ways and Means. The advances are raised to meet immediate cash needs of government and cleared within a day. During the year, Government had not utilised this facility to borrow from RBF.



## 10.1 Borrowing Fund Analysis

### 10.1.1 Trends in Government Borrowing by Category

The total Government borrowings outstanding at the end of each year from 1999 to 2013 on its composition for the last 15 years are summarised in Table 10.1

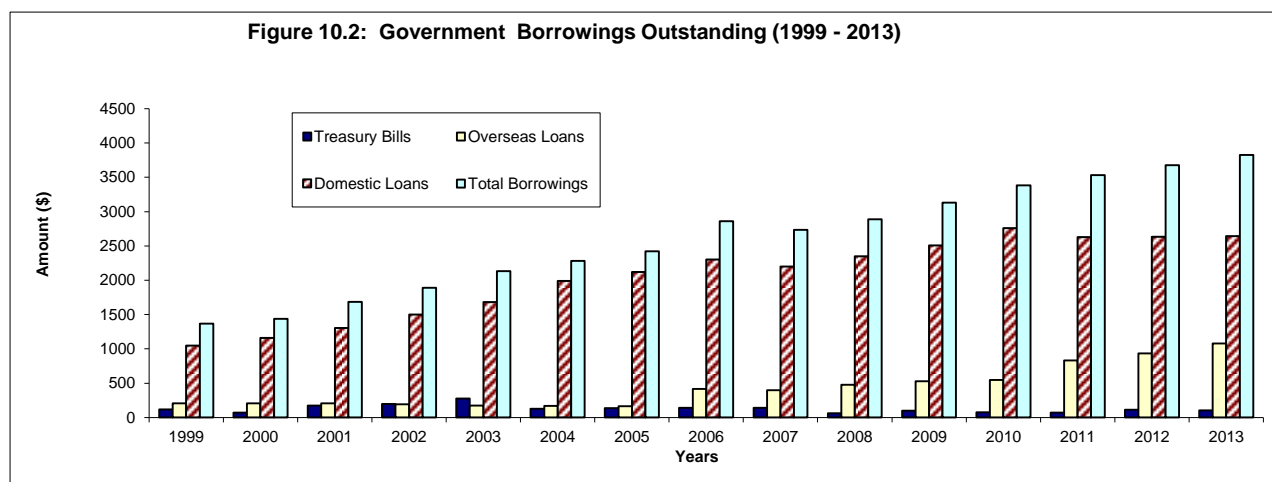
TABLE 10.1: GOVERNMENT OUTSTANDING BORROWINGS (1999 – 2013)

Year	Domestic Bond (\$)	% of Total Borrowing	Treasury Bills (\$)	% of Total	Overseas Loan (\$)	% of Total Borrowing	Total (\$)
1999	1,046,595,650	76	117,231,671	9	206,036,450	15	1,369,863,771
2000	1,158,595,650	81	72,449,838	5	207,697,167	14	1,438,742,655
2001	1,302,595,650	77	176,604,613	10	206,889,315	12	1,686,089,578
2002	1,501,095,650	79	196,432,453	10	193,505,879	10	1,891,033,982
2003	1,682,718,650	79	276,925,838	13	174,125,752	8	2,133,770,240
2004	1,986,515,650	87	126,987,822	6	168,665,379	7	2,282,168,851
2005	2,121,422,650	88	136,018,387	6	164,050,924	7	2,421,491,961
2006	2,300,672,650	80	141,311,687	5	416,729,200	15	2,858,713,537
2007	2,196,208,150	80	141,160,433	5	397,103,384	15	2,734,471,967
2008	2,346,258,150	81	64,552,990	2	475,994,415	16	2,886,805,555
2009	2,505,092,150	80	97,721,294	3	527,248,475	17	3,130,061,919
2010	2,759,292,150	82	74,969,800	2	548,461,798	16	3,382,723,748
2011	2,627,382,087	74	70,921,393	2	832,147,793	24	3,530,451,273
2012	2,631,565,650	72	111,732,963	3	935,530,587	25	3,678,829,200
2013	2,641,564,500	69	102,278,056	3	1,081,097,414	28	3,824,939,969

The government bonds mature between 3 to 13 years. In contrast the term of treasury bills which constitute 3% of the borrowings ranges between 14 days to 364 days.

Over the last 15 years, the percentage of overseas borrowings constituted an average 15% of the borrowings. A graphical representation of the outstanding government borrowings position is provided in Figure 10.2.

FIGURE 10.2: GOVERNMENT BORROWINGS OUTSTANDING TREND



Government borrowings in 2013 have increased by 4% compared to the year 2012, where it totalled \$3,824.9 million dollars. This is due to an increase in overseas borrowings by \$145.6 million in 2013

and domestic debts by \$9.4 million. Figure 10.3 shows the relationship between actual revenues and expenditure over the last 15 years.

FIGURE 10.3: REVENUE VS. EXPENDITURE

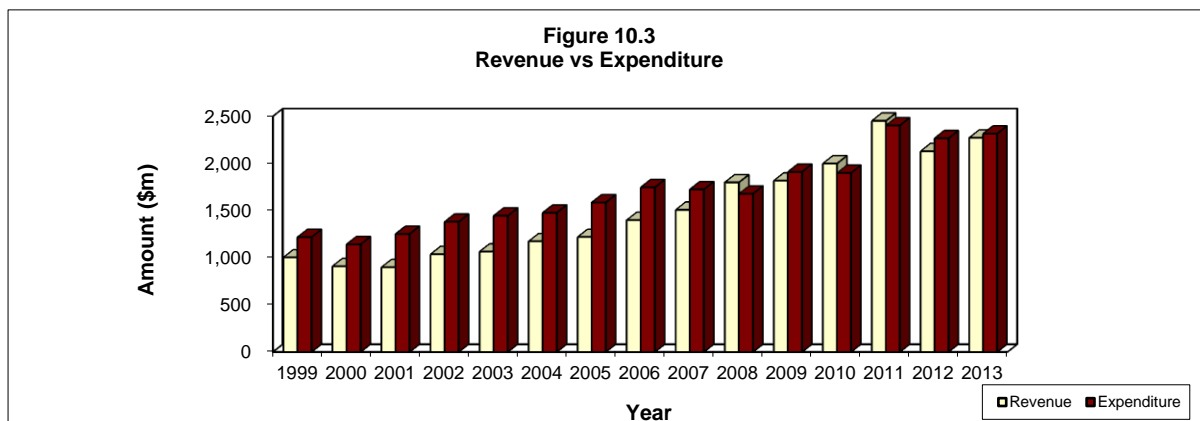
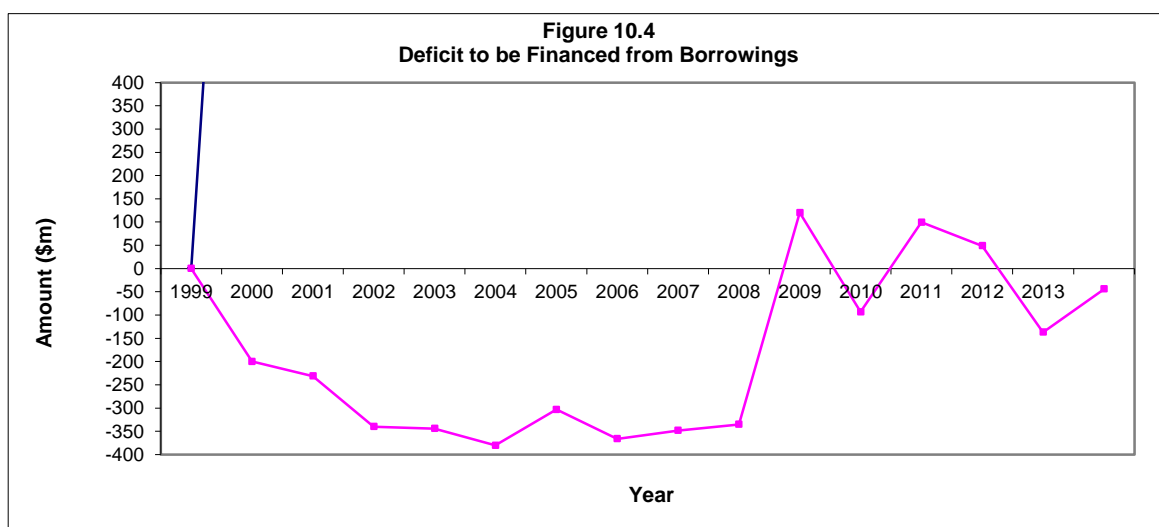


Figure 10.4 reveals that government expenditure \$2,315,635,533 exceeded revenue \$2,271,549,938 during 2013 resulting in a deficit of \$44,085,595 for the year 2013.

FIGURE 10.4: DEFICIT FINANCED FROM BORROWINGS



Government revenue during 2012 and 2013 totalled \$2,157,223,041 and \$2,293,114,628 respectively.

### 10.1.2 Borrowings over the 15 Year Period

The composition of the Government's borrowings over the last 15 years is summarised in Table 10.2.

TABLE 10.2: ADDITIONAL BORROWINGS PER YEAR 1999 – 2013

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
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)	721,434.5	34
2012	192,099.2	136	91.6	(100)	111,733.0	58	303,923.8	58
2013	172,822.0	(10)	0	(100)	102,278.0	(8)	275,100.0	(9)

Government financing needs were largely met from domestic borrowings. Government borrowings in 2013 totalled \$275.1 million of which \$172.8 million or 63% were funded through domestic bonds and \$102.3 million or 37% in treasury bills. However during 2013, there were no cash borrowings but the borrowing during 2013 was in the form of interest capitalisation and direct payment.

### 10.1.3 Loan Repayments

There is an annual obligation for the Government of Fiji to redeem the borrowings which become due for payment. The terms and conditions of the borrowings are stipulated in the Loan Agreements between the Government of Fiji and the Lending Agency.

The repayment of the borrowings of the Government of Fiji over the past 15 years is represented in Table 10.3:

TABLE 10.3: REPAYMENT OF BORROWINGS PER YEAR 1999 – 2013

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills	
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)
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

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills	
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)
2010	198,540,500	190,736,707	32,850,575	22,901,709	710,064,626	4,295,961
2011	213,380,000	213,248,464	291,113,603	43,104,766	416,019,281	2,081,244
2012	233,268,000	210,534,849	19,274,087	46,264,569	265,852,974	1,335,456
2013	159,668,000	207,506,356	19,652,245	51,976,719	138,122,146	377,854

Principal payments for 2013 on government borrowings totalled \$317,442,391 whilst interest payments amounted to \$259,860,929. Refer to Table 10.4 below for details.

TABLE 10.4: TOTAL BORROWINGS AND INTEREST REPAYMENTS IN 2013

Description	Principal Repayment \$	Interest Repayment \$
Domestic Bonds	159,668,000	207,506,356
Overseas Borrowings	19,652,245	51,976,719
Treasury Bills	138,122,146	377,854
<b>Total</b>	<b>317,442,391</b>	<b>259,860,929</b>

The interest on domestic borrowings for 2013 was \$207,506,356 compared to \$51,976,719 for overseas borrowings and \$377,854 for treasury bills. The interest rate on domestic borrowings ranges from 1% to 6.25% whilst interest rates for overseas borrowings range from 1% to 3%.

## 10.2 Domestic Borrowings

The total domestic bonds as at 31/12/13 amounted to \$2,635,264,500 or 68.9% of total Government borrowings. Table 10.5 shows the amounts that are owed by the government of Fiji to bond holders.

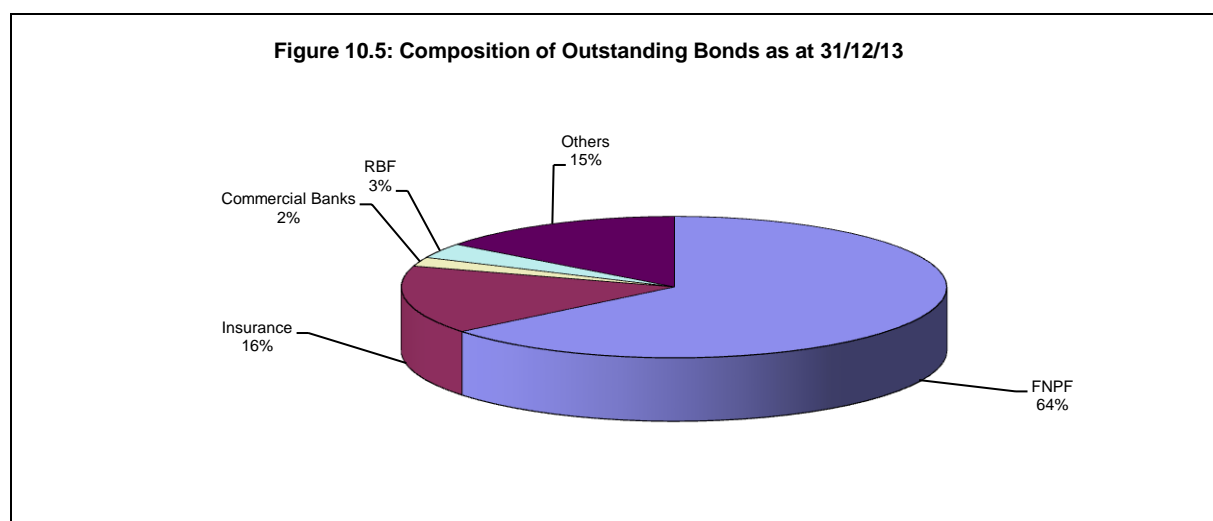
TABLE 10.5: COMPOSITION OF OUTSTANDING GOVERNMENT BONDS

Bond Holder	Amount (\$)	% of Outstanding Debt
FNPF	1,690,094,500	64.1
Insurance	411,746,000	15.6
Commercial Banks	55,035,000	2.1
RBF	90,946,000	3.5
Trust Fund	32,691,950	1.2
Unit Trust of Fiji	23,860,000	0.9
Credit Corporation	1,500,000	0.1
Home Finance	15,755,000	0.6
Merchant Finance & Investment Ltd	9,250,000	0.4
Others	304,386,050	11.5
<b>Total</b>	<b>2,635,264,500</b>	<b>100.0</b>

The Fiji National Provident Fund (FNPF) hold 64% of the bonds totalling \$1,690,094,500 as at 31/12/13; Insurance Companies 16%; Commercial Banks 2%; RBF 3%; the remaining 15% of the bonds are held by Trust Fund, Unit Trust of Fiji, Merchant Bank of Fiji, Credit Corporation, Home Finance and others.

The composition of outstanding government bonds is shown in Figure 10.5.

FIGURE 10.5: COMPOSITION OF OUTSTANDING BONDS AS AT 31/12/13



### 10.2.1 Borrowings & Interest Payments

Details of outstanding Borrowings over the past 15 years with the total interest paid and its budgetary provision is shown in Table 10.6. Interest payments on bonds are made every six months.

TABLE 10.6: DOMESTIC BORROWINGS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISIONS

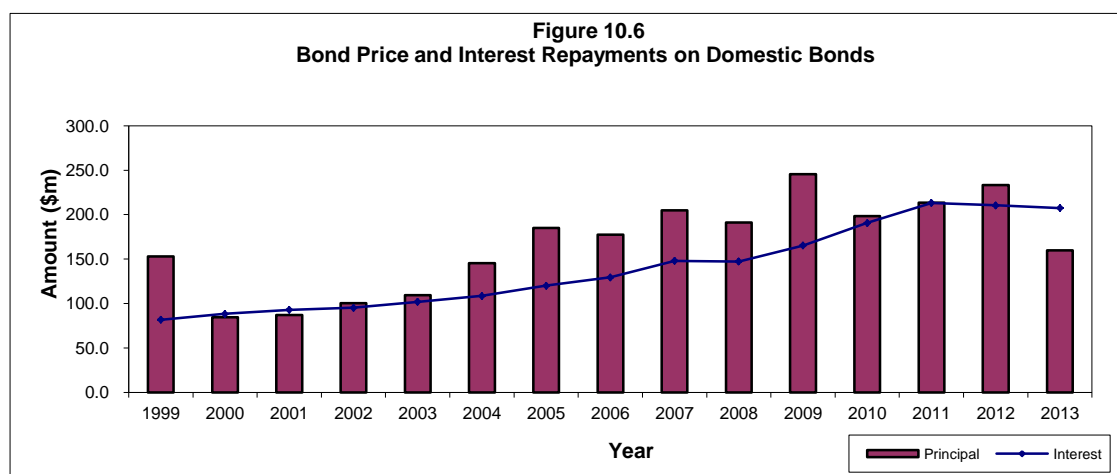
Year	Domestic Borrowings \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	% Change
1998	1,016.3	(9)	99.2	13	100.3	1.1
1999	1,046.6	3	82.8	(17)	98.5	15.7
2000	1,158.6	11	81.8	(1)	85.2	3.4
2001	1,302.6	12	88.3	8	92.7	4.4
2002	1,501.1	15	95.3	8	102.0	6.7
2003	1,682.7	12	102.0	7	110.0	8.0
2004	1,986.5	18	108.6	6	121.5	12.9
2005	2,121.4	7	120.2	11	124.0	3.8
2006	2,300.7	8	129.5	8	127.7	(1.8)
2007	2,196.2	(5)	148.0	14	148.2	0.2
2008	2,346.3	7	147.4	(0.4)	151.4	4.0
2009	2,505.1	7	165.3	12	156.7	(8.6)
2010	2,759.3	10	190.7	15	190.6	(0.1)
2011	2,627.4	(5)	213.2	12	225.4	18.3
2012	2,631.6	0.16	210.5	(1.3)	211.7	(6.1)
2013	2,641.6	0.4	207.5	(1.4)	208.3	(1.6)

Total domestic Borrowings increased by \$10m or 0.4% in 2013 compared to 2012. The interest paid on domestic Borrowings decreased by 1.4% or by \$3m.

The Government had allocated \$208.3 million for interest payments during 2013. However, actual interest payments for the year totalled \$207.5 million.

The interest expense and the principal repayments over the past 15 years are shown in Figure 17.0. The audit noted that 282 domestic bonds were either redeemed/repaid in 2013 amounting to \$162.8 million resulting in interest payments exceeding the bond redemption during the year.

FIGURE 10.6: BOND PRICE AND INTEREST REPAYMENTS ON DOMESTIC BONDS



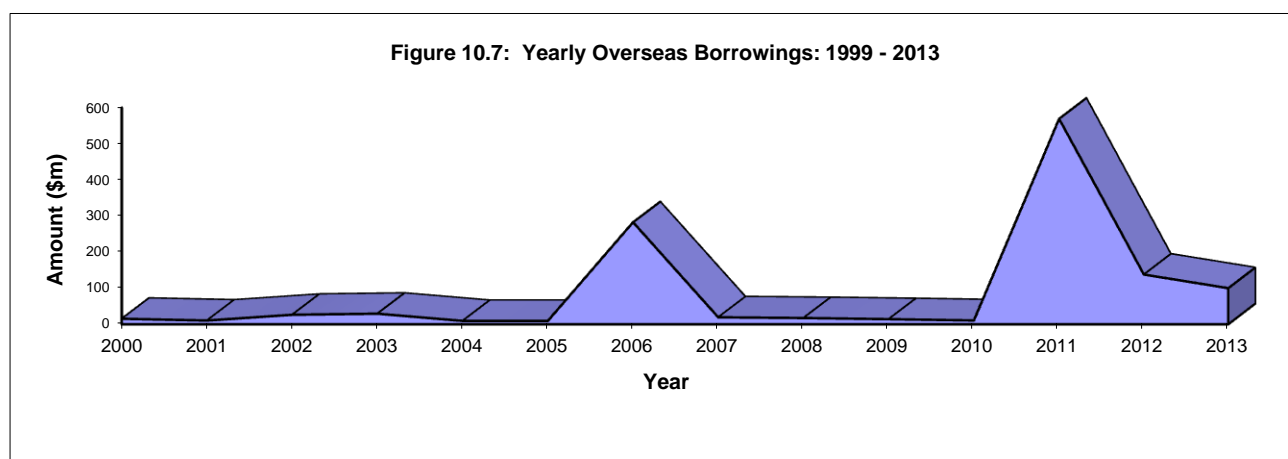
### 10.3 Overseas Borrowings

The total outstanding overseas borrowing of Government as at 31 December 2013 was \$1,081,097,414 which represents 28% of the total outstanding borrowings. Majority of the overseas Borrowings obtained were to finance capital projects.

#### 10.3.1 Yearly Overseas Borrowings

Figure 10.7 shows the trend of the yearly cash overseas borrowings over the past 15 years.

FIGURE 10.7: YEARLY OVERSEAS BORROWINGS 1999 - 2013



The years 2006 and 2011 showed marked increased in overseas borrowing due to the issuance of the \$US150 million and the \$US250 million in global bonds rose respectively.

The Government had borrowed \$99.9 million in 2013 in the form of interest capitalisation and direct disbursement. Loan repayments totalling \$71,628,964 were made which comprises of \$51,976,719 in interest and \$19,652,245 in principal payments as shown in Table 10.7.

Refer to Table 10.7 for the details of overseas Borrowings raised in year 2013.

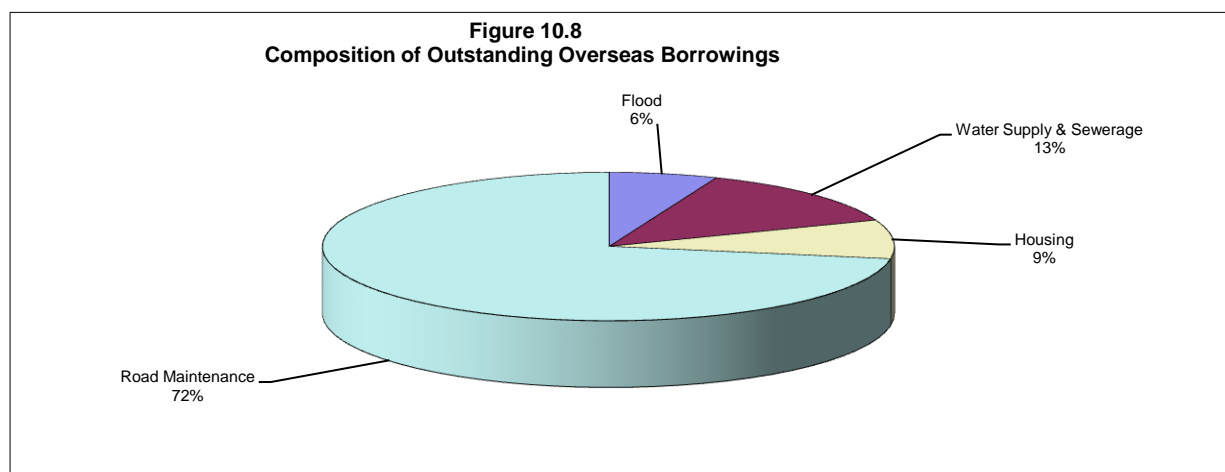
TABLE 10.7: OVERSEAS LOAN DISBURSEMENTS FOR 2013

Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	Total (\$)
Fiji Road Upgrading Project III– Supplementary	0	210,890.	10,510,555	10,721,445
Emergency Flood Recovery Loan	0	108,998	5,901,543	6,010,541
Fiji Low Cost Housing	0	0	8,447,846	8,447,846
Suva/Nausori Water Supply Supplementary	0	145,351	12,834,225	12,979,576
Buca/ Moto Roads	0	0	18,934,872	18,934,872
Sigatoka/ Serea Roads	0	0	17,557,796	17,557,796
Queens Highway Rehabilitation	0	0	5,389,397	5,389,397
ADB Suva/Nausori Water Project	0	0	155,503	155,503
Nabouwalu/ Dreketi	0	0	19,734,555	19,734,555
<b>Total</b>	<b>0</b>	<b>465,239</b>	<b>99,466,292</b>	<b>99,931,531</b>

Furthermore details of outstanding borrowings by Government as at 31/12/13 are outlined as follows:

- Borrowings in relation to the Road Upgrading Project comprised of 72% or \$72.4 million of the total outstanding overseas borrowings. The funds obtained for this project were to be used for road upgrading, rehabilitation, and the management of road assets and sector resources.
- Borrowings for Water Supply Projects, namely, the Suva/Nausori Water Supply Supplementary and Suva/Nausori Water Supply & Sewerage accounted for 13 % or \$13.1 million of the total borrowings, which were mainly used for improving the water supply services. The composition of the overseas borrowings is illustrated in Figure 10.8.

FIGURE 10.8: COMPOSITION OF OUTSTANDING OVERSEAS BORROWINGS



- Housing loan totalled to \$8.4 million or 9% of the outstanding loan. These are borrowings facilitated for low cost housing and public rental housing project.
- Emergency Flood Recovery loan totalled to \$6.0 million or 6% of the overseas loan outstanding as at 31/12/13.

### 10.3.2 Overseas Borrowings Outstanding & Interest Paid

Table 10.8 provides details on the overseas borrowings outstanding over the past 15 years with the total interest paid each year.

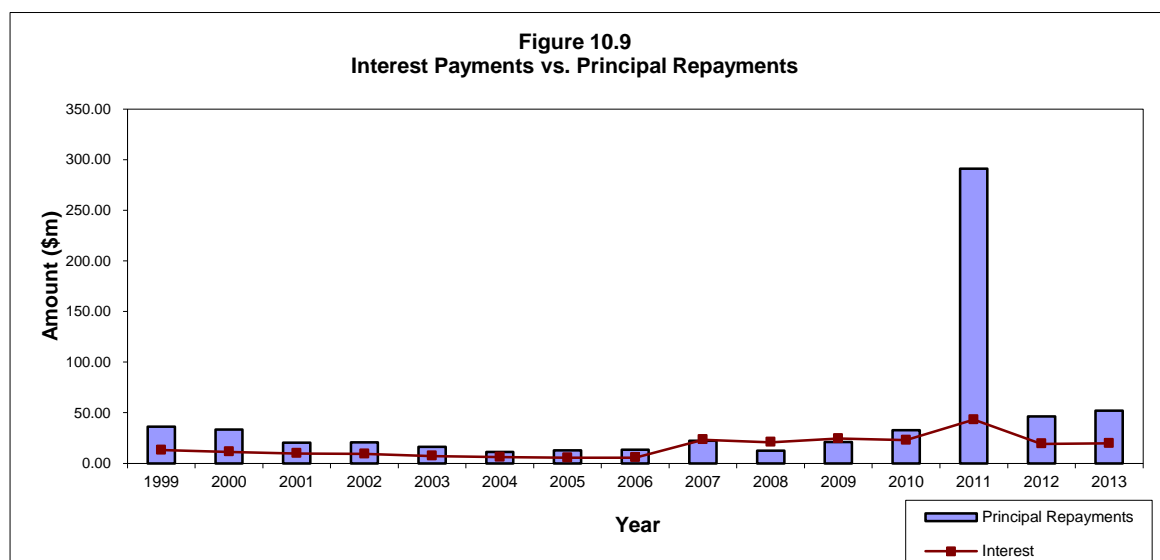
TABLE 10.8: OVERSEAS BORROWINGS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISION

Year	Overseas Borrowings \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1999	206.0	(16)	13.0	7	16.9	3.9
2000	207.7	1	11.4	(12.0)	13.2	1.8
2001	206.9	0	9.8	14	10.6	0.8
2002	193.5	(6)	9.3	(5)	10.0	0.7
2003	174.1	(10)	7.2	(23)	9.4	2.2
2004	168.7	(3)	6.1	(15)	7.0	0.9
2005	164.1	(3)	5.5	(10)	6.7	1.2
2006	416.7	154	5.7	4	6.4	0.7
2007	397.1	(5)	22.2	289	23.4	1.2
2008	476.0	20	20.8	(6.3)	24.8	4
2009	527.2	11	24.4	17	29.1	4.7
2010	548.5	4	22.9	(6)	28.2	5.3
2011	832.1	52	43.1	88	45.1	2
2012	935.5	12	46.3	7.4	51.4	5.1
2013	1,081.0	16	51.9	12	57.6	5.7

In 2013, the outstanding overseas borrowings increased by 16% compared to 2012. A sum of \$57,562,512 was provided in the 2013 revised budget for interest expense on overseas borrowings.

Interest payments on overseas borrowings during the year totalled \$51,976,719 resulting in a saving of \$5,585,793. The principal and interest payments are illustrated in Figure 10.9.

FIGURE 10.9: INTEREST PAYMENTS VS. PRINCIPAL REPAYMENTS



Principal payment for 2013 amounted to \$19,652,245. This is an increase by \$0.38 million or 2% compared to 2012.



### 10.3.3 Revaluation of Overseas Borrowings

Overseas Borrowings are revalued each year by the RBF using the exchange rate as at 31/12/13. Table 10.9 outlines the amounts attributed to overseas borrowings 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 10.9: REVALUATION OF OVERSEAS BORROWINGS & EXCHANGE GAINS/LOSS

Year	Revaluation Increase/ (Decrease) (\$)	Overseas Borrowings (\$)	Exchange (Gain)/Loss as a % of Overseas Borrowings
1998	11,964,370	245,557,713	5
1999	9,068,963	206,036,450	4
2000	(19,589,702)	207,697,167	(9)
2001	(9,239,298)	206,889,315	(4)
2002	(18,905,125)	193,505,881	(10)
2003	(31,859,534)	174,125,752	(18)
2004	(3,554,545)	168,665,379	(2)
2005	(534,342)	164,050,924	(0.3)
2006	(17,120,505)	416,729,200	(4.1)
2007	(21,844,864)	397,103,384	(5.5)
2008	70,352,312	475,994,415	15
2009	46,988,862	527,248,475	9
2010	22,885,617	548,461,798	4
2011	1,537,285	832,147,104	0.2
2012	14,895,650	935,530,587	2
2013	65,295,314	1,081,097,414	6

The value of the overseas borrowings increased by \$65,295,314 or 6% due to floating exchange rates in 2013.

### 10.4 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.

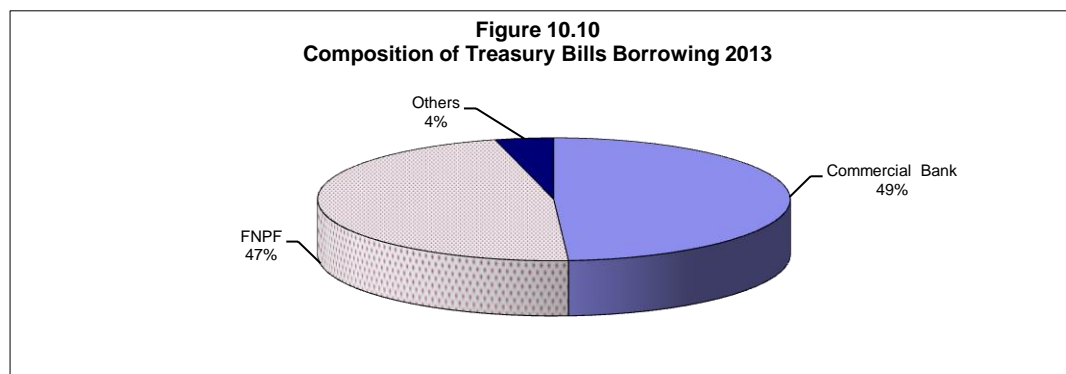
During the year, the government raised \$138,500,000 in treasury bills of which \$138,122,146 constituted net borrowings by the government whilst \$377,854 represented discount, as summarised in Table 10.10.

TABLE 10.10: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2013

Bank	Face Value	%	Discount (\$)	%	Net Receipts (\$)	%
Commercial Banks	67,590,000	49	170,199	45	67,419,801	49
FNPF	64,910,000	47	180,451	48	64,729,549	47
Others	6,000,000	4	27,204	7	5,972,796	4
<b>Total</b>	<b>138,500,000</b>	<b>100</b>	<b>377,854</b>	<b>100</b>	<b>138,122,146</b>	<b>100</b>

Moreover, 49% of the Treasury bills raised were purchased by commercial banks, 47% by FNPF, and the remaining 4% were purchased by other entities which includes FNPF Investment Limited and FNPF Retirement Income Fund.

FIGURE 10.10: COMPOSITION OF TREASURY BILLS BORROWED FOR 2013



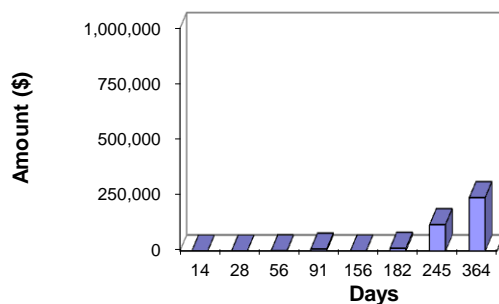
The Treasury bills, which are issued by the Government through the RBF, have a maturity period of 14 to 364 days. Table 10.11 details the total Treasury bills raised during the year 2013 together with their maturity dates and interest.

TABLE 10.11: MATURITY OF TREASURY BILLS ISSUED IN 2013

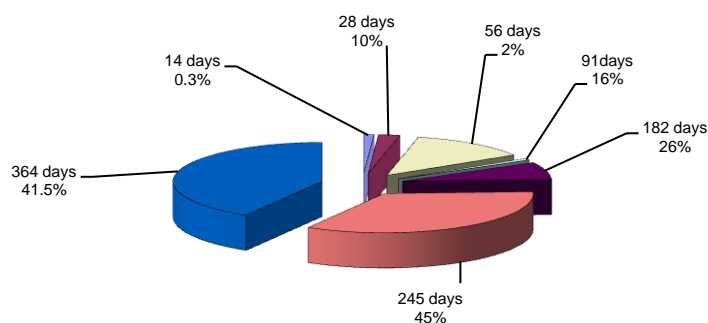
Maturity in Days	Treasury Bill Cost (\$)	Interest (\$)	Face value (\$)
14	500,000.00	15.34	499,984.66
28	1,500,000	99.72	1,499,900.28
56	3,200,000.00	653.45	3,199,346.55
91	17,700,000.00	8,295.39	17,691,704.61
156	1,000,000	230.08	999,769.92
182	10,000,000	11,802.48	9,988,197.52
245	47,200,000	117,788.66	47,082,211.34
364	57,400,000.00	238,968.76	57,161,031.24
<b>Total</b>	<b>138,500,000</b>	<b>377,853.88</b>	<b>138,122,146.12</b>

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 figure 10.10 above. The interest expense has been fluctuating as the maturity date increases. Refer to Figures 10.11 and 10.12 for these details:

**Figure 10.11**  
**Interest Expense Based on Maturity Dates**



**Figure 10.12**  
**Treasury Bill By Maturity**



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

Treasury bills issued and redeemed over the last 15 years is summarised in Table 10.12.

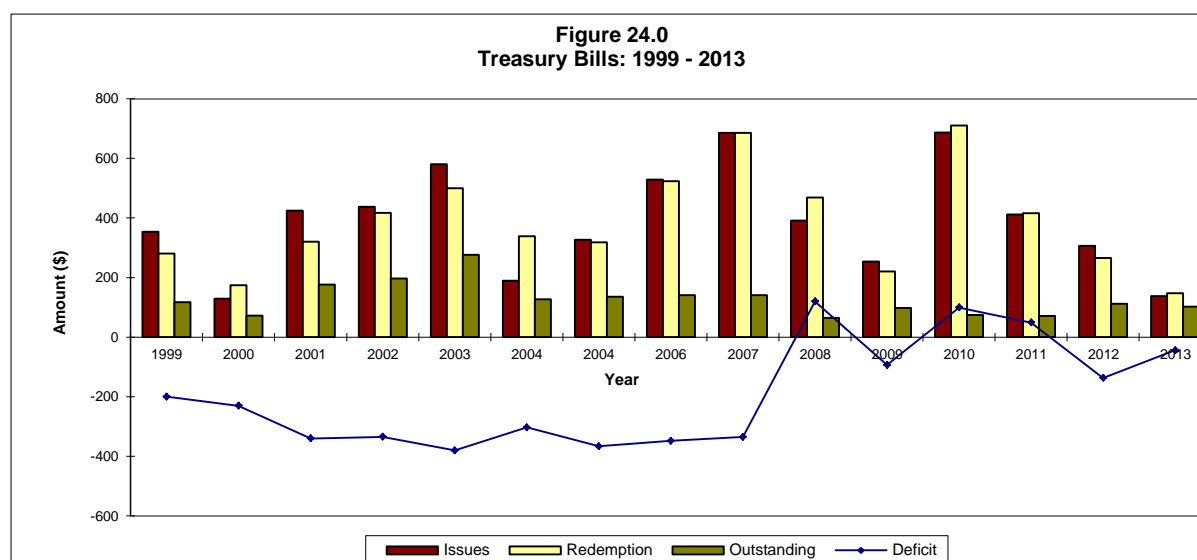
TABLE 10.12: TREASURY BILLS 1999 – 2013

Year	Balance Brought Forward (\$)	Issues (\$)	Redemption (\$)	Outstanding (\$)
1999	43,790,072	353,841,599	280,400,000	117,231,671
2000	117,231,671	129,129,145	173,910,978	72,449,838
2001	72,449,838	424,654,868	320,500,093	176,604,613
2002	176,604,613	437,465,767	417,637,927	196,432,453
2003	196,432,453	580,634,561	500,141,176	276,925,838
2004	276,925,838	189,256,716	339,194,733	126,987,822
2005	126,987,822	326,951,124	317,920,558	136,018,388
2006	136,018,388	528,715,414	523,422,114	141,311,687
2007	141,311,687	685,889,234	686,040,488	141,160,433
2008	141,160,433	391,725,937	468,333,380	64,552,990
2009	64,552,990	253,821,653	220,653,349	97,721,294
2010	97,721,294	687,313,133	710,064,626	74,969,800
2011	74,969,800	411,970,874	416,019,281	70,921,393
2012	70,921,393	306,664,544	265,852,974	111,732,963
2013	111,732,963	138,122,146	147,577,053	102,278,056

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 10.13.

FIGURE 10.13: GRAPHICAL ILLUSTRATION OF TREASURY BILLS 1999 -2013



In 2013 a budget deficit of \$398,973,400 million was recorded. Treasury bills outstanding as at 31 December 2013 totalled \$102.28 million.

#### 10.4.2 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 10.13: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenue	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
<b>Budgeted Revenue</b>															
Operating Receipts & Investing	999.0	816.3	951.7	1,011.8	1,115.8	1,149.7	1,257.4	1,346.6	1,430.0	1,411.5	1,522.4	1,496.5	1,745.7	1,942.8	2,108.4
Loan Receipts	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0	370.2	522.5	497.5	734.5	338.4	398.9
<b>Total</b>	<b>1,191.2</b>	<b>1,041.3</b>	<b>1,204.9</b>	<b>1,350.3</b>	<b>1,431.0</b>	<b>1,611.2</b>	<b>1,627.4</b>	<b>1,741.1</b>	<b>1,801.0</b>	<b>1,781.6</b>	<b>2,044.9</b>	<b>1,994.0</b>	<b>2,480.2</b>	<b>2,281.2</b>	<b>2,507.3</b>
<b>Actual Revenue</b>															
Operating Receipts & Investing	1004.5	911.0	900.5	1,038.4	1,066.3	1,176.2	1,221.9	1,401.3	1,391.3	1,454.9	1,412.8	1,536.5	1,801.3	1,937.1	2,120.3
Loan Receipts	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9	345.6	405.4	463.0	693.4	192.2	172.8
<b>Total</b>	<b>1,196.7</b>	<b>1,136.0</b>	<b>1,139.8</b>	<b>1,363.6</b>	<b>1,386.0</b>	<b>1,634.7</b>	<b>1,550.5</b>	<b>2,035.2</b>	<b>1,510.2</b>	<b>1,800.5</b>	<b>1,818.2</b>	<b>1,999.5</b>	<b>2,494.7</b>	<b>2,129.3</b>	<b>2,293.1</b>
Revenue Variance	5.5	94.7	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	(290.8)	18.9	(226.7)	5.5	14.5	151.9	214.2
Treasury Bills as at 31 <sup>st</sup> Dec	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2	64.6	97.7	75.0	70.9	111.7	102.2

Revenue	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
Excess	122.7	167.1	111.5	209.7	231.9	150.5	59.1	435.4	149.6	83.5	(129.0)	80.5	85.4	263.6	316.4

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.

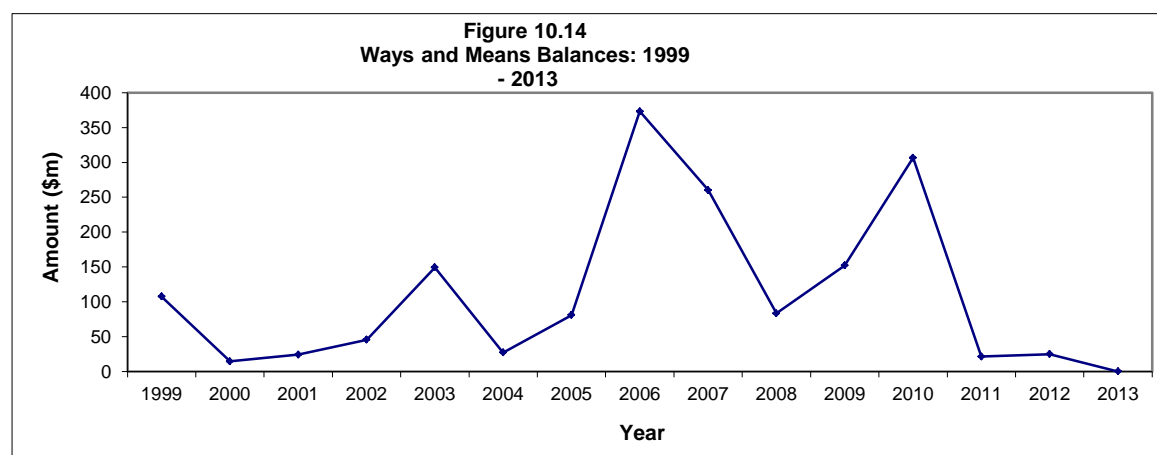
The actual revenue collection in 2013 was less than the budgeted revenue by \$214.2 million. Government revenue and Borrowings from the domestic and the overseas market were not sufficient to meet the actual expenditure. In addition Government has raised treasury bills amounting to \$138,122,146 in 2013.

## 10.5 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 10.14.

FIGURE 10.14: TREND ANALYSIS OF WAYS AND MEANS BALANCES FOR 1999 – 2013



The Government did not utilise this advance facility from RBF to borrow during the year, which decreased by \$24,900,000 or 100%.

## 10.6 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.

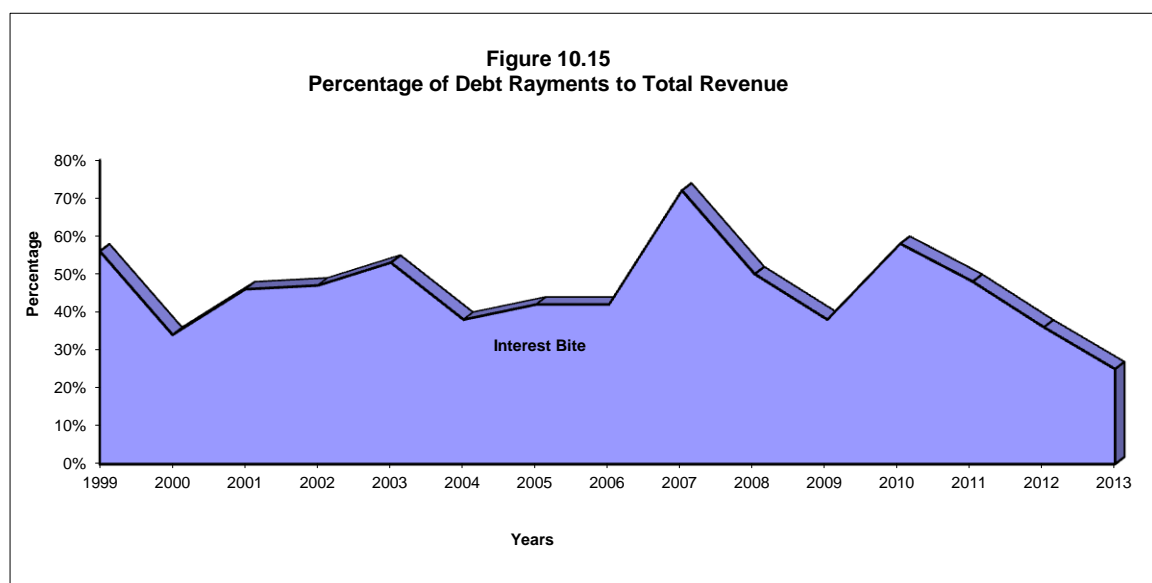
Table 10.14 contains data for the total revenue and the debt repayments of Government for a period of 15 years. The revenue derived by the Government includes a significant portion which is derived from borrowings. The revenue data included in the analysis of flexibility does include the loan component.

TABLE 10.14: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue (\$)	Repayments (\$)	Interest Bite (%)
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
2012	2,129,334,959	775,194,479	36
2013	2,271,549,938 <sup>71</sup>	576,915,467	25

The Interest Bite represents the percentage of debt repayment comprising the principal and interest components of the domestic and overseas Borrowings as well as the Treasury Bills redemption.

FIGURE 10.15: PERCENTAGE OF DEBT REPAYMENTS TO TOTAL REVENUE



In 2013, the flexibility measure was 25% indicating that the total debt repayment was equivalent to 25% of the revenue received by the Government during the year compared to 36% during 2012. Hence, 75% of revenues collected were available for government programs compared to 64% during 2012.

### **Management Comment**

*The flexibility measure directly reflects the increase or decrease in government revenue as compared to debt repaid which are fixed in nature unless prepaid. From a debt perspective, it is not recommended to take into*

<sup>71</sup> Exclusive of TMA Operations Revenue of \$21,564,690

*account Treasury Bills as a financing item since it's merely an instrument to address short term liquidity needs. Hence, T/Bill repayment should not be accounted as debt repayment. It doesn't provide a true reflection.*

## 10.7 Vulnerability

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

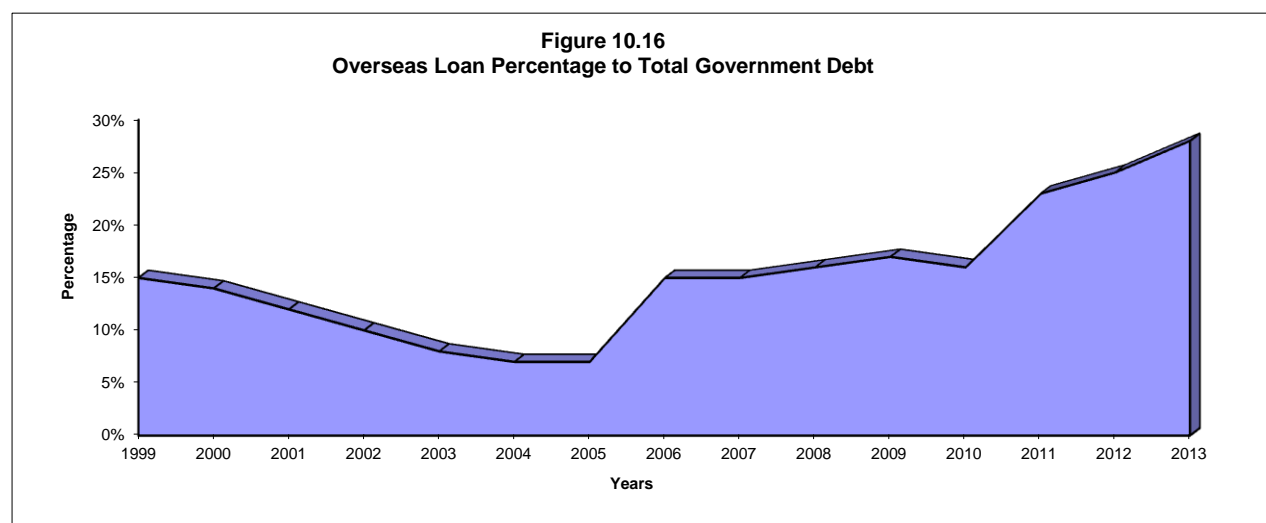
A measure of vulnerability is the comparison of overseas borrowings to the total Government debt. Table 10.15 compares overseas borrowings to total Government borrowings for a period of 15 years.

TABLE 10.15: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Borrowings (\$)	Total Borrowings (\$)	%
1999	206,036,450	1,369,863,771	15
2000	207,697,167	1,438,742,654	14
2001	206,889,315	1,686,089,578	12
2002	193,505,879	1,891,033,984	10
2003	174,125,752	2,133,770,240	8
2004	168,665,379	2,282,168,851	7
2005	164,050,924	2,421,491,962	7
2006	416,729,200	2,858,713,537	15
2007	397,103,384	2,734,471,967	15
2008	475,994,415	2,886,805,555	16
2009	527,248,475	3,130,061,918	17
2010	548,461,798	3,382,723,748	16
2011	832,147,793	3,566,351,336	23
2012	935,530,587	3,678,829,200	25
2013	1,081,097,414	3,824,939,969	28

In 2013, overseas borrowings made up 28% of outstanding government borrowings which increased by 3% compared to 2012.

FIGURE 10.16: PERCENTAGE OF DEBT REPAYMENTS TO TOTAL REVENUE



The overall trend indicated an increasing reliance on overseas borrowings from 2006; a sharp increase in 2006 and 2011 being attributed to international bond issuance of US\$150m and US\$250m respectively.

Another measure of vulnerability is the comparison of overseas Borrowings to GDP. Table 10.16 compares overseas borrowings to GDP for a period of 10 years.

TABLE 10.16: COMPARISON OF OVERSEAS BORROWINGS AND GDP

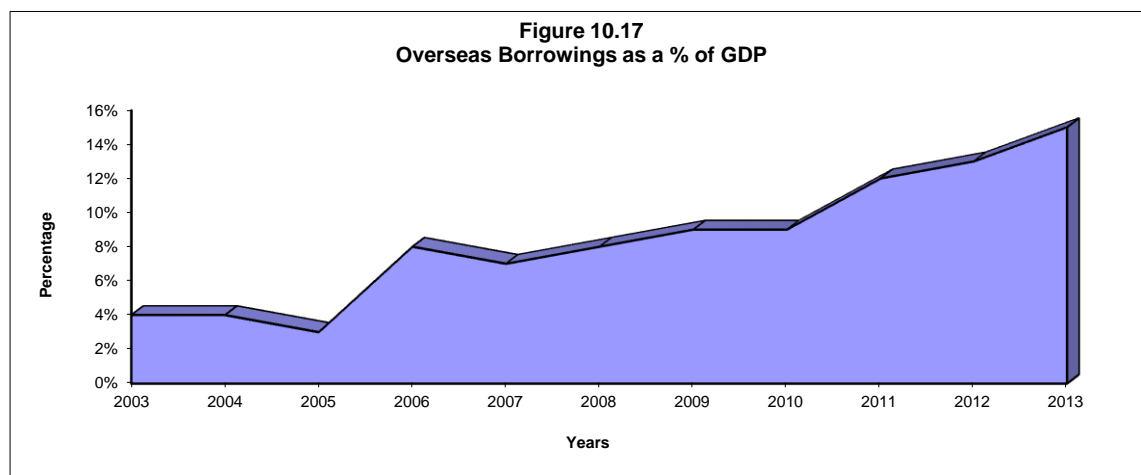
Year	Overseas Borrowings (\$)	Nominal GDP (\$)	% of Overseas Borrowings /GDP
2003	174,125,752	4,325,420,000	4
2004	168,665,379	4,539,000,000	4
2005	164,050,924	5,069,432,000 <sup>+</sup>	3
2006	416,729,200	5,431,720,200 <sup>+</sup>	8
2007	397,103,384	5,566,057,664 <sup>+</sup>	7
2008	475,994,415	5,895,900,000 <sup>+</sup>	8
2009	527,248,475	5,768,400,000 <sup>+</sup>	9
2010	548,461,798	6,111,648,000 <sup>+</sup>	9
2011	832,147,793	6,846,600,000 <sup>+</sup>	12
2012	935,530,587	7,316,564,000 <sup>+</sup>	13
2013	1,081,097,414	7,445,793,200 <sup>+</sup>	15

<sup>+</sup> Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

Figure 10.17 shows that the percentage of the overseas debt to GDP increased by 2% to that of year 2012, this is a reflection of the nation's capability to meet its external debt obligations have increased.

FIGURE 10.17: OVERSEAS BORROWINGS AS A PERCENTAGE OF GDP



Moreover, the comparison of the domestic debt to GDP is another measure of vulnerability. Table 67.0 compares domestic borrowings to GDP for a period of 10 years.



TABLE 10.17: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Borrowings (\$)	GDP (\$)	% of Domestic Borrowings/ GDP
2004	1,986,515,650	4,539,000,000	44
2005	2,121,422,650	5,069,432,000*	42
2006	2,300,672,650	5,431,720,200*	42
2007	2,196,208,150	5,566,057,664*	40
2008	2,346,258,150	5,895,900,000*	40
2009	2,505,092,150	5,768,400,000*	43
2010	2,759,292,150	6,111,648,000*	45
2011	2,663,282,150	6,846,600,000*	39
2012	2,631,565,650	7,316,564,000*	36
<b>2013</b>	<b>2,641,564,500</b>	<b>7,445,793,200*</b>	<b>35</b>

- Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

In 2013 the domestic borrowings as a percentage of GDP decreased to 35%, a decrease by 1 percentage and constitute the lowest debt recorded to GDP over the 10 year period.

FIGURE 10.18: DOMESTIC BORROWINGS AS A PERCENTAGE OF GDP

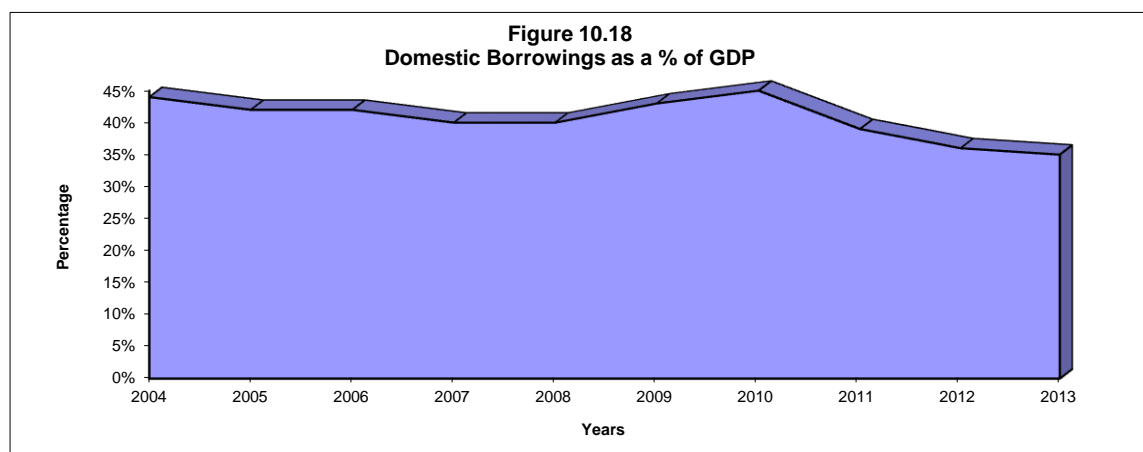


Figure 10.18 shows that the domestic borrowing as a percentage of the GDP has been fluctuating over the years and though indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic borrowings.

Table 10.18 shows the comparison between Tax Revenue and the GDP.

TABLE 10.18: COMPARISON OF TAX REVENUE AND GDP

Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/ GDP
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

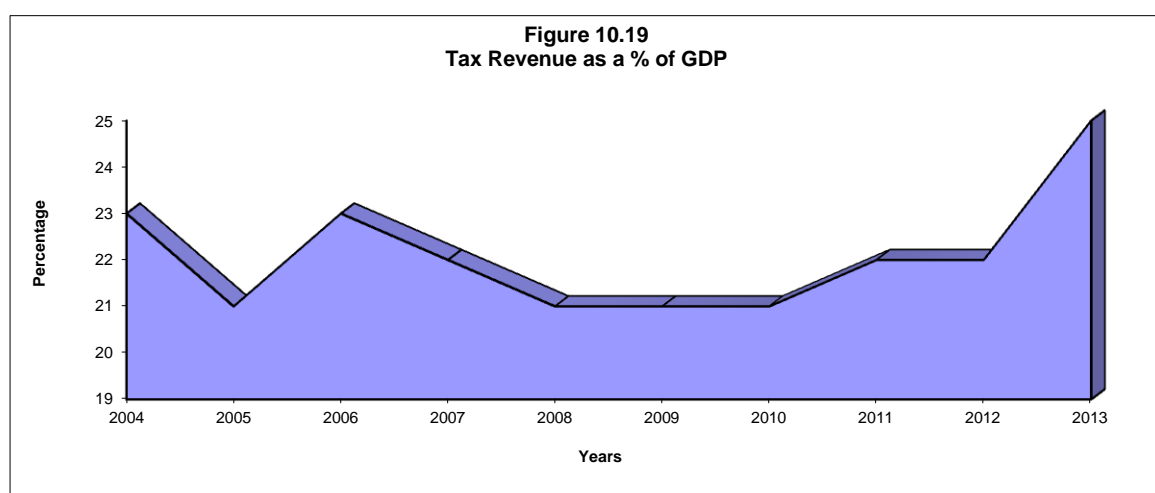
Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/GDP
2010	1,302,130,578	6,111,648,000+	21
2011	1,512,378,397	6,846,600,000+	22
2012	1,616,297,515	7,316,564,000+	22
<b>2013</b>	<b>1,879,295,170</b>	<b>7,445,793,200+</b>	<b>25</b>

- Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

Figure 10.19 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been between 21% - 25%.

FIGURE 10.19: TAX REVENUE AS A PERCENTAGE OF GDP



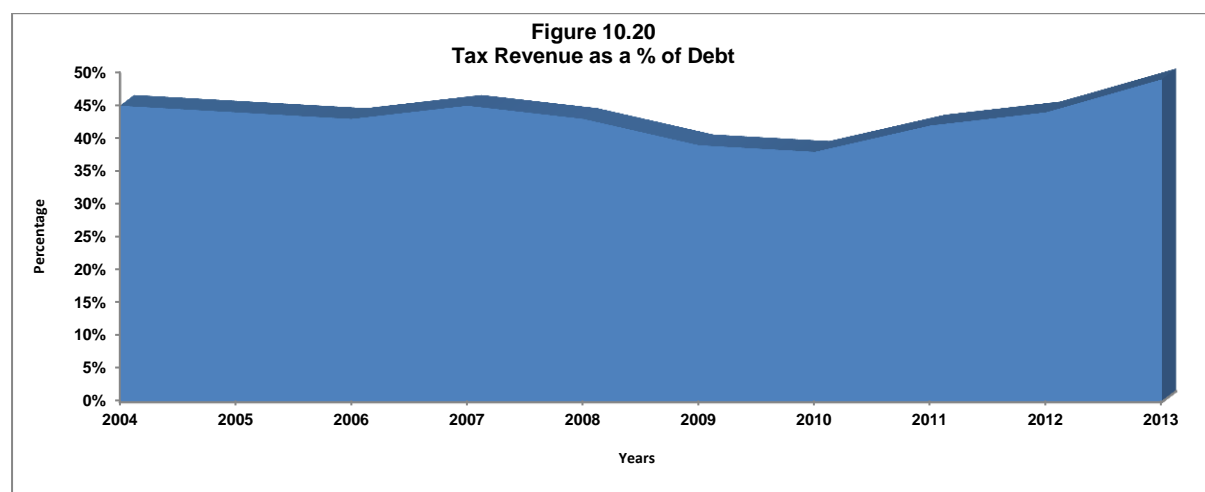
Another measure of vulnerability is the comparison of tax revenue to debt. Table 10.19 compares tax revenue to debt for a period of 10 years.

TABLE 10.19: COMPARISON OF TAX REVENUE AND DEBT

Year	Tax Revenue (\$)	Debt (\$)	% of Tax Revenue/Debt
2004	1,033,319,644	2,282,168,851	45
2005	1,065,808,942	2,421,491,962	44
2006	1,227,220,772	2,858,713,537	43
2007	1,230,363,366	2,734,471,967	45
2008	1,243,057,337	2,886,805,555	43
2009	1,209,223,648	3,130,061,918	39
2010	1,302,130,578	3,382,723,748	38
2011	1,512,378,397	3,566,351,336	42
2012	1,616,297,515	3,678,829,200	44
<b>2013</b>	<b>1,879,295,170</b>	<b>3,824,939,970</b>	<b>49</b>

The tax revenue as a percentage of debt has increased by 5% compared to year 2012 resulting from the increase in tax collections in 2013. Further it indicates that 49% of the debt can be met from tax revenue.

FIGURE 10.20: TAX REVENUE AS A PERCENTAGE OF DEBT



The ability of tax revenue to meet the debt over the 10 year period was on a declining trend since year 2007 and gradually increased from year 2010 to 2013 due to increase in tax collections during these years.

Moreover, Table 10.20 shows the comparison of government surplus/ (deficit) to GDP.

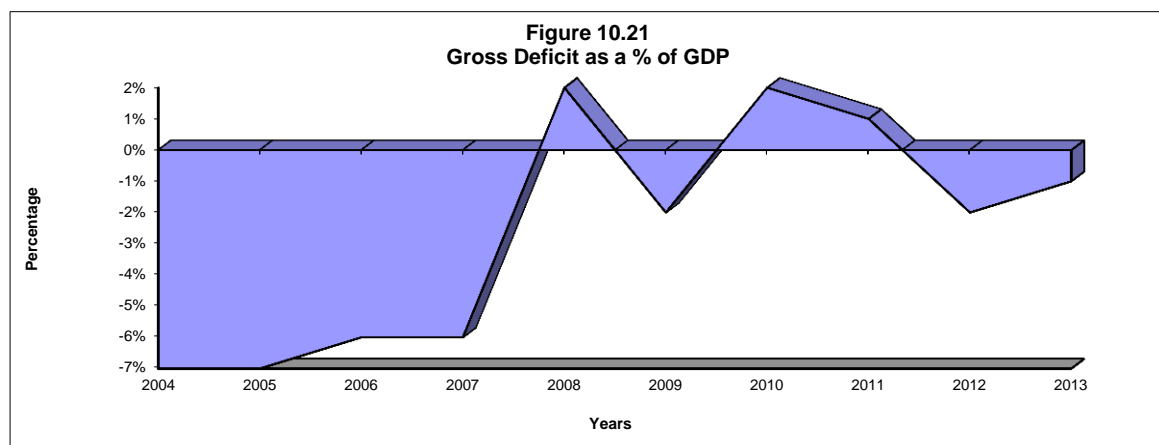
TABLE 10.20: COMPARISON OF GOVERNMENT DEFICIT (SURPLUS) AND GDP

Year	Gross Surplus/ (Deficit) (\$)	GDP (\$)	% of Gross Surplus (Deficit) /GDP
2004	(302,912,124)	4,539,000,000	(7)
2005	(366,334,029)	5,069,432,000*	(7)
2006	(346,769,675)	5,431,720,200*	(6)
2007	(334,935,764)	5,566,057,664*	(6)
2008	120,093,824	5,895,900,000	2
2009	(93,167,378)	5,768,400,000*	(2)
2010	99,398,751	6,111,648,000*	2
2011	49,027,101	6,846,600,000*	1
2012	(136,874,864)	7,316,564,000*	(2)
2013	(44,085,595)	7,445,793,200*	(1)

- Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

FIGURE 10.21: GROSS DEFICIT AS A PERCENTAGE OF GDP



In 2013, the gross deficit as a percentage of GDP decreased by 1% compared from a 2% gross deficit in 2012.

## 10.8 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 GDP.

The total Government debt as a percentage of GDP as at 31/12/13 was 51%, indicating debt sustainability in debt relative to the production of goods and services.

TABLE 10.21: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

Year	Government Debt (\$)	% of Growth	GDP (\$)	% of Growth	Public Debt as a % of GDP
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 <sup>+</sup>	(2)	54
2010	3,382,723,748	8	6,111,648,000 <sup>+</sup>	8	55
2011	3,566,351,336	5	6,846,600,000 <sup>+</sup>	12	52
2012	3,678,829,200	3	7,316,564,000 <sup>+</sup>	7	50
2013	3,824,939,970	4	7,445,793,200 <sup>+</sup>	2	51

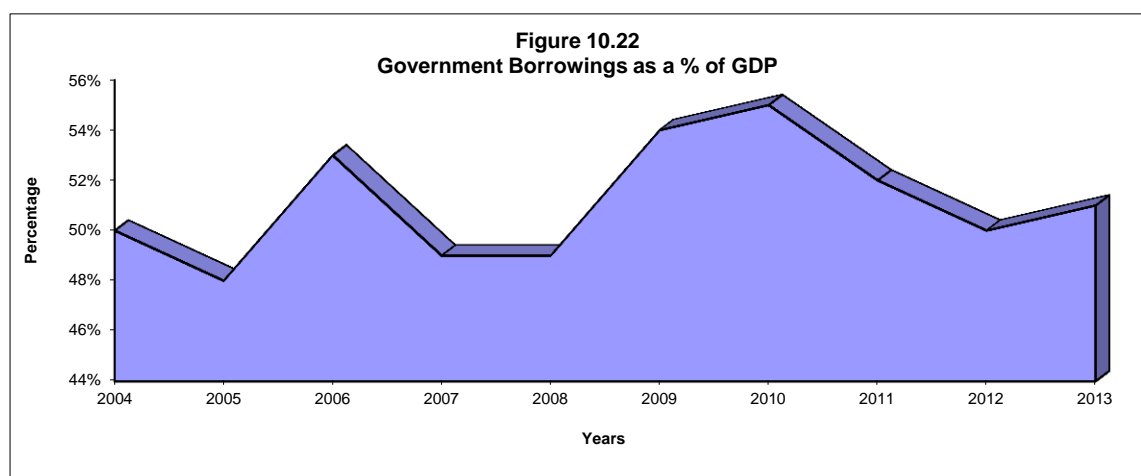
- Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

Table 71.0 shows that percentage growth in Government debt is 4% only while the percentage growth in the economy is 2% indicating an increased debt burden of individuals in year 2013.

In 2013, percentage change in national debt relative to the GDP increased to 51% compared to 50% in year 2012.

FIGURE 10.22: 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.

## 10.9 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 10.22 outlines the Gross Domestic Product per Capita and National Income per Capita over the 13 year period.

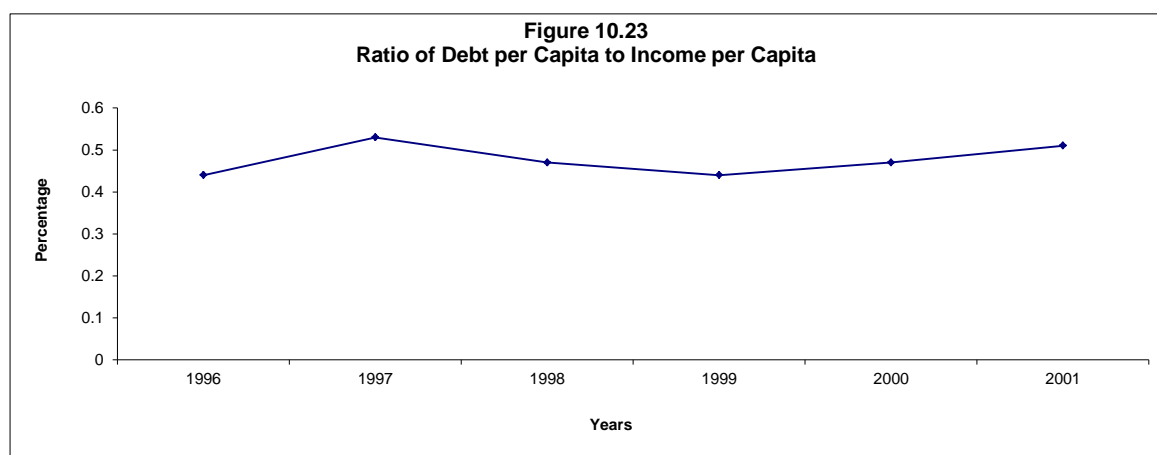
TABLE 10.22: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

Year	Outstanding Debt (\$)	Estimated Population	Debt/Capita (\$)	GNP/Capita (\$)	Ratio of Debt/Capita to GNP/Capita
2000	1,438,742,654	810,421	1,775	3,807	0.47
2001	1,686,089,577	815,013	2,069	4,064	0.51
2002	1,891,033,982	825,478	2,291	*	
2003	2,133,770,240	831,343	2,567	*	
2004	2,282,168,851	838,317	2,722	*	
2005	2,421,491,962	846,085	2,862	*	
2006	2,858,713,537	853,445	3,350	*	
2007	2,734,471,967	827,900	3,303	*	
2008	2,886,805,555	839,621	3,438	*	
2009	3,130,061,918	837,271	3,738	*	
2010	3,382,723,748	837,271	4,040	*	
2011	3,530,451,171	861,024	4,100	*	
2012	3,678,829,200	858,038	4,171	*	
2013	3,824,939,970	861,374	4,4440	*	

\* The GNP for years 2002 to 2013 is not available

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

FIGURE 10.23: RATIO OF DEBT PER CAPITA TO INCOME PER CAPITA TREND



The ratio as at 31/12/13 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 analysed as the data for the GNP/capita was unavailable.

### **Recommendation**

**The Ministry of Finance in consultation with the Ministry of Strategic Planning & National Development and Statistics should ensure that the Gross National Product per capita is readily made available with the Gross Domestic Product on a yearly basis.**

### **Management Comment**

*The GNP figures are readily available within the Budget Division of the Ministry should further analysis is required on government debt. The ministry also provides MSP&NDS government debt data on a monthly basis for their analysis.*

### **Further OAG Comments**

**Our verification with FMIS and Budget Division noted that the response was misleading when they do not have the GNP/Capita data**

## **10.10 Control Issues**

### **10.10.1 Dormant General Ledger Balance**

The Ministry of Finance is responsible for the preparation and presentation of the financial statements. In addition, the Ministry is responsible to maintain, review and reconcile the general ledger to ensure that ledger amounts are current and provide accurate financial transactions needed to prepare financial statements.

The audit noted that there were various general ledger balances which did not record any financial activity for a long period since year 2005. These are termed as dormant general ledger accounts within the Borrowing Fund Account ledger totalling \$46.3 million. Refer to Table 10.23 below for details:

TABLE 10.23: UNEXPLAINED DEBT GENERAL LEDGER BALANCES

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

Dormant general ledger balances inflates government accounts and do not provide a true picture of the financial transactions at the end of the financial year.

### **Recommendation**

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

### **Management Comment**

*The dormant accounts above are inherent transactions incurred during the adoption of the FMIS system and data mapping into new FMIS accounts. Adjustment will be made to reflect this in the correct allocations that are currently being used.*

## **11.0 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. Major accounts in the Main Trust Fund include tender deposits, bonds and aid monies from overseas agencies.

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

The Trust Fund Account had a balance of \$79,531,628 as at 31/12/13, an increase of \$5,767,337, or 7.8% from 2012.

The increase in the balances of the Trust Fund account being attributed to an increase in the main trust account.

The Main Trust account increased by \$9,387,044 or 17% compared to the balance of \$63,307,444 in year 2012 as a result of new main trust account being opened for Ministry of Strategic Planning, National Development and Statistics, increase in Chinese grants for the Prime Minister's Office and increase in immigration bond.

## 11.1 Accounting Issues

### 11.1.1 Trust Accounts with Debit General Ledger Balances

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.<sup>72</sup>

The trust officer shall properly file correspondences, reports, trust agreements and other relevant trust documents. Each trust account shall have its own file. The trust officer shall keep a trust ledger to record movement of trust money. The ledger shall record the following information:

- i. name of trust account;
- ii. date and amount of receipts and payee;
- iii. date, amount paid and payer including reference number;
- iv. balance to date.<sup>73</sup>

A debit balance in the trust fund account general ledger indicates overdrawn trust fund accounts.

As at 31/12/2013 the total trust accounts with debit general ledger balances amounted to \$13,663,965.60. Refer to Table 11.1 below for details:

TABLE 11.1: TOTAL TRUST FUND GL ACCOUNTS WITH DEBIT BALANCES

Allocation	Amount Overdrawn 2012 (\$)	Amount Overdrawn 2013 (\$)
Deposits, Deductions & Retention Money - SEG 86	6,872,330.41	12,823,503.13
Consolidated Trust Fund - SEG 89	457,916.32	840,462.47
Total amount overdrawn as at 31/12/2013	<b>7,330,246.73</b>	<b>13,663,965.60</b>

In comparison with 2012 balance of \$7,330,246.73 the amount increased by \$6,333,718.87 or 86%. The top five Ministries and Departments with highest debit balances are tabulated below.

TABLE 11.2: TOP 5 MINISTRIES/DEPARTMENTS WITH DEBIT BALANCES

Ministries/Department	Amount (\$)
Fiji Military Forces	6,082,460.69
Ministry of Works & Transport	2,264,120.06
Department of Agriculture	1,390,082.06
Fiji Police Force	1,081,680.54
Department of Fisheries & Forests	657,526.56
<b>Total</b>	<b>11,475,869.91</b>

These findings indicate that Accounting Officers are not exercising control measures nor checking the reconciliations to ensure that there are no overdrawn accounts.

The overdrawn trust funds could be the result of misallocations without proper supervision to monitor those overdrawn account without rectifying these overdrawn balances on a timely basis.

<sup>72</sup> Proforma Finance Manual 2011 – section 16

<sup>73</sup> Proforma Finance Manual 2011 – section 15.3



## **Recommendation**

**The Ministry of Finance should inform the Ministry's/Departments to ensure that Trust Fund Accounts are not overdrawn at any time and the overdrawn Trust Fund Accounts to be investigated and reconciled accordingly.**

## **Management Comment**

*Comments noted. Ministry of finance has issued Financial Circular 02/2013 which contains the True Trust reconciliation Format that must be adhered to by Ministries and Departments. FMIS is currently undertaking a verification process to detect such accounts and their unsubstantiated figures will also be part of the 2014 write off submissions.*

## **11.2 Control Issues**

### **11.2.1 Writing off Trust Account General Ledger**

Write off losses in excess of \$50,000 must be referred to the Minister for Finance<sup>74</sup>. The Financial Management Act requires Permanent Secretaries to exercise care and diligence in safeguarding assets and in approving the write - off of damaged equipment, debt -or any other monetary loss –that cannot be recovered.

As custodian of the Financial Management Act and Finance Instructions, the Ministry of Finance is mandated to ensure proper administration of funds appropriated to the Ministries and Departments through the submission of monthly reconciliation by agencies.<sup>75</sup>

Reconciliations basically compare two sets of records to make sure they are in agreement. As such it will safeguard validity of the accounting practices and correctness of financial reports.

On 19 January 2014, the Minister for Finance approved write off of dormant and un-reconciled trust fund account figures in the general ledger (FMIS) totalling \$4,102,398. Refer to the Table 11.3 below for details of write off.

TABLE 11.3 WRITE OFF FOR TRUST FUND ACCOUNT

Allocation	Amount (\$)
Deposits, Deductions & Retention Money - SEG 86	3,958,426
Consolidated Trust Fund - SEG 89	143,971
<b>Total amount written off</b>	<b>4,102,398</b>

The write off was a mere book entry adjustment to equity hence it did not require any budgetary provisions or funding to facilitate the transaction.

## **Recommendations**

### **The Ministry of Finance:**

- **desk officers should ensure that Ministries and Departments reconciliations are verified with general ledger on a monthly basis. Any variances noted in the reconciliations are discussed with affected Ministries to rectify the anomalies.**

<sup>74</sup> Finance Instruction 2010 – Section 57(3)

<sup>75</sup> Finance Circular No. 02 of 25 January, 2013

- **must prepare monthly reconciliation of Trust Fund Account from the Ministries reconciliation at whole of government level. A copy of the whole of government monthly reconciliation should be forward to the Auditor General for audit purposes.**
- **should always take regular review of accounts which are static and make consultations with Ministry/Department to ensure that these amounts can be fully supported and are valid amounts.**

### **Managemet Comment**

*Comments noted. Ministry of finance has issued Financial Circular 02/2013 which contains the True Trust reconciliation Format that must be adhered to by Ministries and Departments. FMIS is currently undertaking a verification process to detect such accounts and their unsubstantiated figures will also be part of the 2014 write off submissions.*

### **11.2.2 Anomalies in Trust Fund Account**

The reconciliation process is an extremely important internal control and will identify any errors that have occurred during the period since the last reconciliation.

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>76</sup>

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.<sup>77</sup> The Trust Officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.<sup>78</sup>

The Accounting Head must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>79</sup>

The audit noted that the Ministry of Works and Transport did not provide any reconciliation for its operating trust account balance totalling \$11,858,171 hence it could not be substantiated by audit. Refer to Table 11.4 for anomalies noted when scrutinising the trust fund accounts and related records:

TABLE 11.4: RECONCILIATION VERSUS TRUST FUND ACCOUNT (SLG 86)

Ministries	Allocation	Reconciliation 31/12/13 (\$)	SLG 86 General Ledger Balance 31/12/13 (\$)
<b>Operating Trust Fund Account</b>			
Ministry of Works & Transport	1-40000-00000-860000	Not provided	(11,667,798)
<b>Trading &amp; Manufacturing Account</b>			
Ministry of Works & Transport	4-40000-00000-860000	Not provided	(190,373)
<b>Total Amount/Variance</b>			<b>(11,858,171)</b>

<sup>76</sup> Finance Instruction 2010 s58(3)

<sup>77</sup> Finance Manual 2011 s15.4.1

<sup>78</sup> Finance Manual 2011 s15.4.3

<sup>79</sup> Finance Manual 2011 s7.4.11

In addition, the audit noted a variance of \$697,877.10 between the total Main Trust Liability Account GL (SLG 89) and the total Cash Trust GL (SAG 52). Refer to Table 11.5 below for details.

TABLE 11.5: CASH GL (SAG 52) VERSUS MAIN TRUST FUND (SLG 89)

Trust Accounts	Cash Trust Balances GL (SAG 52) (\$)	Main Trust Accounts GL (SLG 89) (\$)	Variance (\$)
<b>Main Trust Fund Account</b>			
Cabinet	3,677,708	3,698,537	(20,829)
Fiji Procurement Office	1,176,315	1,160,639	15,676
Ministry of Labour & Industrial Relations	6,650,236	6,167,867	482,369
Judiciary	17,491,028	17,490,914	114
Immigration Department	10,129,318	10,665,587	(536,269)
Ministry of Agriculture	759,562	213,234	546,328
Ministry of Finance	7,938,517	7,686,874	251,643
Ministry of Health	77,076	149,211	(72,135)
Ministry of Lands	2,971,777	2,975,977	(4,200)
Provincial Development	4,328,802	2,544,986	1,783,816
Public Enterprise (Communications)	2,906,717	2,896,519	10,198
Department of Energy	1,501,242	2,606,391	(1,105,149)
Environment	692,040	2,162,519	(1,470,479)
Ministry of Housing	870,702	7,269	863,433
Ministry of Strategic Planning	80,121	84,711	(4,590)
Ministries of Fisheries & Forestry	(562,027)	(519,979)	(42,048)
<b>Total Variances</b>	<b>60,689,134</b>	<b>59,991,256</b>	<b>697,878</b>

The above table indicates that Ministry failed to ensure that the reconciliation of the trust records is completed after the end of the month and that consideration be given to reconciling the trust records on a more frequent basis.

In the absence of correct reconciliations, the accuracy of the balances in the accounts may not be fairly stated.

### **Recommendations**

- **The Accounting Officers should be reminded the importance of submitting the correct reconciliations as a control check of amounts reflected in the general ledger system.**
- **The Ministry should investigate the variances between the general ledger and Ministries/Departments records. In addition, the Ministry should put in strategies to ensure Accounting Officers take responsibility for any incorrect postings and not submitting monthly reconciliation on a timely basis.**

### **Management Comment**

*Comments noted. Ministry of finance has issued Financial Circular 02/2013 which contains the True Trust reconciliation Format that must be adhered to by Ministries and Departments. FMIS is currently undertaking a verification process to detect such accounts and their unsubstantiated figures will also be part of the 2014 write off submissions.*

## 12.0 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity<sup>80</sup>.

Government's Contingent Liabilities as recognized by the Ministry of Finance is classified into Government guarantees and other 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.<sup>81</sup>

The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.<sup>82</sup>

During the year 2013, 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.

A guarantee fee is charged on all guarantees. The fee percentage range is agreed upon taking into account each entity's financial performance.<sup>83</sup>

### 12.1 Contingent Liabilities for Government

The Government's total contingent liabilities recorded fluctuations over the years. There has been an increase during 2013 as additional government guarantee provided on the loans taken by Fiji National Provident Fund, Fiji Sugar Corporation, Fiji Broadcasting Corporation and Pacific Fishing Company Limited.

A total of 14 entities were covered under Government guarantee in 2013, compared to 15 entities in 2012. Table 12.1 and Figure 12.1 below show the trend in total contingent liabilities for the years 2006 to 2013.

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<sup>80</sup> IPSAS 19

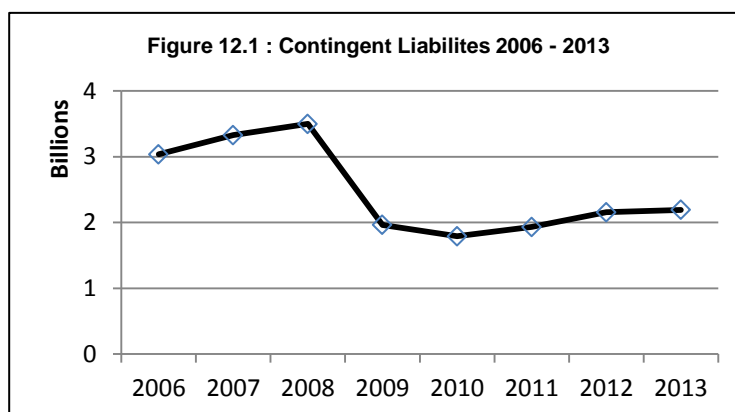
<sup>81</sup> Financial Instructions 2010, Section 2

<sup>82</sup> Finance Management Act 2004, Section 62(1)

<sup>83</sup> Finance Circular No. 8 of 2004

TABLE 12.1: CONTINGENT LIABILITIES (2006 – 2013)

Year	Number of Entities on Govt. Guarantee	Total Contingent Liabilities (\$)
2006	19	3,036,693,046
2007	15	3,328,068,372
2008	15	3,499,088,018
2009	16	1,963,068,505
2010	16	1,791,461,261
2011	16	1,931,795,891
2012	15	2,155,254,122
2013	14	2,191,273,681



Government guarantee during the year covered both domestic and overseas loans. The total contingent liabilities as at 31/12/13 amounted to \$2,191,273,681. Domestic loans accounted for \$2,183,646,155 or 99.7 % of total contingent liabilities during the year. Overseas loans on the other hand accounted for \$7,627,526 or 0.3 % of total contingent liabilities as at 31/12/13.

Total contingent liabilities for overseas loans are for the membership subscriptions of the Government with overseas agencies namely the International Bank for Reconstruction & Development and the International Development Association.

Contingent liability for overseas loans decreased by \$816,591 or 10% in 2013 due to a decrease in subscription of membership from International Bank for Reconstruction and Development.

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.

## 12.2 Accounting Issues

### 12.2.1 Increased Liabilities for Domestic Loan Guarantee

The guarantee on domestic loans covers most public institutions such as the Fiji Development Bank, Fiji National Provident Fund, Fiji Sugar Corporation, Fiji Broadcasting Corporation and Pacific Fishing Company Limited. 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 \$36,836,150 or 1.7 % compared to 2012 which are attributed to an increase in liability balance for the 4 institutions outlined below:

TABLE 12.2: INCREASED LIABILITIES FOR GOVERNMENT GUARANTEES

Institutions	Government Guarantee 2013 (\$)	Liability as at 31/12/2013 (\$)	Liability as at 31/12/2012 (\$)	Variance (\$)	% change	Reason for Increase
Fiji National Provident Fund	1,369,811,890	1,369,811,890	1,247,556,595	122,255,295	9.8%	Increase due to increase in members balance
Fiji Sugar Corporation	215,654,160	156,057,008	117,883,274	38,173,734	32.3%	Increase due to utilization of additional borrowing
Fiji Broadcasting Corporation	21,594,693	20,868,177	17,846,315	3,021,862	16.9%	Increase due to full utilization of guarantee
Pacific Fishing Company Limited	4,100,000	2,843,262	1,447,080	1,396,182	96.5%	Increase due to increase in usage of credit facility

The Ministry's Debt Management Unit conducts quarterly visits and assessments on all guarantee entities and reports to the Permanent Secretary of Finance on the debt servicing sustainability of entities.

Increase in contingent liability poses a significant financial risk to Government as it puts pressure on Government cash flows and resources should these entities fail to honour their loan agreements with respective lenders and Government will have no choice but to activate the guarantor role.

### **Recommendation**

**The Debt Management Unit should carry out risk analysis and advise Government prior to signing loan guarantees or declarations since contingent liabilities continue to pose significant risks to Government.**

### **Management Comment**

*No comment received from the Ministry.*

## **13 REVENUE**

The total forecasted revenue by government in 2013 amounts to \$2,507,382,200 comprising of \$1,994,353,600 in operating revenue; \$114,055,200 in Investing revenue and \$398,973,400 in borrowing revenue<sup>84</sup>. No forecast was provided for revenue generated from government trading and manufacturing operations.

The actual revenue collections made by government from its normal operations in 2013 totalled to \$2,293,114,628<sup>85</sup> thus recording a shortfall of \$214,267,572 or 9% of the total estimated revenue collections. Table 13.1 show the actual revenue collected over the last 6 years.

<sup>84</sup> National Budget Book 2013

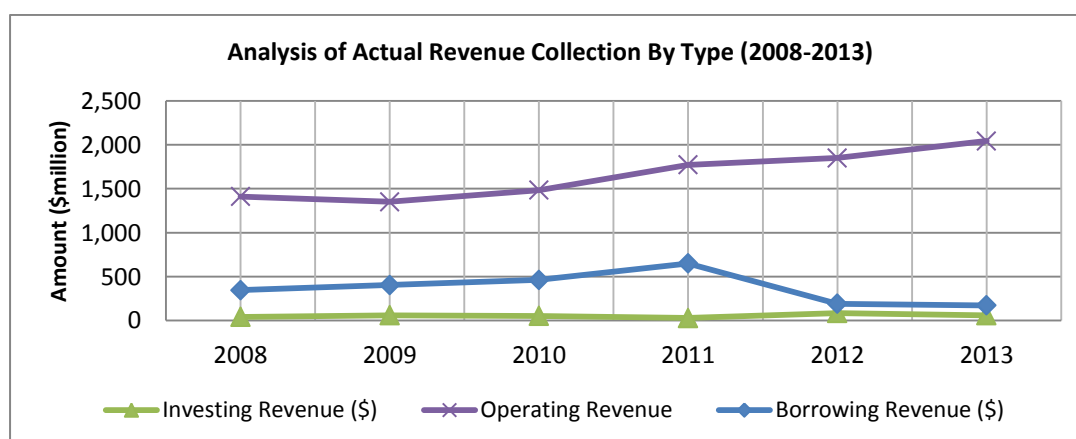
<sup>85</sup> Includes revenue from TMA operations

TABLE 13.1: REVENUE BY TYPE OVER THE LAST 6 YEARS

Year	Investing Revenue (\$)	Operating Revenue (\$)	Borrowing Revenue (\$)	Total (\$)
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
2012	86,043,084	1,878,989,123	192,190,835	2,157,223,041
2013	59,894,427	2,060,398,201	172,822,000	2,293,114,628

Government also recorded \$17,037,683 from its Trading and Manufacturing Accounts operations which are not appropriated by government as part of its normal operations.

FIGURE 13.1: TOTAL REVENUE COLLECTIONS IN 2013 BY TYPE (EXCLUSIVE OF TMA REVENUE)



## 13.1 Accounting Issues

### 13.1.1 Revenue Forecast and Actual Analysis

The budget estimates and budget supplements are to be prepared as far as practicable (realistic) in accordance with internationally accepted standards.<sup>86</sup>

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.<sup>87</sup> One such report is the actual revenue collected against forecast.<sup>88</sup>

Audit review of the forecasted revenue against the actual revenue collections noted the following anomalies:

- The actual revenue collections made by government from its normal operations in 2013 totalled to \$2,276,076,945<sup>89</sup> thus recording a shortfall of \$231,305,255 or 9% of the total estimated revenue collections of \$2,507,382,200. Refer to Table 13.2 for the summary of revenue under collected.

<sup>86</sup> Financial Management Act 2004, Section 13.3

<sup>87</sup> Proforma Finance Manual 2011 – Section 17.1.5

<sup>88</sup> Proforma Finance Manual 2011 – Section 17.1.6

<sup>89</sup> excludes revenue from TMA operations

TABLE 13.2: SUMMARY OF ESTIMATED REVENUE OVER/UNDER COLLECTED

Allocation	Description	Revised Estimate (\$)	Actual Collections (\$)	(Over)/Under Collected (\$)
<b>Operating Revenue</b>				
1-00000-00000-210000	Direct Taxes	433,750,900	449,707,223	(15,956,323)
1-00000-00000-220000	Indirect Taxes	1,418,872,300	1,429,587,947	(10,715,647)
1-00000-00000-230000	Fee, Fines & Charges	86,792,200	94,605,959	(7,813,759)
1-00000-00000-270000	Other Revenue and Surpluses	27,349,300	27,854,181	(504,881)
1-00000-00000-280000	Reimbursement and Recoveries	10,985,500	25,865,874	(14,880,374)
1-00000-00000-290000	Grants in aid	16,603,400	15,739,334	864,065
<b>Investing Revenue</b>				
1-00000-00000-310000	Repayments of Term Loans Receivables	297,900	25,425	272,475
1-00000-00000-320000	Sale of Government Assets	72,600,000	10,146,986	62,453,015
1-00000-00000-330000	Dividend from Investments	38,281,000	11,980,221	26,300,779
1-00000-00000-340000	Interest from bank balances	217,300	35,671,873	(35,454,573)
1-00000-00000-350000	Return on Surplus Capital from Investments	2,659,000	2,069,922	589,078
<b>Borrowing Revenue</b>				
1-00000-00000-410000	Overseas Loans	255,000,000	---	255,000,000
1-00000-00000-420000	Domestic Loans	143,973,400	172,822,000	(28,848,600)
<b>Total</b>		<b>2,507,382,200</b>	<b>2,276,076,945</b>	<b>231,305,255</b>

- There was shortfall in revenue collections from 33 revenue items totalling \$218.5 million or 29% from the forecasted revenue. Refer to **Appendix 2.0** for these details;
- However, 41 revenue items exceeded the forecasted revenue by \$233.4 million or 17% of total forecast of \$1,350.7 million. Refer to **Appendix 3.0** for details of these;
- There were 36 revenue items being collected during 2013 in total reduced by \$105.9 million or 13% in comparison to that of year 2012. This is outlined in **Appendix 4.0**.

The above indicates that the Ministry of Finance were not monitoring the responsible Ministries/Departments to collect these revenues as there were no explanation provided for the non-collection of these forecasted revenues.

Unrealistic forecast of revenue is a burden to the timely cash flow of the Government to carry out planned government expenditure and hence resulting in unplanned borrowing, in terms of treasury bills.



### **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 to identify ways/strategies to maximize revenue collection.**

### **Management Comment**

*A budget of \$2.659m was provided under 'Return on Surplus Capital from TMA Operations' - revenue line 35(74) in the Budget Estimates.*

*Budgeted revenue forecast follow different methodologies which is based on revenue collection trends, economic growth, import performance as well as available information at hand that impacts projections. Forecast at year end are mostly extrapolation of most recent outturn and the following year's budgeted takes into account economic growth projections including budgetary implications of revenue policies.*

*For information, a monthly Fiscal Update report that outlines the forecast and actual of fiscal deficit, operating and capital totals for revenues and expenditures, including their respective breakdown is usually given to the Permanent Secretary for Finance via the Deputy Secretary for Finance (Budget) on second week of the month, depending on the readiness and availability of data.*

*Monthly revenue (tax and non-tax) cash flow forecast are predominantly based on recent years' collection trends. As such, while expenditure cash flow are submitted from line agencies and therefore is attached with a level of control, revenue collections are largely dependent on the ability of tax payers and users of public goods to pay, Government revenue earning agencies to accumulate profit and remit dividends, etc. As such, monthly inflow from revenue items cannot be wholly controlled to adhere to monthly expenses.*

*Revenue policies and forecast are usually screened through two revenue committees (the Revenue Technical Committee and Revenue Policy Committee) before they are presented to the Minister for Finance for endorsement. In this process, expected and realistic avenues of Government revenues are identified and thoroughly discussed considering their respective social and economic implications, before it is tabled to the Minister for Finance.*

### **Further OAG Comments**

**Revenue line 35(74) in the budget estimates relates to "Return on Surplus Capital from TMA Operations" or remittances above the approved ceiling and not the actual TMA revenue collections which the audit report is referring to. Similarly TMA expenditures are not budgeted for and the sentence above is included for the readers of the OAG report for clarity and understanding of the analysis being carried out.**

**The actual collections are based on the revenue figures from the FMIS general ledger as this is recorded in the Statements of receipts and payments for government which indicates a shortfall of \$231.3million.**

**The above issue has also been raised in previous years and fiscal update report has not been provided to audit to address this issues.**

### 13.1.2 Anomalies in Revenue Estimates

The budget estimates and budget supplements are to be prepared as far as practicable (realistic) in accordance with internationally accepted standards.<sup>90</sup>

A scrutiny of the revised estimates noted the following anomalies;

- A variance of \$399,544,329 was noted between total revenue estimates as per the national budget and total revenue estimates as per the FMIS. The total revenue estimates as per the national budget totalled \$2,507,382,207 whereas the total revenue estimates as per the FMIS amounts to \$2,107,847,871.
- Moreover, the audit noted that actual revenue collected during the year were not loaded into the general ledger allocations as provide in the revenue estimates allocations as per the Chart of Accounts of government. Refer to Table 13.3 below for details.

TABLE 13.3: DETAILS OF ACTUAL REVENUE ALLOCATIONS WITHOUT REVISED ESTIMATES

Allocation	Description	Revised Estimate (\$)	Actual 2013 (\$)
1-04102-04251-220399	Excise Dues	---	92,113,585
1-04102-04251-220499	Export Duty	---	4,458,124
1-04102-04251-220501	Import Duty	---	37,710,565
1-00000-00000-229999	Miscellaneous fees & receipts	---	(421,680)
1-30101-30999-230101	Light Due Port & Harbour	---	653.00
1-00000-00000-230201	Stamp Duty	---	155,600
1-00000-00000-230316	Departure Tax	---	50
1-00000-00000-230375	Levy on International Termination Rates	---	6,540
1-00000-00000-230402	License Banks	---	24
1-00000-00000-230403	License Coasting	---	6,157
1-00000-00000-240200	Sales of Companies	---	15
1-00000-00000-270205	Hire of Vessels & Punts	---	146
1-00000-00000-281106	Reimbursement -HA Low Cost Housing	---	756,751
<b>Total</b>			<b>134,786,530</b>

- In addition, the audit also noted that several revenue types for which revenue estimates were loaded in the FMIS were not collected at all during the year but these revenues may have been recorded in other revenue allocations or no collection at all. Refer to Table 13.4 below for details.

TABLE 13.4: NIL COLLECTION ON BUDGETED REVENUE

Natural Account Codes	Description	Revised Estimate 2013 (\$)	Actual 2013 (\$)
210102	Capital Gains Tax	18,732,100	---
210103	Withholding & Dividend Tax	70,040,500	---
221401	Telecommunication Levy	1,313,000	---
221501	Credit Card Levy	5,272,200	---
230415	Civil Aviation	2,800	---
270101	RBF Revaluation Reserve Account	10,000,000	---
270207	Crown Schedule 'A' Land Rates	100	---
279912	Agricultural Commercial Undertakings	200	---

<sup>90</sup> Financial Management Act 2004, Section 13.3

Natural Account Codes	Description	Revised Estimate 2013 (\$)	Actual 2013 (\$)
281103	Reimbursement of Debt Servicing	1,956,600	---
281201	TPAF	9,000	---
290300	United Nations Development Program	5,468,900	---
290500	Japan Grant	769,300	---
311101	Interest loans to Public Officers	176,000	---
322100	Sales proceed in Economic Services	20,900,000	---
340300	Interest TD with local banks	211,200	---
410102	ADB Loan No. 2541 Flood Recovery	15,000,000	---
410104	ADB Loan No.2603 Supplementary Suva Nausori	13,000,000	---
410105	ADB Loan No. 2514 Supplementary FRUP 111	10,000,000	---
410107	Exim China Low Cost Housing Project	13,000,000	---
410108	Exim China Fiji Public Rental Housing Project	6,000,000	---
410109	Exim Malaysia Roads Rehabilitation Project	40,000,000	---
410110	Exim China Roads Improvement Sigatoka/Serea	22,000,000	---
410111	Exim China Roads Improvement Project Buca/Moto	24,000,000	---
410112	Exim China Roads Nabouwalu-Dreketi Road	80,000,000	---
410113	Exim Bank of Malaysia Nakasi-Nausori Widening	15,000,000	---
410114	Exim Bank of Malaysia Nadi Denarau Road Widening	15,000,000	---
410201	ADB Loans-Reimburesment to Govt	2,000,000	---
	<b>Total</b>	<b>389,851,900</b>	<b>---</b>

- The Ministry of Finance were not monitoring those responsible Ministries/Departments to collect that revenue as there were no explanation was provided for the non-collection 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 and 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 source of revenue are accurately identified during national budget preparation process;**
- **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; and**
- **The Ministry should liaise with individual Ministries/Departments in identifying ways to maximize revenue collection.**

### **Management Comment**

*Total revenue projection in the 2013 Budget Estimates is around \$2,108.4089 million (refer to aggregates on pages 1, 8 & 352), the level reflected in the FMIS system. This does not take into account borrowing revenue.*

### 13.1.3 Variance between FMIS General Ledger and FRCA Revenue Report for Taxes Collected

The function of the Fiji Revenue Customs Authority (FRCA) is to act as an agent of the State and provide services in administering and enforcing the laws specified in schedule 1 of the FIRCA Act.<sup>91</sup>

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.

A variance of \$19 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2013. Refer to Table 13.5 below for details:

TABLE 13.5: VARIANCE IN REVENUE COLLECTION BETWEEN FRCA REPORT & MOF GENERAL LEDGER

Account Number	Description	FMIS GL (\$)	FRCA Revenue Report (\$)	Amount (\$)
1-04102-04251-210101	Income Tax Personal	472,418,705	470,680,323	1,738,382
1-04102-04251-210107	Capital Gains Tax	17,308,924	17,254,924	53,999
1-04102-04251-220101	Customs Import VAT	524,878,438	524,613,341	265,097
1-04102-04251-220199	Value Added Tax	510,284,573	495,664,428	14,620,145
1-04102-04251-220299	Fiscal Duty	307,506,322	307,392,121	114,201
1-04102-04251-220499	Export Duty	4,458,124	4,455,625	2,498
1-04102-04251-220501	Import Excise Duty	37,710,565	37,706,303	4,262
1-04102-04251-220601	Hotel Turnover Tax	51,592,998	51,590,375	2,623
1-04102-04251-220701	Water Resource Tax	29,505,172	29,505,172	(0.30)
1-04102-04251-220901	Departure Tax	95,942,050	93,395,319	2,546,731
1-04102-04251-220399	Excise Dues	92,113,585	92,103,467	10,117
1-04102-04251-221201	Stamp Duty	43,520,158	43,583,024	62,866
<b>Total</b>		<b>2,187,239,614</b>	<b>2,167,944,422</b>	<b>19,420,921</b>

The absence of carrying out revenue reconciliations confirms that the operating revenue in the Ministry's financial statements may not be fairly stated.

#### **Recommendation**

- The Ministry of Finance should investigate those major revenue variances with FRCA and put in strategies to reduce the variances at an acceptable level.

#### **Management Comment**

*Agree that the Ministry of Finance and FRCA to identify and discuss the rationale behind the variance as well as the way forward to mending the anomaly.*

<sup>91</sup> FRCA Act 1998, Section 22 (a)

### 13.1.4 Non recognition of Direct Disbursement as Revenue

Matching principle requires that expenses incurred by an entity must be charged to the income statement in the accounting period in which the revenue, to which those expenses relate, is earned.

The following entries are currently passed by the Ministry of Finance to account for the direct disbursements of loans.

Dr Expense (SEG 10)                      xx  
 Cr Liability (SLG 82)                                      xx  
 (to record expense and liability when loan is disbursed)

Dr Expense (SEG 14)                      xx  
 Cr Cash    xx  
 (to record repayment of principal and interest on loans)

DR Liability                                      xx  
 CR Equity    xx  
 (to reduce liability when principal repayment is made)

The review of the above accounting entries noted the following anomalies;

1. Direct disbursements of loans made on behalf of government to government contractors are currently not recorded as borrowing revenue of government but disclosed as notes in the financial statements under loan drawn;
2. The total direct disbursements made in 2013 amounts to \$99,923,757 made to the various government contractors for capital works are shown in Table 13.6 below:

TABLE 13.6: OVERSEAS LOAN DIRECT DISBURSEMENTS FOR 2013

Loan	Cash (\$)	Capitalization Of Interest (\$)	Direct Disbursement (\$)	Total (\$)
Fiji Road Upgrading Project III– Supplementary	---	210,890.	10,510,555	10,721,445
Emergency Flood Recovery Loan	---	108,998	5,901,543	6,010,541
Fiji Low Cost Housing	---	---	8,447,846	8,447,846
Suva/Nausori Water Supply Supplementary	---	145,351	12,826,451	12,971,802
Buca/ Moto Roads	---	---	18,934,872	18,934,872
Sigatoka / Serea Roads	---	---	17,557,796	17,557,796
Queens Highway Rehabilitation	---	---	5,389,397	5,389,397
ADB Suva/Nausori Water Project	---	---	155,503	155,503
Nabouwalu/ Dreketi	---	---	19,734,555	19,734,555
<b>Total</b>	<b>---</b>	<b>465,239</b>	<b>99,458,518</b>	<b>99,923,757</b>

3. While government recognises its expenses and liability upon the disbursement of the loans, the revenues are not recognised hence it does not satisfy the matching principle; and
4. These loans are included as part of governments' revenue estimates in the national budget but there is no revenue recorded in the general ledger through these direct disbursements.

The direct disbursements are not credited to the Consolidated Fund Account of Government. These should be booked as borrowing revenue in order to satisfy the matching principle.

**Recommendation**

**The Ministry of Finance should review its accounting entries to account for the direct disbursements.**

**Management Comment**

*Agree*

*Government loans are not recorded as revenue in the calculation of Net Deficit, and so is repayment of principal loan as expenditure. Both transactions belong to increasing and drawing down of an accounts payable or liability in the Government's balance sheet.*

*In that respect, the following accounting treatment of full cycled direct payment related transactions that is when it is effected to when principal and interest are paid is shown below:*

<b>Broad Accounting Recording</b>	<b>Government Chart of Accounts Codes</b>
Dr Expenses Cr Loans Payable (for Lender paying Contractor)	Dr SEG 8: Capital Construction Cr SLG 81: Terms Loan Payable – Overseas Loan (for Lender paying Contractor)
Dr Loans Payable Cr Cash (for repayment of Principal Loan)	Dr SLG 81: Terms Loan Payable – Overseas Loan Cr SAG 52: Bank Balance – Local Banks (for repayment of Principal Loan)
Dr Expenses Cr Cash (for payment of Interest on Loan)	Dr SEG 14: Charges on Public Debt Cr SAG 52: Bank Balance – Local Banks (for payment of Interest on Loan)

*This is consistent with Government Finance Statistics recording and booking in which receipt and repayments of principal loans are not part of the Net Deficit calculation, however the cost of borrowing is.*

*Considering that the Auditor General's Office advocates cash from loans as revenue (borrowing revenue), perhaps discussion on the correct treatment of such transactions would need to be discussed further to avoid understatement of revenue that could lead to ambiguity and misinterpretation by those that consume the public report.*

**Further OAG Comments**

**OAG does not advocate for cash from loans as borrowing revenue, however, the issue is raised based on the actual postings being done in the FMIS general ledger of government and its impact on the financial statements and not on the “broad accounting recording” entries and Government Finance Statistics entries as provided in the Ministry's comments above. It is to be noted that currently principal repayments are also expensed in SEG 14.**

**14 EXPENDITURE**

Government spending for the year ending 31st December 2013 totalled \$2,315,635,533 an increase of \$49,419,983 or 2% from \$2,266,215,549 spent in 2012.

Total operating expenditure<sup>92</sup> amounted to \$1,508,283,674 or 71%, capital expenditure<sup>93</sup> totalled \$586,349,201, or 27%, VAT totalled \$ 41,682,412 or 2%.

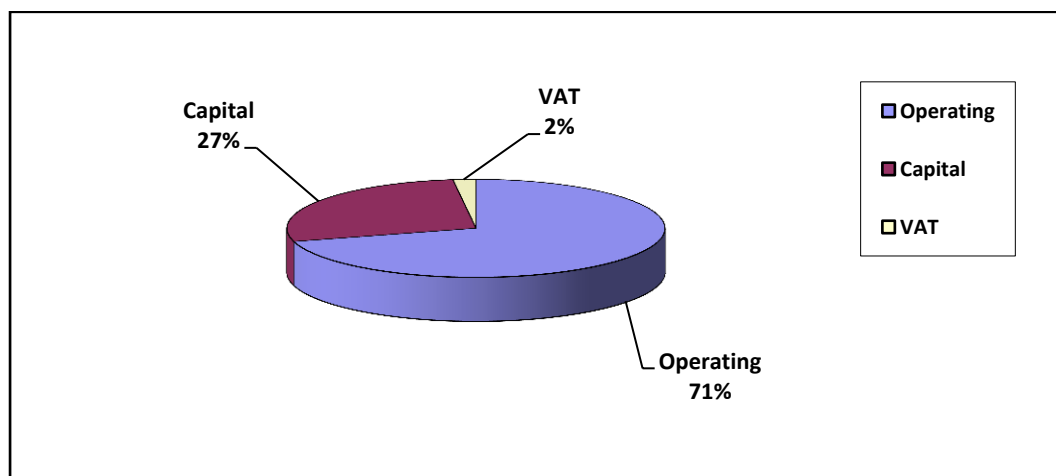
Government also authorised under the National Budget, total Trading Manufacturing Account expenditure of \$21,564,690. The Trading Manufacturing account functions as the trading arm of

<sup>92</sup> SEG 1,2,3,4,5,6 and SEG 7

<sup>93</sup> SEG 8,9 and 10

Government and its spending are not appropriated under the Budget but is authorised under the Revolving Fund account.

FIGURE 14.1: TOTAL EXPENDITURE INCURRED IN 2013 BY TYPE (EXCLUSIVE OF TMA EXPENDITURE)



When compared to 2012, total operating expenditure increased by \$75.4 million or 5% and capital expenditure increased by \$52.5 million or 10% from \$533.8 million in 2012 to \$586.3 million in 2013.

There was a decline of \$8.3 million in VAT expenditure from \$50m in 2012 to \$41.7m in 2013.

#### 14.1 Expenditure in the Last 10 years

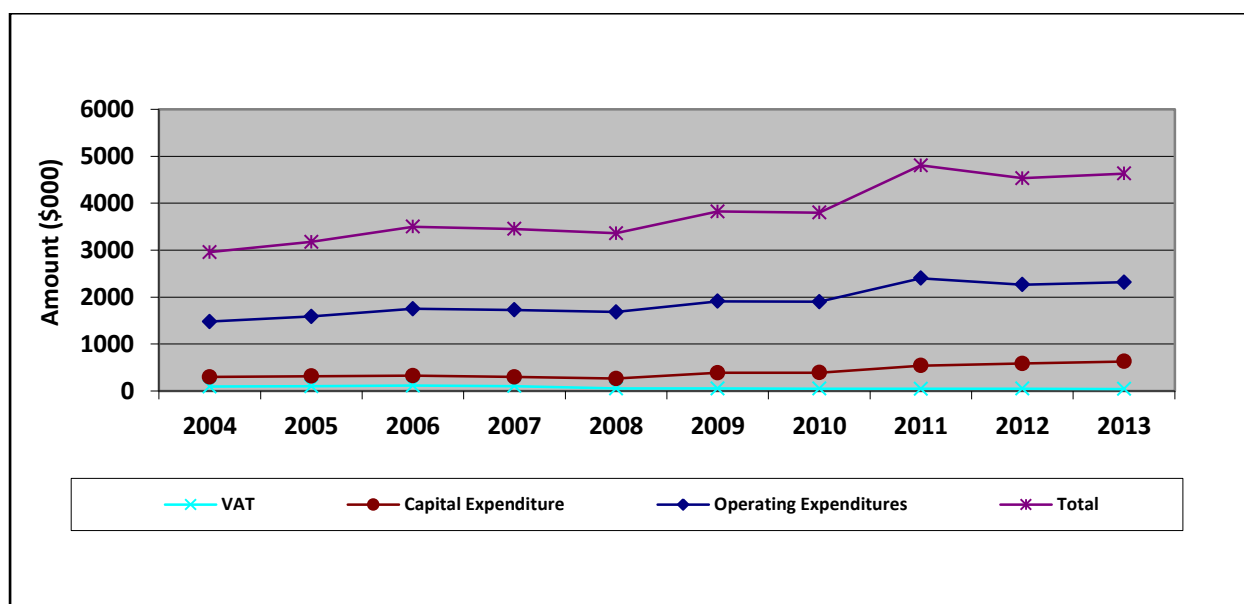
Government's total expenditure for the last 10 years has been increasing at a steady rate even though there was a marked decrease in 2008, 2010 and 2012.

From 2004 to 2013 the incremental increase for operating expenditure over the 10 years period was \$399.1 million with an average increment of \$39.9 million. Operating expenditure compared to 2012 recorded an incremental increase of \$75.4 million or 5.2% during the year 2013.

Furthermore capital expenditure and VAT payment of government had a fluctuating trend over the past 10 years. Capital Expenditure increased by \$39.3m or 0.08% in 2012 and increased further by \$52.5m or 10% in 2013. VAT declined by 8.34\$m from 2012 to 2013.

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

FIGURE 14.2: TOTAL EXPENDITURE INCURRED (2004 – 2013)



In 2013 there was an overall budget saving of \$191.6 million compared to \$15.0 million of budget savings in 2012. In 2013, total budget increased by \$226 million from \$2,281m in 2012 to \$2,507m in 2013.

Tables 14.1 provide details of these savings or excess spending made in the past three years.

TABLE 14.1: BUDGET AND EXPENDITURES AT SEG LEVEL FOR PAST 3 YEARS

SEG	2013			2012			2011		
	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	572.5	581.8	(9.3)	539.30	554.74	(15.44)	518.82	523.15	(4.33)
2	40.4	40.9	(0.5)	43.75	46.48	(2.73)	43.23	46.11	(2.88)
3	26.6	25.5	1.1	24.36	22.36	2	22.16	20.54	1.62
4	92.3	88.92	3.38	83.21	77.40	5.81	75.25	72.41	2.84
5	76.8	71.7	5.1	79.50	74.16	5.34	71.18	67.06	4.12
6	354.1	343.5	10.6	318.81	313.85	4.96	295.51	292.30	3.21
7	81.2	60.2	21	60.61	46.63	13.98	50.52	39.06	11.46
8	62.9	54.8	8.1	195.41	202.95	(7.54)	186.50	181.89	4.61
9	38.5	36.4	2.1	25.53	22.50	3.03	22.84	20.51	2.33
10	624.4	495.2	129.2	338.01	308.39	29.62	307.50	292.13	15.37
11	32.9	35.3	(2.4)	41.35	36.37	4.98	37.63	33.38	4.25
12, 14& 15	451.5	439.8	11.7	471.56	510.34	(38.78)	797.59	770.22	27.37
13	53.3	41.7	11.6	59.84	50.07	9.77	51.74	43.98	7.76
<b>Total</b>	<b>2,507.40</b>	<b>2,315.72</b>	<b>191.68</b>	<b>2,281.24</b>	<b>2,266.24</b>	<b>15.00</b>	<b>2,480.47</b>	<b>2,402.74</b>	<b>77.73</b>

The total savings of \$191.68 million recorded by government in 2013 was due to the savings made from the following standard expenditure group allocations;



TABLE 14.2: SAVINGS BY STANDARD EXPENDITURE GROUPS

SEG	Account Description	Savings Amount (\$)	As a Percentage of Total Savings (%)
3	Travel & Communications	1,143,556	0.56
4	Maintenance & Operations	3,363,751	1.65
5	Purchases of Goods & Services	5,052,951	2.48
6	Operating grants & transfers	10,644,241	5.22
7	Special Expenditures	20,999,230	10.30
8	Capital Construction	8,121,540	3.98
9	Capital Purchases	2,116,585	1.04
10	Capital grants and transfers	129,153,743	63.33
12,14 & 15	Finance Charges on Public Debt	11,778,185	5.77
13	Value Added Tax	11,568,479	5.67
	<b>Total</b>	<b>203,942,261</b>	<b>100</b>

Furthermore the government overspent the following budgetary allocations:

TABLE 14.3: OVERSPENDING BY STANDARD EXPENDITURE GROUPS

SEG	Account Description	Overspent Amount (\$)	As a Percentage of Total Overspending (%)
1	Established Staff	9,307,267	76.32
2	Government Wage Earners	495,077	4.06
11	Pensions, Gratuity and Compassionate Allowance	2,393,241	19.62
	<b>Total</b>	<b>12,195,585</b>	<b>100.00</b>

## 14.2 Accounting Issues

### 14.2.1 Misstatement of TMA Expenditure

Matching principle requires that expenses incurred by an entity must be charged to the income statement in the accounting period in which the revenue, to which those expenses relate, is earned.

The audit noted that Trading Manufacturing Account (TMA) expenditure amounting to \$18,921,609 reflected in Note 22 of the financial statements is inclusive of \$1,045,778 which is the overall net loss incurred for the TMA operations of government. Therefore at 31/12/13 the total expenditure is misstated by \$1,045,778.

Even though this amount is immaterial against total expenditure, the nature of this posting is incorrect and is overstating government expenditure by the same amount. This is further elaborated in section 1.8.

Moreover, the audit noted that the TMA Cost of Goods Sold (SRG 250000) as disclosed in Note 22 comprises of the net stock movements only and does not include the purchase of raw materials figure of \$6.5million; hence the Cost of Goods Sold figure is understated while the TMA expenditure is also overstated by the same amount.

While it may not have any impact on Net Deficit for the TMA operations, the individual figures as per the financial statements are not fairly stated.

### **Recommendations**

- **The Ministry of Finance should consider reviewing the year end accounting entries for the Trading and Manufacturing Accounts.**
- **The Ministry of Finance should consider reviewing and correct the recording of natural account numbers SRG 269999 and SRG 250000 in the FMIS general ledger to reflect true and fair financial information of the Trading Manufacturing Account in the financial statements.**

### **Management Comment**

*As per the current whole of government Chart of Accounts, the natural account assigned for Profit & Loss from Trading and Manufacturing Activities are 269900. Therefore, the issue of misstating the expenditure by \$1,045,778 should be withdrawn. However, the recommendations of reviewing the natural account for TMA profit & Loss is taken into consideration.*

*The Cost of Goods Sold allocation (250000) did not include the purchase of raw materials as there was a separate allocation (260101) for the purchase of raw materials. Furthermore, all TMA is adopting the periodic inventory system instead of perpetual and allocations 250000 are used to expense the inventories being used.*

*However, the Ministry of Finance is working on introducing the FMIS Inventory Module that will completely resolve the reporting issues rose.*

### **Further OAG Comments**

**The Chart of Accounts are only used as a guide for recording transactions, however, it is not used to determine the presentation of the financial statements. The presentation are determined by the International Accounting Standards.**

#### **14.2.3 Anomalies in TMA Year End Process (Recurring Issue)**

Permanent Secretary of each ministry is responsible for the preparation of their respective Financial Statements.<sup>94</sup> The Ministry of Finance to compile a set of Financial Statements for the Whole of Government at the financial year end (31<sup>st</sup> December).<sup>95</sup>

The Asset Management Unit (AMU) at the Ministry of Finance facilitates the TMA year-end process in five processes as detailed below.

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

Opening stock is posted by debiting the SRG250000 and the corresponding entry is posted to the Inventory account SAG 580000 to clear the previous years' ending stock balance.

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

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

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<sup>94</sup>Finance Management Act 2004 – s28

<sup>95</sup>Finance Management Act 2004 – s46

***Process 3 – Posting of Net Profit/Loss***

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

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

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

***Process 5 – Compilation of WOG TMA Financial Statements<sup>96</sup>***

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

- Stock adjustments to reflect movement in stock figures during the year in the financial statements are done on an annual basis at year end by the Ministry of Finance without any checks on a month or quarterly basis to ensure proper cut offs
- Ministries/Departments are only required to carry out annual stock takes and furnish a certificate to the AMU at year end that does the posting into the FMIS GL. However audit noted that both the opening and closing stock are posted to SRG 250000 and net profit/loss is posted to SRG269900. Both these account balances are recorded as expenditure in the WOG income statement and the postings are basically to balance off the TMA books.
- The TMA Income Statement (4-00000-00000-IS0000) extracted from the FMIS GL is also balanced where the Total Receipts is also equal to the Total Expenses and the net profit/loss figure cannot be determined from the Income Statement report generated. The SRG 269900 is the adjusting/balancing account in the WOG Income Statement.
- Moreover, the net impact of the net profit postings to the Equity account (SLG 940400) is also transferred from Fund 4(TMA) to Fund 1(Operating Fund Account).

The above issues were raised in the previous year's audit report however this has not been addressed by the Ministry of Finance. The current TMA year-end processes adopted for government TMAs' requires the AMU to handle the year end processes, however proper accounting processes have not been implemented across all government TMAs to ensure that each government ministries and departments draw up their own TMA income statements and balance sheets from the FMIS GL on a monthly basis.

With the current year end process, it is noted that the responsibility of the preparation of the TMA financial statement is with the Ministry of Finance and not the respective Ministries and Departments. Moreover, in the absence of readily available monthly financials, real time reviews of operational results may not be possible.

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

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<sup>96</sup>TMA Year End Process Guideline

## **Recommendations**

- The Ministry should immediately review its TMA year-end processes to a monthly closing off procedures for TMAs.
- Monthly closing off procedures should be forwarded to all government Ministries/Departments for adoption and to ensure that respective Ministries and Departments are responsible for the preparation of their financial statements in view of the adoption of accrual basis of accounting.
- The Ministry should consider having monthly stock adjustment postings at either on a monthly or quarterly basis.

## **Management Comment**

*Reviewing the TMA year-end processes to a monthly closing off is noted. However, the Ministry of Finance has issued Finance Circular 14/2012 to all TMAs operators in line with OAG issues raised above of closing TMA accounts on a monthly basis. But it was not successful. Therefore the Ministry of Finance has revised the reporting from monthly to quarterly in Finance Circular 10/2013.*

*Firstly, the Ministry of Finance will rectify the TMA AFS Audit Issues that is currently being raised before handing over the responsibilities of TMA year-end process to respective TMA operators to minimize audit queries.*

## **14.3 Control Issues**

### **14.3.1 Over-Expenditures**

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without proper authorisation of the Ministry of Finance, pending approval by Parliament.<sup>97</sup>

The Accounting Head or Accounts Supervisor must not certify a payment correct unless they are satisfied that sufficient uncommitted funds are available for payment of the account.<sup>98</sup>

When a transaction is entered which will bring the committed expenditure beyond the established Error threshold (100%), the system will issue an Error to the screen. The transaction is NOT allowed. For processing to continue, more funds must be allocated or a different account used.<sup>99</sup>

At Head (Ministry) level, the audit noted that Ministry of Education, National Heritage, Culture and Arts and the Ministry of Health overspent their total budget appropriation in 2013. Details are shown in Table 14.5 below.

TABLE 14.5: APPROPRIATION OVER EXPENDITURE AT MINISTRIES/DEPARTMENT (HEAD) LEVEL

Ministry	Original Budget (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Over Expenditure (\$)
Ministry of Education, National Heritage, Culture and Arts	268,490,128	267,124,996	277,484,043	10,359,047
Ministry of Health	167,451,445	169,155,046	170,466,071	1,311,025

<sup>97</sup> Finance Instruction 2010 Part 3 Div 1(7)

<sup>98</sup> Part 2.8.3(iii) Finance Manual 2005

<sup>99</sup> FMIS User Manual – Fund Accounting, Scenario 5: Fund Accounting Error – Exceed 100% of Appropriation - Requisition

At the Standard Expenditure Group (SEG) levels, the audit noted that the following Ministries and Departments had overspent in some expenditure groups. While appropriation for each SEG was overspent, the Ministries and Departments had overall budget savings except for the Ministry of Education, National Heritage, Culture and Arts and the Ministry of Health.

Refer to Table 14.6 below for details.

TABLE 14.6: MINISTRIES/DEPARTMENTS OVERSPENDING BY STANDARD EXPENDITURE GROUPS

Ministry	SEG	Description	Revised Estimate (\$)	Actual Expenditure (\$)	Amount Overspent (\$)
Ministry of I-taukei Affairs	2	Government Wage Earners	111,996	117,420	5,424
Ministry of Foreign Affairs and International Cooperation	1	Established Staff	9,190,159	9,822,318	632,159
	3	Travel & Communication	2,722,259	2,722,716	457
Parliament	1	Established Staff	175,712	176,666	954
Ministry of Provincial Development and Disaster Management	2	Government Wage Earners	1,341,321	1,341,489	168
Fiji Military Forces	2	Government Wage Earners	330,352	334,139	3,787
Fiji Police Force	13	Value Added Tax	2,135,640	2,300,736	165,096
Ministry of Education	1	Established Staff	201,464,402	214,024,425	12,560,023
	2	Government Wage Earners	2,050,106	2,508,682	458,576
Ministry of Health	1	Established Staff	71,606,987	79,140,819	7,533,832
	2	Government Wage Earners	11,047,453	12,978,866	1,931,413
	5	Purchases of Goods & Services	31,593,761	31,805,889	212,128
Department of Housing	2	Government Wage Earners	15,722	15,722	0
Department of Fisheries & Forestry	2	Government Wage Earners	1,541,986	1,544,468	2,482
Ministry of Lands & Mineral Resources	13	Value Added Tax	1,394,826	1,415,420	20,594
Department of Agriculture	9	Capital Purchases	456,966	473,114	16,148
Ministry of Social Welfare, Women and Poverty Alleviation	1	Established Staff	2,816,700	2,901,265	84,565
Public Service Disciplinary Tribunal	1	Established Staff	-	82,593	82,593

Tabulated in Table 14.7 is the summary of total expenditure of the whole of government for 2013.

TABLE 14.7: SUMMARY OF TOTAL EXPENDITURE BY STANDARD EXPENDITURE GROUPS

SEGS	Account Description	Revised Estimate (\$)	Actual Expenditure (\$)	Increase (\$)	Decrease (\$)
1	Established Staff	572,489,105	581,796,373	9,307,268	---
2	Unestablished Staff	40,378,833	40,873,910	495,077	---
3	Travel and Communications	26,644,743	25,501,187	---	1,143,556
4	Maintenance & Operations	92,331,920	88,968,169	---	3,363,751
5	Purchase of Goods & Services	76,786,396	71,733,445	---	5,052,951
6	Operating Grants & Transfers	354,095,755	343,451,514	---	10,644,241
7	Special Expenditures	81,166,996	60,167,765	---	20,999,231
11	Pensions, Gratuities and Compassionate Allowances	32,947,400	35,340,641	2,393,241	---
12	Finance Charges on Public Debt – Miscellaneous Payments	4,000,000	967,595	---	3,032,405
14	Charges on Public Debt – Domestic Loan Interest Payments	208,375,601	207,506,356	---	869,245
15	Charges on Public Debt – Overseas Loan Interest Payments	57,562,512	51,976,719	---	5,585,793
	<b>Total Operating Expenditure</b>	<b>1,546,779,261</b>	<b>1,508,283,674</b>	<b>12,195,586</b>	<b>50,691,173</b>
	<b>Net Decrease</b>				<b>38,495,587</b>
14	Charges on Public Debt – Domestic Loan Principal Repayments	159,668,000	159,668,000	---	---
15	Charges on Public Debt – Overseas Loan Principal Repayments	21,942,987	19,652,245	---	2,290,742
	<b>Total Debt Repayment</b>	<b>181,610,987</b>	<b>179,320,245</b>	<b>---</b>	<b>2,290,742</b>
	<b>Net Decrease</b>				<b>2,290,742</b>
8	Capital Construction	62,905,334	54,783,794	---	8,121,540
9	Capital Purchase	38,484,079	36,367,494	---	2,116,585
10	Capital Grants & Transfers	624,351,655	495,197,913	---	129,153,742
	<b>Total Capital</b>	<b>725,741,068</b>	<b>586,349,201</b>	<b>---</b>	<b>139,391,867</b>
	<b>Net Decrease</b>				<b>139,391,867</b>
13	Value Added Tax	53,250,891	41,682,412	---	11,568,479
	<b>Total Expenditure</b>	<b>2,507,382,207</b>	<b>2,315,635,532</b>	<b>12,195,586</b>	<b>203,942,261</b>
	<b>Net Decrease</b>				<b>191,746,675</b>

The over-spending of budgetary allocation by expenditure groups as tabulated above exclude SEGs 1 & 2 from Fund Accounting. These SEGs relating to Payroll Expenditures cannot be monitored effectively in the Financial Management Information System (FMIS) as they involve the payments of salaries & wages and other payroll related payments which are separately processed and maintained through the Government Payroll system.

In addition, the issue also reflects on the laxity of accounting heads in failing to effectively monitor budgetary allocations and committed funds where virement authorities could have been utilized to regularize movement of budgeted amounts to cater for any spending beyond the approved budget.

As a result of the above, these Ministries and Department have recorded over expenditure for the year 2013 as the expenditure above the budget allocation are not being rejected automatically by the FMIS system.

### **Recommendation:**

**The Ministry's FMIS Division should review the capabilities of the FMIS general ledger with the assistance of IT consultants and set up all accounts in the general ledger for fund controls to prohibit any process of an expense that will overspend a particular expenditure account allocation.**

### **Management Comment**

*The controls are already in place in the FMIS except for SEG's 1 & 2. Therefore, any transaction made whether it is a Purchase Order or voucher where the amount transacted exceeds the available balance in any given period, the system will reject the whole transaction.*

*Some of the contributing factors to the over-expenditure in SEGs 1 & 2 were due to revise emoluments in some of the agencies which were approved during the year.*

- 1. PSC approval 06/2013 revised salary for Nurse;*
- 2. PSC approval 06/2013 Wages for Police Special Constable, and;*
- 3. PSC approval 68/2013 Revised of Rural & Maritime Location Allowance.*

*SEG 5 the over-expenditure for MOH was due to VIREMENT approved to transfer funds from one allocation to another without taking into account the committed and the actual amount already incurred. The Ministry of Finance is trying its best to monitor all VIREMENTS processes to avoid this situation and it would be a great help if Accounting heads also do their part in checking the balances in FMIS before submitting VIREMENT to Ministry of Finance*

*SEG 9 The over expenditure for Ministry of Agriculture was a result of fund enquiries being held at summary level. It means that funds from one allocation from same SEG could be used to incur expenditure although there are no funds in the processing allocation. In this way the ministry of agriculture was able to do over expenditure. The Accounting head have failed to carry out his responsibility to seek prior approval from budget before incurring any expenditure as its under R.*

*SEG 11 over expenditure was due to the redeployment of funds from Head 51 to Head 19 as per Finance Circular FIN 11/56 via Cabinet decision No.373 of 17/12/2013.*

*SEG 13 over expenditure due to redeployment of funds from Head 33 to Head 22 as per Finance Circular FIN 11/56 via Cabinet decision No.373 of 17/12/2013.*

### **14.3.2 Expenditure Ledger Anomalies**

All payments including VAT must be immediately recorded in the financial management information system and an Expenditure Ledger.<sup>100</sup>

The audit noted that five (5) Ministries/Departments had variances between their total expenditure figures in the FMIS general ledger and the expenditure ledger which were not reconciled. Refer to Table 14.8 below for details;

<sup>100</sup> Section 15, Finance Instruction, 2010

TABLE 14.8: UN-RECONCILED DIFFERENCES BETWEEN GENERAL LEDGER AND EXPENDITURE LEDGER

Appropriation of Heads	Ministry/Department	Amount as per FMIS GL (\$)	Amount as per Expenditure Ledger (\$)	Unsubstantiated Amount (\$)
8	Ministry of Foreign Affairs and International Cooperation	34,870,144	34,400,369	(469,775)
14	Office of the Director of Public Prosecutions	3,946,975	4,049,440	102,465
15	Department of Justice	4,721,591	5,614,070	892,479
15(2)	Fiji Corrections Services	25,844,440	26,772,832	928,392
	<b>Total</b>	<b>69,383,150</b>	<b>70,836,711</b>	<b>1,453,561</b>

Moreover, it was noted that nineteen (19) Ministries/Departments did not maintain an expenditure ledger to record payments made during the year for reconciliation purposes contrary to the requirements of the Finance Instructions 2010.

As a result, the expenditure figures in the General Ledger (FMIS) cannot be reconciled. These Ministries and Departments are tabulated in Table 14.9 below:

TABLE 14.9: MINISTRIES/DEPARTMENTS THAT FAILED TO MAINTAIN EXPENDITURE LEDGERS

Heads of Appropriation	Ministry/Department	Total Expenditure as per GL (\$)
2	Office of the Prime Minister & Public Service Commission	66,936,820
3	Office of the Attorney General and the Solicitor General	7,012,878
6	Ministry of Defence, National Security and Immigration	5,971,936
7	Ministry of Labour, Industrial Relations and Employment	8,493,665
11	Judicial Department	21,567,479
12	Legislature Department	1,025,906
18	Ministry of Rural and Maritime Development And National Disaster	47,398,287
19	Fiji Military Forces	126,847,031
20	Fiji Police Force	87,806,106
21	Ministry of Education	277,484,043
22	Ministry of Health	170,466,071
25	Ministry of Youth & Sports	5,384,394
30	Ministry of Agriculture	44,983,612
32	Ministry of Fisheries & Forestry	16,412,313
33	Ministry of Lands and Mineral Resources	21,194,955
35	Ministry of Sugar	14,596,186
36	Department of Civil Aviation	32,100,112
37	Ministry of Local Government, Urban Development, Housing and Environment	11,630,087
40	Ministry of Works and Transport	48,583,007
<b>TOTAL</b>		<b>\$1,015,894,888</b>

With the above anomalies, audit would highlight this in audit report to draw the attention of Permanent Secretaries for not complying with the Finance Instruction 2010.



**Recommendations:**

**The Ministry of Finance should ensure that**

- **All Ministries/Departments complies with the requirements under section 15 of Finance Instructions 2010 is adhered to.**
- **Reconciliations for expenditure are also prepared on a monthly basis to prevent variances arising between the General Ledger (FMIS) and the Expenditure ledger.**

**Management Comment**

*Since the implementation of the FMIS, ministries and departments were advised to either continue with the manual expenditure ledger to record all their expenditure transaction or use the FMIS as it is transparent and errors or mispostings could be easily identified through the monthly report that is extracted and given to Accounting Heads and proper journals could be raised to correct those errors.*

*We agree that expenditure reconciliations should be done every month by all agencies and submitted to their respective Permanent Secretaries.*

## APPENDICES

### Appendix 1.0 Appropriation Statement 2013

Head No	Ministry/Department	Appropriation	Revised Amount	Actual Expenditure 2013	Savings/(Over-Spent)	%	Head No
1	Office of the President	1,942,837	2,475,120	2,408,050	67,070	3%	1
2	Office of the Prime Minister	64,770,091	68,511,733	66,936,820	1,574,913	2%	2
3	Attorney General and Solicitor General	8,821,153	8,125,800	7,012,878	1,112,922	14%	3
4	Ministry of Finance	77,701,303	74,303,041	69,395,218	4,907,823	7%	4
5	Ministry of iTaukei Affairs	18,510,356	18,188,131	15,270,002	2,918,129	16%	5
6	Ministry of Defence, National Security and Immigration	6,019,770	6,019,770	5,971,936	47,834	1%	6
7	Ministry of Labour, Industrial Relations and Employment	8,525,336	8,525,336	8,493,665	31,671	0%	7
8	Ministry of Foreign Affairs, International Co-operation	37,438,786	38,652,573	34,870,144	3,782,429	10%	8
9	Office of the Auditor General	4,492,178	4,492,178	3,538,198	953,980	21%	9
10	Elections Office	13,866,400	8,407,403	3,799,984	4,607,419	55%	10
11	Judiciary	28,945,886	22,706,577	21,567,479	1,139,098	5%	11
12	Parliament	2,236,400	1,879,532	1,025,906	853,626	45%	12
13	Office of Accountability and Transparency	790,201	652,701	413,493	239,208	37%	13
14	Office of the Director of Public Prosecutions	5,109,385	5,109,385	3,946,975	1,162,410	23%	14
15	Ministry of Justice and Anti-Corruption	24,646,642	24,646,642	23,436,420	1,210,222	5%	15
16	Ministry of Information	7,108,294	5,837,986	5,264,345	573,641	10%	16
17	Ministry of Strategic Planning, National Development and Statistics.	11,452,456	11,452,456	10,147,496	1,304,960	11%	17
18	Ministry of Provincial Development and Disaster Management	32,845,000	48,171,290	47,398,287	773,003	2%	18
19	Fiji Military Forces	106,835,872	133,108,194	126,847,032	6,261,162	5%	19
20	Fiji Police Force	92,176,710	89,676,921	87,806,106	1,870,815	2%	20
21	Ministry of Education, National Heritage, Culture and Arts	268,490,128	267,124,996	277,484,043	(10,359,047)	-4%	21
22	Ministry of Health	167,451,445	169,155,046	170,466,071	(1,311,025)	-1%	22
23	Department of Housing	23,804,891	27,197,663	15,469,969	11,727,694	43%	23
24	Ministry of Social	39,161,760	32,859,608	29,837,482	3,022,126	9%	24

Head No	Ministry/Department	Appropriation	Revised Amount	Actual Expenditure 2013	Savings/(Over-Spent)	%	Head No
	Welfare, Women and Poverty Alleviation						
25	Department of Youth and Sports	5,689,631	5,569,623	5,384,394	185,229	3%	25
26	Higher Education Institutions	67,597,203	66,495,263	66,495,262	1	0%	26
30	Ministry of Primary Industries-Department of Agriculture	51,604,927	48,983,589	44,983,612	3,999,977	8%	30
32	Ministry of Primary Industries-Department of Fisheries and Forests	16,581,701	16,540,846	16,412,313	128,533	1%	32
33	Ministry of Lands and Mineral Resources	26,570,073	22,263,790	21,194,955	1,068,835	5%	33
34	Ministry of Industry and Trade	14,332,506	12,960,032	11,579,558	1,380,474	11%	34
35	Ministry of Sugar	15,760,918	14,980,060	14,596,186	383,874	3%	35
36	Ministry of Public Enterprise, Communications, Civil Aviation and Tourism	35,435,530	32,958,592	32,100,112	858,480	3%	36
37	Ministry of Local Government, Urban Development and Environment	12,189,293	12,424,293	11,630,087	794,206	6%	37
40	Ministry of Works and Transport	53,721,078	51,842,212	48,583,007	3,259,205	6%	40
41	Ministry of Public Utilities and Energy	134,632,446	131,350,188	127,059,073	4,291,115	3%	41
42	Government Shipping	12,178,684	14,266,390	12,992,862	1,273,528	9%	42
43	Fiji Roads Authority	422,441,300	422,441,300	304,470,017	117,971,283	28%	43
50	Miscellaneous Services	90,107,135	92,529,445	84,234,539	8,294,906	9%	50
51	Pensions, Gratuities and Compassionate Allowances	41,847,401	32,947,401	35,340,641	(2,393,240)	(7%)	51
52	Finance Charges on Public Debt	453,549,101	451,549,101	439,770,916	11,778,185	3%	52
	<b>Total</b>	<b>2,507,382,207</b>	<b>2,507,382,207</b>	<b>2,315,635,533</b>	<b>191,746,674</b>	<b>8%</b>	<b>Total</b>

**Appendix 2.0: Under – Collected Revenue Items (estimate vs. Actual)**

Account Description	Budget Estimate (\$)	Actual (\$)	Variance (\$)	% Under Collected	Remarks
Fiscal Duty	435,714,100.00	307,506,321.89	128,207,778.11	29	No Explanation Received
Hotel Turnover Tax	53,484,100.00	51,592,997.64	1,891,102.36	4	No Explanation Received
Water Resource Tax	30,780,200.00	29,505,171.70	1,275,028.30	4	No Explanation Received
Departure Tax	103,385,500.00	95,942,049.69	7,443,450.31	7	No Explanation Received
Fish levy	1,909,500.00	369,146.92	1,540,353.08	81	No Explanation Received
Luxury Vehicle Tax	1,783,200.00	1,610,208.33	172,991.67	10	No Explanation Received
Mining fees	1,455,400.00	523,164.65	932,235.35	64	No Explanation Received
Passports	10,580,400.00	9,694,175.04	886,224.96	8	No Explanation Received
Examination fees	28,600.00	4,924.88	23,675.12	83	No Explanation Received
Government Day School fees	24,300.00	23,682.00	618.00	3	No Explanation Received
Government Boarding Schools fees	480,500.00	351,227.03	129,272.97	27	No Explanation Received
Health Fumigation and Quarantine	1,498,100.00	1,389,078.51	109,021.49	7	No Explanation Received
Fiji School of Nursing	104,200.00	1,738.60	102,461.40	98	No Explanation Received
Court fees	1,352,900.00	1,304,990.30	47,909.70	4	No Explanation Received
Registration	1,481,300.00	1,043,175.38	438,124.62	30	No Explanation Received
LTA fees and fines	24,532,500.00	22,323,513.48	2,208,986.52	9	No Explanation Received
Licenses-arms	75,300.00	54,578.43	20,721.57	28	No Explanation Received
Licenses-dogs	19,700.00	17,456.22	2,243.78	11	No Explanation Received
Royalties-sand, coral, metal etc	46,300.00	26,157.32	20,142.68	44	No Explanation Received
Fines for overdue, lost & damaged library books	2,800.00	2,450.84	349.16	12	No Explanation Received
Rental for buildings	4,400.00	1,955.62	2,444.38	56	No Explanation Received
Hire of plant & vehicles	5,600.00	1,586.09	4,013.91	72	No Explanation Received
Sales of Publications	472,700.00	88,693.86	384,006.14	81	No Explanation Received
Revenue from production of files	5,700.00	2,017.33	3,682.67	65	No Explanation Received
Freight and charter receipts	121,600.00	72,415.87	49,184.13	40	No Explanation Received
Valuation fees	12,300.00	10,794.05	1,505.95	12	No Explanation Received
Agricultural landlord and tenant tribunal	3,600.00	1,742.82	1,857.18	52	No Explanation Received
Rural electrifications	1,900.00	1,033.60	866.40	46	No Explanation Received
Interest-loans to copra industry	121,900.00	25,425.38	96,474.62	79	No Explanation Received
Sales proceed in TMA operations	46,300,000.00	872,072.10	45,427,927.90	98	No Explanation Received
Investments in Economic Services	26,262,600.00	4,881,001.00	21,381,599.00	81	No Explanation Received
Investments in Infrastructure	11,903,400.00	6,750,116.27	5,153,283.73	43	No Explanation Received
TMA Operations	2,659,000.00	2,069,922.09	589,077.91	22	No Explanation Received
<b>TOTAL</b>	<b>756,613,600</b>	<b>538,064,984.93</b>	<b>218,548,615.07</b>	<b>41</b>	

**Appendix 3.0: Over – Collected Revenue Items (Estimate vs. actual)**

Revenue Description	Budget Estimate (\$)	Actual (\$)	Amount Over Collected (\$)	Amount Over Collected (%)	Remarks
Income Tax	344,978,300.00	449,707,223.15	104,728,923.15	30.36	No Explanation Received
VAT	752,333,600.00	765,681,300.19	13,347,700.19	1.77	No Explanation Received
Stamp Duty	32,896,900.00	43,520,158.31	10,623,258.31	32.29	No Explanation Received
Agricultural Produce and Inspection	34,100.00	40,829.46	6,729.46	19.73	No Explanation Received
Native timber measurement	377,600.00	675,552.07	297,952.07	78.91	No Explanation Received
Land and survey fees	612,300.00	667,025.39	54,725.39	8.94	No Explanation Received
Town planning fees	89,900.00	137,027.26	47,127.26	52.42	No Explanation Received
Cemetery fees	49,400.00	54,688.88	5,288.88	10.71	No Explanation Received
Audit fees	465,700.00	504,907.24	39,207.24	8.42	No Explanation Received
Management fees	13,200.00	58,562.07	45,362.07	343.65	No Explanation Received
LTA Road user levy	9,040,600.00	10,347,557.36	1,306,957.36	14.46	No Explanation Received
Miscellaneous fees	3,233,100.00	3,424,086.20	190,986.20	5.91	No Explanation Received
Licenses-liquor	485,400.00	928,477.17	443,077.17	91.28	No Explanation Received
Licenses-trading	327,700.00	334,816.44	7,116.44	2.17	No Explanation Received
Licenses-money lenders	88,600.00	90,619.29	2,019.29	2.28	No Explanation Received
Hotels and guest houses	194,900.00	218,053.02	23,153.02	11.88	No Explanation Received
Licenses-telecommunications & licenses	3,938,900.00	10,557,143.20	6,618,243.20	168.02	No Explanation Received
Licenses-fishing	39,200.00	98,781.00	59,581.00	151.99	No Explanation Received
Water charges	20,297,100.00	23,436,887.40	3,139,787.40	15.47	No Explanation Received
Rental for land	10,489,900.00	12,818,062.68	2,328,162.68	22.19	No Explanation Received
Rental for official quarters	38,700.00	205,324.82	166,624.82	430.56	No Explanation Received
Revenue from rest houses	5,500.00	8,682.05	3,182.05	57.86	No Explanation Received
Commission	1,209,100.00	1,284,386.33	75,286.33	6.23	No Explanation Received
Survey and sales of navigation publications	24,000.00	47,775.16	23,775.16	99.06	No Explanation Received
Meat Inspection	18,700.00	20,256.30	1,556.30	8.32	No Explanation Received
Veterinary & animal	12,900.00	20,525.54	7,625.54	59.11	No Explanation

Revenue Description	Budget Estimate (\$)	Actual (\$)	Amount Over Collected (\$)	Amount Over Collected (%)	Remarks
quarantine					Received
Chemical analysis	9,300.00	11,822.61	2,522.61	27.12	No Explanation Received
Produce agricultural experimental stations	26,600.00	48,210.87	21,610.87	81.24	No Explanation Received
sale of surplus farm produce	45,800.00	60,473.76	14,673.76	32.04	No Explanation Received
sale of fish and ice	241,900.00	256,914.04	15,014.04	6.21	No Explanation Received
sale of sheep and wool	14,700.00	20,275.95	5,575.95	37.93	No Explanation Received
Board members fees	138,900.00	142,700.00	3,800.00	2.74	No Explanation Received
reimbursement of meteorological services	502,500.00	528,261.19	25,761.19	5.13	No Explanation Received
recoveries of overpayment in previous years	1,101,600.00	11,450,221.68	10,348,621.68	939.42	No Explanation Received
MFO	3,623,000.00	4,751,757.78	1,128,757.78	31.16	No Explanation Received
UN international peacekeeping	3,790,800.00	8,377,177.39	4,586,377.39	120.99	No Explanation Received
Other Grant Aid	10,365,200.00	15,739,334.59	5,374,134.59	51.85	No Explanation Received
Sales proceeds in Infrastructure services	5,400,000.00	9,274,913.22	3,874,913.22	71.76	No Explanation Received
Investments in Social Services	115,000.00	349,103.99	234,103.99	203.57	No Explanation Received
Interest from local banks	6,100.00	35,354,455.88	35,348,355.88	579,481.24	No Explanation Received
Fiji Development loans	143,973,400.00	172,822,000.00	28,848,600.00	20.04	No Explanation Received
<b>TOTAL</b>	<b>1,350,650,100</b>	<b>1,584,076,330.93</b>	<b>233,426,230.93</b>	<b>17.28</b>	

## Appendix 4.0: Under – Collected Revenue Items (2012 Actual vs. 2013 Actual)

Account Description	2012 Balances (\$)	2013 Balances (\$)	Amount Under Collected (\$)	Amount Under Collected %	Remarks
Income Tax	477,114,927.14	432,398,299.40	44,716,627.74	9.37	No Explanation Received
Export Duty	7,304,369.82	4,458,123.70	2,846,246.12	38.97	No Explanation Received
HTT	52,582,149.07	51,592,997.64	989,151.43	1.88	No Explanation Received
Fish Levy	1,492,521.80	369,146.92	1,123,374.88	75.27	No Explanation Received
Miscellaneous fees & receipts	1,893,140.43	-421,680.36	2,314,820.79	122.27	No Explanation Received
Agricultural Produce & inspection	56,817.88	40,829.46	15,988.42	28.14	No Explanation Received
Native Timber Measurement	869,943.66	675,552.07	194,391.59	22.35	No Explanation Received
Mining fees	1,311,532.88	523,164.65	788,368.23	60.11	No Explanation Received
Examination fees	27,887.00	4,924.88	22,962.12	82.34	No Explanation Received
Govt Boarding schools	434,546.09	351,227.03	83,319.06	19.17	No Explanation Received
Health fumigation and quarantine	1,402,187.33	1,389,078.51	13,108.82	0.93	No Explanation Received
Hospital	2,098,305.17	1,940,042.32	158,262.85	7.54	No Explanation Received
FSN	99,822.75	1,738.60	98,084.15	98.26	No Explanation Received
Management fee	351,972.70	58,562.07	293,410.63	83.36	No Explanation Received
LTA fees & fines	22,450,042.66	22,323,513.48	126,529.18	0.56	No Explanation Received
Licenses - Arms	58,764.83	54,578.43	4,186.40	7.12	No Explanation Received
Licenses-banks	35.09	23.58	11.51	32.80	No Explanation Received
Licenses-dogs	19,454.19	17,456.22	1,997.97	10.27	No Explanation Received
Licenses-money lenders	99,080.82	90,619.29	8,461.53	8.54	No Explanation Received
Licenses-fishing	336,770.83	98,781.81	237,989.02	70.67	No Explanation Received
Royalties-coral, sand	46,509.66	26,157.32	20,352.34	43.76	No Explanation Received
fines for overdue, lost and damaged library books	3,218.58	2,450.84	767.74	23.85	No Explanation Received
Administrative Fines and Forfeitures	14,380.00	4,375.00	10,005.00	69.58	No Explanation Received
Rental for Buildings	3,501.18	1,955.62	1,545.56	44.14	No Explanation Received
Hire of Plant and Vehicles	5,380.55	1,586.09	3,794.46	70.52	No Explanation Received

Account Description	2012 Balances (\$)	2013 Balances (\$)	Amount Under Collected (\$)	Amount Under Collected %	Remarks
Commission	1,364,232.95	1,284,386.33	79,846.62	5.85	No Explanation Received
Sales of Publications	358,781.76	88,693.86	270,087.90	75.28	No Explanation Received
Revenue from Production of Films	4,822.25	2,017.33	2,804.92	58.17	No Explanation Received
Meat Inspection	21,927.50	20,256.30	1,671.20	7.62	No Explanation Received
Freight and Charter Receipts	112,718.50	72,415.87	40,302.63	35.76	No Explanation Received
Agricultural Landlord and Tenant Tribunal	2,850.70	1,742.82	1,107.88	38.86	No Explanation Received
Board Members Fees	183,474.04	142,700.86	40,773.18	22.22	No Explanation Received
Reimbursement for Meteorological Services	533,838.00	528,261.19	5,576.81	1.04	No Explanation Received
Reimbursement of Debt Servicing	1,389,659.29	-	1,389,659.29	100.00	No Explanation Received
Rural Electrifications	2,054.90	1,033.60	1,021.30	49.70	No Explanation Received
Sales Proceed in Economic Services	17,050,365.00	-	17,050,365.00	100.00	No Explanation Received
Investments in Social Services	570,393.03	349,103.99	221,289.04	38.80	No Explanation Received
Investments in Infrastructure Services	7,132,606.27	6,750,116.27	382,490.00	5.36	No Explanation Received
Interest from Local Banks	47,811,624.89	35,354,455.88	12,457,169.01	26.05	No Explanation Received
TMA Operations	2,632,660.69	2,069,922.09	562,738.60	21.38	No Explanation Received
Fiji Development Loans	192,099,248.00	172,822,000.00	19,277,248.00	10.04	No Explanation Received
<b>TOTAL</b>	<b>841,348,519.88</b>	<b>735,490,610.96</b>	<b>105,857,908.92</b>	<b>13</b>	



**Appendix 5.0: Details of Write Offs to Term Loans Receivable**

<b>Borrowing Institutions</b>	<b>FMIS GL Codes</b>	<b>Loan Descriptions</b>	<b>Amount (\$)</b>
COPRA STABILISATION FUND	1-04102-04999-620205	LOANS-COPRA MILLERS FIJI LTD ACT #13 '84	-6,321,653.08
	1-04102-04999-620202	LOANS-COPRA INDUST (PUNJA) ACT #13 1984	-3,439,249.43
	1-04104-04999-620202	LOANS-COPRA INDUST (PUNJA)	1,552,806.56
FIJIAN AFFAIRS BOARD	1-04102-04999-610607	01 LOAN REPAY COM IN 2001 IF	-4,658,924.03
FIJI PINE LTD	1-04102-04999-620401	LOAN #13 REPAY COM 2006 IF APP DEC 1991	-2,200,000.00
	1-04102-04999-620402	LOAN #14 REPAY COM 2007 IF APP DEC 1992	-2,200,000.00
	1-04102-04999-620403	LOAN #15 REPAY COM 2008 IF APP DEC 1993	-650,000.00
	1-04102-04999-620404	LOAN #16 REPAY COM 2009 IF APP DEC 1994	-4,750,000.00
	1-04102-04999-620405	LOAN #17 REPAY COM 2010 IF APP DEC 1995	-2,200,000.00
FIJI SUGAR CORPORATION	1-04102-04999-620805	2010 LOAN	-35,500,000.00
VITI CORP. CO LTD	1-04102-04999-620901	99 LOAN 10 INSTNS FROM 2003 8% AGREEMENT	-3,189,666.68
NATCO	1-04102-04999-621001	01 LOAN 7 INSTNS FROM 2004 5% AGREEMENT	-2,900,000.00
REWA RICE	1-04104-04402-621301	LOAN TO REWA RICE LIMITED	-1,900,000.00
<b>Total loans written off and subsequently written back</b>			<b>-68,356,686.66</b>
ADVANCES TO PUBLIC OFFICERS	1-04102-04201-610102	ADVS TO PUBLIC OFFICERS	-5,625.72
PUBLIC SERVICE COMMISSION	1-02306-02999-610801	UNIVERSITY OF SOUTH PACIFIC	0.64
	1-02305-02999-610808	NASINU TEACHERS COLLEGE	452,039.72
	1-02105-02999-610810	FIJI TEXTILE CLOTH & FOOTWEAR	93,021.56
	1-02305-02999-610810	FIJI TEXTILE CLOTH & FOOTWEAR	-69,766.17
	1-02305-02999-610812	UMA NAND SCHOOL OF MEDICINE	44,968.00
	1-21101-21999-611101	SLS CORPUS CHRISTI COLLEGE	4,221.62
	1-21101-21999-611102	SLS FULTON COLLEGE	-108,010.70
	1-21101-21999-611103	SLS FIJI COLLEGE OF AGRICULTUR	218.68
	1-21101-21999-611104	SLS FIJI COLLEGE OF ADV EDUCAT	-907.92
	1-02105-02999-611105	SLS FIJI INSTITUTE OF TECHNOLO	14,748.00
	1-21101-21999-611105	SLS FIJI INSTITUTE OF TECHNOLO	-370,788.90
	1-21101-21999-611106	SLS FIJI NATIONAL TRAINING COU	-14,182.28
	1-21101-21999-611107	SLS FIJI SCHOOL OF MEDICINE	-132,069.34
	1-21101-21999-611108	SLS UNIVERSITY OF THE SOUTH PA	-623,876.43
	1-21101-21999-611109	STUDENTS LOAN SCHEME	-2,617,401.70
COPRA STABILISATION FUND	1-02301-02999-611110	SLS UNIVERSITY OF FIJI	14,743.00
	1-04102-04999-620201	LOANS-COPRA COPE ALLMAN ACT #13 1984	222,648.59
	1-04101-04999-620202	LOANS-COPRA INDUST (PUNJA)	91,185.60
	1-04102-04999-620203	LOANS-COPRA INDUST (ISLD IND) ACT #13'84	-1,732,813.63
	1-04102-04999-620204	LOANS-COPRA INDUST LAKBA CO-O ACT #13'84	-676,152.89
	1-04102-04999-620206	LOANS-C.J PETERSON COPRA MILL ACT #13'84	-1,804.87
	1-04102-04999-620207	LOANS-COMTY TRADERS (FIJ) LTD ACT #13'84	479,824.73

<b>Borrowing Institutions</b>	<b>FMIS GL Codes</b>	<b>Loan Descriptions</b>	<b>Amount (\$)</b>
TIMBER EXPORTS	1-04102-04999-620501	LOAN TO TIMBER EXPORTERS ACT #13 1984	-795,034.00
PRODUCTION LOAN TO FARMERS	1-30101-30999-621101	CO-OP SAUTURAGA FRAMERS	-188
	1-30101-30999-621102	CO-OP DREKETI NADRAU FRAMERS	-303
	1-30101-30999-621103	CO-OP NAVUA BALE FRAMERS	-394.9
	1-30101-30999-621104	LEVEUVIA FARMERS CO-OP	-1,278.48
	1-30101-30999-621105	NACOALIVA FARMERS CO-OP	-418
	1-30101-30999-621106	SINUMATI YAVI FARMERS CO-OP	-317.5
	1-30101-30999-621107	VUNITAVOLA FARMERS	-616.3
	1-30101-30999-621108	SALATU/NAKOROLELELE FARMERS	-692.9
	1-30101-30999-621109	NABUKEBUKE/LOBAU FARMERS	-941
	1-30101-30999-621110	CAKOVA FARMERS	-306.9
	1-30101-30999-621111	TACINI FARMERS PROBAT CO-OP	-1,900.00
	1-30101-30999-621112	DRAVUNIMABA FARMERS PROBAT COO	-613.54
	1-30101-30999-621113	BUREDUGUVAKI FARMERS PROBA CO-	-1,018.97
	1-30101-30999-621114	NAKORO FARMERS PROBCO-OP	-1,301.67
	1-30101-30999-621115	RARA FARMERS PROBCO-OP	-469.48
	1-30101-30999-621116	NATAQIRI FARMERS PROBCO-OP	-326.8
	1-30101-30999-621117	NATURUTURUKULA FARMERS PROBCOP	-863.1
	1-30101-30999-621118	LAWAKI FARMERS PROBCO-OP	-1,354.05
	1-30101-30999-621119	LAQAVOLO FARMERS PROBCO-OP	-983
	1-30101-30999-621120	LUTUYA GROUP FARM	-2,000.00
CO-OPERATIVES	1-34401-34999-621201	LOAN REPAY OVER 12 MTHS INT1% ACT #13'84	-8,642.00
<b>Total Write Offs for 2013</b>			<b>-5,755,744</b>
<b>Total Write Off as per Minister of Finance Approval</b>			<b>-74,112,430.66</b>

