



OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

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

## 2017-2018 Financial Statements of Government

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## 2017-2018 Agency Financial Statements of Ministry of Economy



PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER NO. 186 OF 2020



OFFICE of the AUDITOR GENERAL  
Republic of Fiji

## VISION

**Promoting public sector accountability  
and sustainability through our audits**

To provide independent value adding  
audit services

## MISSION

To provide an environment where  
our people can excel

### RESPECT

We uphold respect  
in our relationships.

### INTEGRITY

We are ethical, fair and  
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### INDEPENDENT & OBJECTIVE

We work independently  
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## VALUES

### COMPETENCE

We deliver to the best  
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International Standards for Supreme Audit Institutions

International Standards on Auditing

## LEGAL FRAMEWORK

2013 CONSTITUTION OF THE  
REPUBLIC OF FIJI

AUDIT  
ACT 1969

ENVIRONMENT  
MANAGEMENT ACT

NDP AND OTHER  
LEGISLATION

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# OFFICE OF THE AUDITOR GENERAL



Promoting Public Sector Accountability and Sustainability Through our Audits

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File: 102

08 December 2020

The Honorable Ratu Epeli Nailatikau  
Speaker of the Parliament of the Republic of Fiji  
Government Buildings  
Constitution Avenue  
**SUVA**

Dear Sir

**AUDIT REPORT ON 2017-2018 FINANCIAL STATEMENTS OF GOVERNMENT AND 2017-2018 AGENCY FINANCIAL STATEMENTS OF MINISTRY OF ECONOMY**

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on 2017-2018 Financial Statements of Government and 2017-2018 Agency Financial Statements of Ministry of Economy.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall 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.

Yours sincerely

Ajay Nand  
**AUDITOR-GENERAL**



Encl.

## CONTENTS

**Part A: 2017-2018 Financial Statements of Government**

**Part B: Report on the Financial Statements of Government**

**Part C: 2017-2018 Agency Financial Statement of Ministry of Economy**



**Part A: 2017-2018 Financial Statements of  
Government**



Financial Statements  
Government of the Republic of Fiji  
for the period ending 31 July 2018

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## INDEPENDENT AUDITOR'S REPORT

### TO THE MINISTER FOR ECONOMY

### REPORT ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE REPUBLIC OF FIJI

I have audited the financial statements of the Government of the Republic of Fiji which comprise of the following:

- Statement of Cash Receipts and Payments
- Statement of Comparison Budget and Actual (Budget Funding Programme)
- Statement of Comparison Budget and Actual (Economic classifications)
- Statement of Assets and Liabilities
- Statement of Revenue and Expenses
- Statement of Contingent Liabilities

for the year ended 31 July 2018, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements of the Government of the Republic of Fiji are prepared, in all material respects, in accordance with section 152 of the 2013 Constitution of the Republic of Fiji, section 46(2)(b) and section 47(2)(b) of the Financial Management Act 2004, section 22 of the Financial Management (Amendment) Act 2016 and section 6 of the Audit Act 1969.

In my opinion, except for the effects on the matters described in the Basis of Qualified Opinion paragraph, the accompanying financial statements of the Government of the Republic of Fiji are prepared, in all material respects, in accordance with the International Public Sector Accounting Standards (IPSAS) Financial Reporting under the Cash Basis of Accounting, Financial Management Act 2004 and Finance Instructions 2010.

#### Basis for Qualified Audit Opinion

- Included in the Trust Fund Account balance of \$197,701,126 in the Statement of Assets and Liabilities (Schedule 3) is Main Trust amounting to \$161,241,215 (Note 32). Main Trust Fund Account balance amounting to \$78,371,798 was not supported with detailed listing of claimants of the monies held in the trust.

Hence, I was not able to satisfy myself on the accuracy and completeness of the Trust Fund Account balance of \$197,701,126 as at 31 July 2018.

I have conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Ministry in accordance with International Ethics Standards Board for Accountant's *Code of Ethics for Professional*

*Accountants* (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

I draw attention to the following matters:

- Included in Accounts Receivable of \$153,553,750 in the Statement of Assets and Liabilities (Schedule 3), is Tax Receivables-IRD and Customs amounting to \$151,016,717 (Note 17b). Detailed Listings were not provided to support these amounts. Consequently, I was not able to ascertain the accuracy and completeness of the Accounts Receivable balance as at 31 July 2018.
- Established Staff and Government Wage Earners Payroll expenditure in the Statement of Cash Receipts and Payments amounted to \$959,259,163. An unreconciled variance of \$9,619,440 exists between FMIS general Ledger and the Payroll Report for both Established Staff and Government Wage Earners.
- Reflected in the Statement of Assets and Liabilities (Schedule 3) is cash of \$286,653,731. A variance of \$1,122,346 existed between the balance between the FMIS general ledger balance and the bank reconciliation.
- Note 50 of the financial statements discloses the novel coronavirus (COVID-19) global pandemic impact subsequent to 31 July 2019. No adjustment has been made to the financial statements as at 31 July 2018 for the financial implications.

My opinion is not qualified in respect of this matters.

### **Other Matter**

#### **Internal control deficiencies**

Internal controls were generally found to be weak for Department of Immigration, Ministry of Employment, Productivity and Industrial Relations, Ministry of Foreign Affairs, Ministry of Disaster Management and Meteorological Services, Fiji Correction Services, Fiji Police Force, Ministry of Education, Heritage & Arts, Ministry of Health & Medical Services, Department of Housing, Ministry of Women, Children and Poverty Alleviation, Ministry of Agriculture, Ministry of Fisheries and Ministry of Forestry.

#### **Transport Infrastructure Investment Sector Project ABD Loan No. 3210-FIJ**

The Fiji Roads Authority, as implementing agency for the Suva Ariel Roads Upgrading Project (SARUP 1), under the Transport Infrastructure Investment Sector Project ABD Loan No. 3210-FIJ, did not comply with the Implementation Arrangements set forth in the Project Administration Manual stated in the Loan Agreement. The Project Administration Manual required that the ADB Procurement Guidelines be followed for the procurement of goods and works. The Authority prepared the contract agreement for Contract Number FRA/TIISP/16-01 Suva Ariel Roads Upgrading Project (SARUP 1) under FRA general terms and conditions but ADB has determined a misprocurement as some amendments were made to the FIDIC clauses. As a result, SARUP 1 project will no longer be funded by the ADB and World Bank, the Government of Fiji will incur the full cost of the project totalling \$30,429,323 VIP. The funds that have been disbursed by ADB as at 31/07/18 totalling \$5,720,715 and World Bank totalling \$3,004,762 will be submitted with



FRA/TIISP/16-03 Road Reseals Programme of Roads in Western, Central and Northern Divisions of Fiji. The Government of Fiji will be responsible to pay the full remaining balance of \$20,413,451.

### **Responsibilities of the management and those charged with governance for financial statements**

The Permanent Secretary for Ministry of Economy is responsible for the preparation of financial statements in accordance with the IPSAS Financial Reporting under Cash Basis of Accounting, Financial Management Act 2004 and Finance Instructions 2010, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Government's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

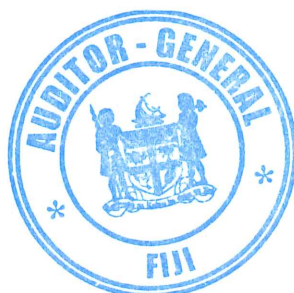
As part of an audit in accordance with ISA, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Ministry.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**Ajay Nand**  
**AUDITOR-GENERAL**



**Suva, Fiji**  
**08 December 2020**



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## INDEPENDENT AUDITOR'S REPORT

### ANNUAL APPROPRIATION STATEMENT OF THE GOVERNMENT OF THE REPUBLIC OF FIJI FOR THE YEAR ENDED 31 JULY 2018

#### Opinion

I have audited the Statement for Annual Appropriations and Budget Results as included in Schedules 9 to 13 for the year ended 31 July 2018, and notes to the financial statements including a summary of significant accounting policies, of the Government of the Republic of Fiji for the year ended 31 July 2018 in accordance with section 152 of the 2013 Constitution of the Republic of Fiji, section 46(2)(b) and section 47(2)(b) of the Financial Management Act 2004 and section 6 of the Audit Act 1969.

In my opinion, the accompanying annual appropriation statement is prepared, in all material respects, in accordance with the International Public Sector Accounting Standards (IPSAS) Financial Reporting under Cash Basis of Accounting, Financial Management Act 2004 and Finance Instructions 2010.

#### Basis for opinion

I have conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are described in the *Auditor's Responsibilities* paragraph of my report. I am independent of the Ministry of Economy in accordance with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled my other responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other matter

#### Significant budgetary savings

As shown in schedule 10, significant budgetary savings were noted in budget allocations for Established Staff (14%), Operating grants & transfers (6%), Capital Construction (9%), and Capital grants & transfers (48%). The savings were attributed mainly due to the following:

- Ministry of Civil Service – The Ministry did not employ the maximum number of medical officers as per approved establishment of 968 doctors. During the financial year, there were a total of 683 doctors employed and 285 doctor positions were vacant which resulted in savings of \$17,481,936 under Established Staff allocation.
- Ministry of Health & Medical Services – reasons for savings of \$67.3 million were due to vacant positions and savings in consolidated nursing allowance due to mapping mismatch of budget and payroll. Savings in capital construction was due to the delay in tender process for the maintenance of Fiji Pharmaceutical and Biomedical Services (LMIS FPBS) project was on hold.

- Judicial Department – there was savings of \$16,434,945 against the revised budget of \$54,463,543. The savings were mainly in Established Staff, Special Expenditure and Capital Construction.
- Ministry of Economy: there was a savings of \$24.3 million on Head 4 as Grants to FRCS was released on need for funding basis. Head 50 recorded a savings of \$168.3 million as funds were also released on need for funding basis.
- Ministry of Justice – The savings of \$2.0 million was mainly due non-implementation of the decentralisation of BDM office projects and refurbishment of titles office project as result of delay in tender process for approval.
- Department of Information, Technology and Computing Services – savings of \$5.68 million was due to capital construction projects not implemented.
- Ministry of Disaster Management and Meteorological Services – The savings of \$661,381 under Capital Construction allocation resulted from underutilization or non-utilisation of funds appropriated for:
  - Funds for construction of Labasa Office was underutilized due to high prices charge in initial quotation during budget submission than the actual charged and the scope of works included in the construction of access road which was done free of charge
  - Upgrade of Outer Island Stations – non-utilisation of budget was due to delay in Government Tender Board (GTB) processes.
- Ministry of Infrastructure & Transport Head 41 – The savings of \$34.96 million was due to delay in ADB Urban Water Supply projects during the financial year.
- Ministry of Infrastructure & Transport Head 43 – The savings of \$94.8 million was due to the delay in ADB and World Bank projects during the financial year.

As a result, funds approved by Parliament could not be utilised during the financial year.

### **Management's responsibilities for the annual appropriation statement**

The Permanent Secretary for Ministry of Economy is responsible for the preparation of the annual appropriation statement in accordance with the IPSAS under Cash Basis of Accounting, Financial Management Act 2004 and Finance Instructions 2010, and for such internal control as the management determine is necessary to enable the preparation of annual appropriation statement that are free from material misstatements, whether due to fraud or error.



## **Auditor-General's responsibilities for the audit of the annual appropriation statement**

My objectives are to obtain reasonable assurance about whether the annual appropriation statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual appropriation statement.

As part of an audit in accordance with ISA, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

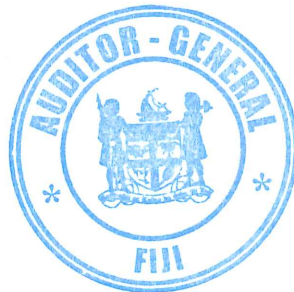
- Identify and assess the risks of material misstatement of the annual appropriation statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry of Economy's internal control.
- Evaluate the appropriateness of accounting policies used and related disclosures made by the Ministry of Economy.

## **Communication with those charged with governance**

I communicate with the Permanent Secretary for Ministry of Economy regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Ajay Nand  
**AUDITOR-GENERAL**



Suva, Fiji  
08 December 2020

**GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF RESPONSIBILITY  
FOR THE PERIOD ENDING 31 JULY 2018**

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Whole of Government Financial Statements have been prepared by the Ministry of Economy in accordance of the provisions of the Financial Management Act 2004, Finance Instructions 2010, Finance Amendment Instructions 2016 and Cash Basis International Public Sector Accounting Standards 2017.

Whole of Government Financial Statements have been audited by the Office of the Auditor General, which was given unrestricted access to all financial records and related data. Office of the Auditor General report presented herein provides an independent opinion upon the fairness of the financial statements.

In our opinion, these financial statements fairly reflect the financial position of the Government of the Republic of Fiji as at 31 July 2018 and its operations for the year ended on that date.



.....  
Makereta Konrote  
**Permanent Secretary for Ministry of Economy**



.....  
Nemta Dawai  
**Acting Head of Treasury**

Dated 30 of the month of NOVEMBER 2020

## Table of Contents

Schedules	Description	Page No.
<b><i>Primary Financial Statement according to Cash Basis IPSAS</i></b>		
Schedule 1	Statement of Cash Receipts and Payments.....	1
Schedule 2	Statement of Comparison of Budget and Actual Amounts by Budget Funding Programme.....	2
Schedule 2A	Statement of Comparison of Budget and Actual Amounts by Expenditure Economic classifications.....	3
	Notes to and forming parts of the Financial Statements (Note 1 - 23).....	4-21
<b><i>Other Financial Statement required by law</i></b>		
Schedule 3	Statement of Assets and Liabilities.....	22
Schedule 4	Statement of Revenue and Expenses.....	23
Schedule 5	Statement of Contingent Liabilities .....	24
	Notes to and forming parts of Other Financial Statements (Note 24 - 50).....	25-46
Schedule 6	Segmentation Report by Fund Classification.....	47-48
Schedule 7	Summary of Revenue.....	49
Schedule 8	Detailed Revenue Comparison.....	50-56
Schedule 9	Statement of Expenditure against Appropriation Heads.....	57-59
Schedule 10	Details of Expenditure Reportable Authorizations.....	60
Schedule 11	Budget Result, Estimates & Projections.....	61
Schedule 12	Disaggregation of Actual Revenue and Expenditure by Economic Type.....	62-64
Schedule 13	Estimate and Actual Budget Result.....	65



GOVERNMENT OF THE REPUBLIC OF FIJI  
 STATEMENT OF CASH RECEIPTS AND PAYMENTS (EXCLUDING CONTROLLED ENTITIES)  
 FOR THE PERIOD ENDING 31 JULY 2018

Schedule 1

	Notes	Actual Controlled by	Actual Controlled by
		Government 31 July 2018	Government 31 July 2017
		(\$)	(\$)
<b>Cash flows from operating activities</b>			
<i>Receipts</i>			
Direct Taxes		825,724,215	766,055,195
Indirect Taxes		2,005,911,627	1,813,120,249
Fees, Charges, Fines and Penalties		142,973,799	127,840,431
Sales Revenue (TMA)		12,204,774	18,056,598
Other Revenues and Surpluses		39,649,218	44,298,881
Reimbursements and Recoveries		20,942,757	30,858,490
Grants in Aid (overseas)		49,461,174	18,771,402
Net receipts into trust fund accounts		255,925	50,745,573
<i>Payments</i>			
Established Staff		(900,309,981)	(800,546,116)
Government Wage Earners		(58,949,182)	(53,462,154)
Travel and Communications		(38,444,765)	(36,571,471)
Maintenance and Operations		(75,434,699)	(69,927,885)
Purchase of Goods and Services		(151,359,100)	(140,315,711)
Operating Grants and Transfers		(680,170,593)	(518,445,776)
Special Expenditure	13	(88,246,446)	(67,863,214)
Pensions, Gratuities and Compassionate Allowance		(36,956,687)	(34,880,413)
Value Added Tax		(37,476,706)	(35,913,968)
Cost of Goods Sold (TMA)		(451,429)	(530,580)
Other Expenses (TMA)		(12,893,356)	(16,035,740)
Interest Payments on Loans		(291,503,011)	(276,444,754)
Net Advance Payment/(Receipt)		122,419	495,926
<b>Net cash flows from operating activities</b>		<b>725,049,953</b>	<b>819,304,963</b>
<b>Cash flows from investing activities</b>			
Investing Receipts		159,039,795	36,497,041
Capital Expenditure		(1,376,328,657)	(1,004,959,257)
Receipts from Lending & On - Lending		1,655,995	2,180,000
<b>Net cash flows from investing activities</b>		<b>(1,215,632,867)</b>	<b>(966,282,216)</b>
<b>Net cash inflows before financing</b>		<b>(490,582,914)</b>	<b>(146,977,253)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	17	603,836,968	435,693,658
Repayment of borrowings	17	(205,540,307)	(148,979,100)
Treasury Bills Net Proceeds/(Repayments)	17	88,599,499	(68,960,477)
<b>Net cash flows from financing activities</b>		<b>486,896,160</b>	<b>217,754,081</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	26	<b>(3,686,754)</b>	<b>70,776,828</b>
Cash & cash equivalents at the beginning of period		289,753,141	218,496,898
Effects of exchange rate of foreign cash held		587,344	479,415
<b>Cash &amp; cash equivalents at end of period</b>	3	<b>286,653,731</b>	<b>289,753,141</b>

The statement includes other budgetary cash flows from the Trading & Manufacturing Activities and Trust.

Ministry of Economy  
 Suva, Fiji  
 Dated 30 of the month of Nov 2020

  
 Ms. Makereta Konrote  
 Permanent Secretary for Ministry of Economy

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
BY BUDGET FUNDING PROGRAMME  
FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 2**

	<b>Original 2018 (\$)</b>	<b>Revised 2018 (\$)</b>	<b>Actual 2018 (\$)</b>	<b>Variance 2018 %</b>
<b>Expenditure</b>				
Operating (Standard Expenditure Groups [SEG] 1-7)	2,161,066,053	2,190,158,729	1,992,914,766	9%
Operating (Pensions-SEG 11)	46,221,100	46,221,100	36,956,687	20%
Operating (Public Debt - SEG 12, 14, 15)	308,070,269	308,070,269	291,503,011	5%
	<u>2,515,357,422</u>	<u>2,544,450,098</u>	<u>2,321,374,464</u>	<u>9%</u>
Capital (SEGs 8-10)	1,778,982,634	1,752,381,928	1,380,412,315	21%
	<u>4,294,340,056</u>	<u>4,296,832,026</u>	<u>3,701,786,779</u>	<u>14%</u>
Value Added Tax (SEG 13)	62,490,760	59,998,790	37,476,706	38%
<b>Total Expenditure</b>	<b><u>4,356,830,816</u></b>	<b><u>4,356,830,816</u></b>	<b><u>3,739,263,485</u></b>	<b><u>14%</u></b>
<b>Revenue</b>				
Operating Receipts	3,332,299,150	3,332,299,150	3,079,416,368	8%
Investing Receipts	525,023,356	525,023,356	165,023,264	69%
<b>Total Revenue</b>	<b><u>3,857,322,506</u></b>	<b><u>3,857,322,506</u></b>	<b><u>3,244,439,632</u></b>	<b><u>16%</u></b>
Net Deficit 2018	499,508,310	499,508,310	494,823,853	1%
Debt Repayments 2018	217,359,800	217,359,800	205,540,307	5%
<b>Gross Deficit 2018</b>	<b><u>716,868,110</u></b>	<b><u>716,868,110</u></b>	<b><u>700,364,160</u></b>	<b><u>2%</u></b>
Net Deficit as a Percent of GDP	4.5%		4.4%	
Nominal GDP	10,980,141,000		11,348,969,414	
<b>Gross Deficit To be Financed From:</b>				
Overseas Loans	184,105,851	184,105,850	74,178,384	60%
Domestic Loans	532,762,256	532,762,257	531,796,000	0.2%
	<u>716,868,107</u>	<u>716,868,107</u>	<u>605,974,384</u>	<u>15.5%</u>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
BY EXPENDITURE - ECONOMIC CLASSIFICATIONS  
FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 2A**

	<b>Original</b>	<b>Revised</b>	<b>Actual</b>	<b>Variance</b>
	<b>2018</b>	<b>2018</b>	<b>2018</b>	
	(\$)	(\$)	(\$)	%
1. Established Staff	978,387,768	984,511,899	900,309,981	9%
2. Government Wage Earners	57,279,863	63,762,237	58,949,182	8%
3. Travel and Communications	36,076,833	45,489,296	38,444,765	15%
4. Maintenance and Operations	79,611,471	84,388,809	75,434,699	11%
5. Purchase of Goods and Services	170,708,143	174,214,389	151,359,100	13%
6. Operating Grants and Transfers	720,636,998	719,444,781	680,170,593	5%
7. Special Expenditures	118,364,977	118,347,318	88,246,446	25%
<b>Total Departmental Operating Expenditures</b>	<b>2,161,066,053</b>	<b>2,190,158,729</b>	<b>1,992,914,766</b>	<b>9%</b>
<i>Unallocable Operating Expenditures</i>				
11. Pensions, Gratuities & Compassionate Allowances	46,221,100	46,221,100	36,956,687	20%
12. Charges on Account of Public Debt	308,070,269	308,070,269	291,503,011	5%
<b>Total Unallocable Operating Expenditures</b>	<b>354,291,369</b>	<b>354,291,369</b>	<b>328,459,698</b>	<b>7%</b>
<b>Total Operating Expenditures</b>	<b>2,515,357,422</b>	<b>2,544,450,098</b>	<b>2,321,374,464</b>	<b>9%</b>
8. Capital Construction	195,588,180	158,649,943	102,877,892	35%
9. Capital Purchase	104,079,505	95,881,526	75,674,702	21%
10. Capital Grants and Transfers	1,479,314,949	1,497,850,459	1,201,859,721	20%
<b>Total Capital Expenditures</b>	<b>1,778,982,634</b>	<b>1,752,381,928</b>	<b>1,380,412,315</b>	<b>21%</b>
13. Value Added Tax	62,490,760	59,998,790	37,476,706	38%
<b>Total Expenditures</b>	<b>4,356,830,816</b>	<b>4,356,830,816</b>	<b>3,739,263,485</b>	<b>14%</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**1. General Information**

The Republic of Fiji is a sovereign democratic state.

The principal activities of the Government are:

- (i) The administration of public financial affairs;
- (ii) The provision of goods and services required by its citizens; and
- (iii) The collection, management and use of public resources.

**2. Significant accounting policies**

**2.1 Basis of Preparation**

The financial statements namely, the Statement of Cash Receipts and Payments (Schedule 1) and the two Statements of Budget and Actual Comparisons (Schedules 2 and 2A) are prepared on cash basis as per the requirement of Cash Basis IPSAS, Financial Reporting Under the Cash Basis of Accounting and the Cabinet decision 277 of 2010. The notes to the financial statements form an integral part to understanding the statements and shall be read in conjunction with the primary statements. Further to complying with Cash Basis IPSAS reporting, additional presentations and disclosures are also being made in line with the Financial Management Act 2004.

The Government has early adopted the Cash Basis IPSAS, Financial Reporting under the Cash Basis of Accounting issued in 2017 from 1 August 2017.

The accounting policies have been applied consistently throughout the period.

**2.2 Reporting Entity**

The financial statements are for the General Government Sector of the Government of Fiji. The financial statements encompass the reporting entity, Whole of Government ("WOG"), as specified in the Financial Management Act 2004. The reporting entity includes all budget sector agencies and excludes Off-budget state entities, Government commercial companies and commercial statutory authorities. The revenue and expenditure of these controlled entities have been excluded from the consolidated accounts in accordance with Cash Basis IPSAS, Financial Reporting under the Cash Basis of Accounting, in order to facilitate timely financial reporting.

A list of significant entities encompassed in the financial statements and the sectors in which they operate is shown in Note 16 to the financial statements.

The Constitution of the Republic of Fiji provides the framework for the conduct of the Government of Fiji. The principal activities of the Government of Fiji are the administration of public financial affairs, the provision of health, education, defense, social protection, housing, recreational and cultural and general public services and economic management.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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*Significant Accounting Policies (continued...)*

2.2 The legal form of the Republic of Fiji is a sovereign democratic State. Authority for Government's raising of taxation, revenue or moneys is provided by Section 139 of the Constitution of the Republic of Fiji ("Constitution") and relevant specific law. Authority for spending is provided in Section 141 of the Constitution and Appropriation made by law.

**2.3 Presentation currency**

The presentation currency is Fiji dollars, the currency of the Government of Fiji and all values are rounded to the nearest dollar except when otherwise indicated. Cash flows are converted to Fiji dollars using the monthly average exchange rate by the Reserve Bank of Fiji. Amounts held in foreign currencies are converted using the spot rate on the reporting date.

**2.4 Basis of Consolidation**

The financial statements are for the National Government of Fiji comprising of ministries and departments that are part of the Central Government budget including financial operations of these ministries that are outside the budget, such as Trade and Manufacturing Accounts and Trust Accounts as Intra-economic entity transactions, receipts and expenditures are eliminated on consolidation.

**2.5 Comparatives**

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

The prior year comparatives were initially reported under the superseded Cash Basis IPSAS framework. The transition to the updated framework did not result in any restatements. However, there were some reconfiguration of disclosures to comply with the requirements of the framework.



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**3. Cash and cash equivalents**

Cash comprises cash at bank, short term demand deposits in overseas banks and cash on hand and other cash equivalents. Demand deposits and cash equivalents consist of balances with banks and investments in short-term money market instruments. Cash is mainly kept in the Reserve Bank of Fiji, commercial banks and cash registers.

All Government ministries and departments use overdraft accounts (drawings) for their operations and these are cleared on a daily basis to the Consolidated Fund Account of Government. In addition, several ministries and departments operate and maintain their own bank accounts for monies held as trust and for those that operate quasi-commercial activities.

Funds held by overseas banks are for various Fiji embassies, Trade Missions, Overseas Pension Funds and JP Morgan accounts.

The balance of the Domestic Account is offset by the unrepresented cheques outstanding for ministries and departments as of 31 July 2018.

Cash included in the Statement of Cash Receipts and Payments comprise the following amounts:

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Overseas bank accounts	19,537,799	18,546,563
Domestic bank accounts	92,434,840	87,966,550
Trust fund accounts	161,050,199	169,295,442
Trading and Manufacturing Activities accounts	13,630,893	13,944,586
Cash on hand and balances with banks	<u>286,653,731</u>	<u>289,753,141</u>

Included in cash and cash equivalents above are the Trust Fund Accounts totaling \$161.1 million (2017: \$169.3 million) which is set aside for a specific purpose. The Trust Fund Account includes deposits, retention monies and Main Trust account that ministries and departments hold in trust.

**4 Donations, Grants and Other Aid**

Cash receipts during the period included donations, grants and other aid provided by individual multilateral donor agencies donor agencies and non-Governmental organizations.

The amount of donations, grants and other aid does not include aid received during the reporting period in the form of proceeds from loans. The proceeds of any aid received during the period in the form of loans are included in the amount of borrowings presented as a separate line item in the Statement of Receipts and Payments.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**5. Borrowings**

Borrowings comprise cash inflows from financial institutions, bilateral, multilateral and development partners.

**6. Term Loans**

Term loan payments are loans made to state owned enterprises and students (scholarships) as part of Government on lending program. Term loan receipts are the repayments received from the recipients of the loans and scholarships.

**7. Trust Fund**

Trust fund receipts comprises of funds which Government receives and holds on behalf of its designated beneficiaries.

**8. Advance Receipts**

Income received in advance consists of cash deposits that Government has collected, but not recognized as revenue.

**9. Value Added Tax**

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

**10 Interest Payments and Other Charges on Loans**

These are payments made during the year for interest on overseas and domestic loans as well as interest on Treasury bills.

**11. Investment Receipts**

Government has a number of investments and the receipts from investing are mainly from dividends and interest on bank balances.

**12. Capital Payments**

These are payments made for capital construction, purchase of fixed assets and capital grants and transfers.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

13. **Special Expenditure**

Special Expenditure (SEG 7) relate to one off or unique projects of Government. In 2018, there were altogether 351 special expenditure activities, listed below are the top 14 activities.

<b>Activity</b>	<b>Head of Appropriation</b>	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
		<b>(\$)</b>	<b>(\$)</b>
Population Census	Economy	13,306,160	4,143,881
Digital Government Transformation	Attorney General Office	7,718,924	---
General Reserves (OPR & CAP)	Miscellaneous Services	4,746,907	5,665,937
2018 General Election Expenses FJ Police	Miscellaneous Services	3,397,060	---
Military Tech	Peacekeeping Missions	2,854,949	---
Workmens Compensation	Employment, Productivity and Industrial Relation	2,000,000	2,581,690
Analogue to Digital	Communication	2,000,000	2,008,448
Civil Service Reform Management Unit	Miscellaneous Services	1,906,604	---
National Export Strategy	Industry, Trade and Tourism	1,593,661	---
Consul-General - Sydney	Industry, Trade and Tourism	1,500,152	1,091,666
Govt Contribution-Global Fund	Health and Medical Services	1,429,514	---
Global Fund Assistance	Health and Medical Services	1,334,859	1,702,719
Consul-General - Shanghai	Industry, Trade and Tourism	1,251,916	1,188,748
Volunteer Service	Employment, Productivity and Industrial Relation	1,174,129	---
Child Protection Prog	Women, Children and Poverty Alleviation	---	946,668
Consultancy Payments	Communication	---	1,217,069
Winter Clothing	Peacekeeping Missions	---	924,560
Other Setuup & Implementation	Education, Heritage and Arts	---	2,763,596
Establishment of a Flight Simulator	Miscellaneous Services	---	917,431
Outsourcing	Health and Medical Services	---	3,292,520
Micro and Small Business Grant Facility	Industry, Trade and Tourism	---	4,055,753
		<b>46,214,835</b>	<b>32,500,686</b>
Others (comprises of 337 activities across various Ministries in 2018)		42,031,611	35,362,528
		<b>88,246,446</b>	<b>67,863,214</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (Cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**14. Undrawn Borrowing Facilities**

The total undrawn loan balance from current loan facilities with the World Bank - International Bank for Reconstruction and Development ('IBRD'), International Fund for Agricultural Development ('IFAD'), European Investment Bank ('EIB') and the Asian Development Bank ('ADB') was approximately \$551.8 million as at 31 July 2018 compared to \$310.5 million in the same period last year. Loans undrawn from the World Bank amounted to \$103.5million (\$105.6 million - 31 July 2017). IFAD amounted to \$5.4 million (\$5.2 million - 31 July 2017), EIB at \$157.6 million while undrawn loans from ADB equal \$285.3million (\$199.7 million - 31 July 2017). The loan amounts were converted to the Fiji dollar using the end of year exchange rate: USD/FJD=0.4759 and EUR/FJD=0.4066

Loan Account	Loan Proceeds received						
	Total Loan Drawdown as per Agreement	Capitalised Charges	Loans cancelled	Undrawn balance available for future years	Restricted Cash	Fiji dollar equivalent as at 31/07/2018	
	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(FJD millions)	(FJD millions)
<b>A. Multi-lateral</b>							
2014 ADB - Transport Infrastructure Investment Project	<b>100.0</b>	2.20	0.22	0.00	95.23	1.01	200.11
2016 IBRD - Transport Infrastructure Investment Project	<b>50.00</b>	0.27	0.19	0.00	46.29		97.27
2016 IBRD - Pacific Regional Connectivity Program	<b>5.95</b>	2.77	0.00	0.00	2.97	0.02	6.24
2017 ADB-Urban Water & Sewerage Project LN 3512	<b>42.11</b>	0.45	0.05	0.00	40.54		85.19
2017 EIB - Urban Water & Wastewater Management Project	<b>75.00</b>	0.00	0.00	0.00	75.00		157.60
2018 IBRD- Fiscal Sustainability Climate Resilient DPL	<b>15.00</b>	14.96	<b>0.04</b>	0.00	0.00		0.00
2018 ADB - Sustained Private Sector-Led Growth Reform Program	<b>15.00</b>	15.00	0.00	0.00	0.00		0.00
<b>Total</b>	<b>303.06</b>	<b>35.65</b>	<b>0.50</b>	<b>0.00</b>	<b>260.03</b>	<b>1.03</b>	<b>546.41</b>
<b>B. Multi-lateral</b>							
2015 IFAD - Fiji Agricultural Partnership Project	<b>3.1</b>	0.00	0.0	0.00	2.20	1.1	5.41
<b>Total</b>	<b>3.1</b>	<b>0.00</b>	<b>0.0</b>	<b>0.00</b>	<b>2.20</b>	<b>1.1</b>	<b>5.41</b>
<b>TOTAL</b>							<b>551.82</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**15. Undrawn Grant Facilities**

<b>Donor Institution/Project Name</b>	<b>Currency</b>	<b>Total amount of approved grant 2018</b>	<b>Total grants received as at 31 July 2017</b>	<b>Total grants received as at 31 July 2018</b>	<b>Undrawn balance as at 31 July 2018</b>
		<i>FJD</i> <i>(millions)</i>	<i>FJD</i> <i>(millions)</i>	<i>FJD</i> <i>(millions)</i>	<i>FJD</i> <i>(millions)</i>
<b>General Budget Support</b>	FJD	35.63	6.97	25.10	0.37
<b>Direct Project Support</b>	FJD	5.00	7.70	12.20	1.86

**Notes:**

- General budget support - These are cash grants as provided in the Budget Estimates.
- Direct budget support - This represent ad-hoc cash grant received and released directly for the project to the recipient agencies. Undrawn balance - Balance of funds which are returned to Head 50 on 31 July 2018.

During this period, Government had complied with all the significant terms and conditions of external assistance loan and grant agreements.

**16 Government Budgetary Sector**

All budget sector agencies are included in the consolidated financial statements. The significant controlled entities are identified below:

**General Administration**

Office of the President  
Office of the Prime Minister  
Office of the Attorney General  
Ministry of Economy  
Ministry of iTaukei Affairs  
Ministry of Defence and National Security  
Ministry of Employment, Productivity and Industrial Relations  
Ministry of Foreign Affairs  
Independent Bodies  
Independent Commissions  
Ministry of Disaster Management and Meteorological Services  
Ministry of Justice  
Fiji Corrections Service  
Ministry of Communication  
Ministry of Civil Service  
Ministry of Rural and Maritime Development  
Republic of Fiji Military Forces  
Fiji Police Force  
Peacekeeping Missions

**Social Services**

Ministry of Education, Heritage and Arts  
Ministry of Health and Medical Services  
Department of Housing  
Ministry of Women, Children and Poverty Alleviation  
Ministry of Youth and Sports  
Higher Education Institutions



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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16 *Government Budgetary Sector (Cont...)*

**Economic Services**

Ministry of Agriculture  
Ministry of Fisheries  
Ministry of Forests  
Ministry of Lands and Mineral Resources  
Ministry of Industry, Trade and Tourism  
Ministry of Sugar  
Ministry of Public Enterprise  
Ministry of Local Government and Housing  
Ministry of Environment

**Infrastructure**

Ministry of Infrastructure and Transport  
Water Authority of Fiji  
Ministry of Waterways  
Fiji Roads Authority

There were no acquisitions or disposals of controlled entities during the financial year.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**17. Assets, Liabilities, Revenues and Expenses**

a) Revenue and Expenses

The Government builds data on revenues and expenses of the reporting period on a modified cash basis. The modified cash basis used by Government is further explained in Note 18 Original and Revised Approved Budget and Comparison of Actual and Budget Amounts in the Basis Differences section.

Accrued expenses comprise amounts due and payable for wages, salaries and rental and other costs. Payables at reporting date are as follows:

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
b) <u>Accounts Receivable</u>		
Tax receivables - IRD and Customs	151,016,717	111,036,031
Accounts receivable - Trade	1,662,218	2,527,108
Miscellaneous receivables	874,815	843,807
	<b>153,553,750</b>	<b>114,406,946</b>
c) <u>Accounts Payable</u>		
TMA Trade and sundry creditors	---	(115,020)
Withholding tax	688,789	196,225
Litigation claims	---	466,490
VAT and Income Tax Refunds outstanding	164,249,266	94,467,190
	<b>164,938,055</b>	<b>95,014,885</b>
d) <u>Borrowings</u>		
The borrowings of the Government are listed below:		
<b>Proceeds</b>		
Domestic commercial banks	40,609,140	2,000,000
Domestic insurance companies	60,295,507	34,262,000
Domestic - Fiji National Provident Fund	405,464,797	172,635,000
Domestic - Private	29,244,147	15,356,397
Overseas development banks and similar lending agencies	68,223,377	211,440,261
<b>Total proceeds</b>	<b>603,836,968</b>	<b>435,693,658</b>
<b>Repayments</b>		
Domestic commercial institutions	(160,729,000)	(99,643,000)
Overseas development banks and similar lending agencies	(44,811,307)	(49,336,100)
<b>Total repayments</b>	<b>(205,540,307)</b>	<b>(148,979,100)</b>
<u>Treasury Bills</u>		
Treasury Bills issued	266,499,499	241,600,000
Treasury Bills redeemed	(177,900,000)	(310,560,477)
<b>Net proceeds from Treasury Bills</b>	<b>88,599,499</b>	<b>(68,960,477)</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**18. Original and Revised Approved Budget and Comparison of Actual and Budget Amounts**

The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period from 1 August 2017 to 31 July 2018 and includes all entities within the general Government sector. The budget deals only with the general Government sector which excludes other extra budgetary activities. The general Government sector includes all Government departments - significant departments are included in the list of entities in Note 16.

The 2017 -2018 Appropriation Act 2017 was passed by the Parliament of the Republic of Fiji on the 13th day, of July 2017. There was no supplementary budget issued during the year.

A number of changes occurred due to a Redeployment Exercise which was endorsed by Cabinet via Cabinet Decision 111 on 18th May 2018 and approved for the redeployment of funds in the 2017-2018 Budget to fund the different Cyclone Assistance Relief Effort (CARE) for Fiji's initiative in this financial year.

Comparison of Actual and Budget Amounts

Investing revenue shortfall

The anticipated sale of Government assets did not take place for the financial year 2017-2018. Government budgeted \$371.8 million from sale of Government assets as investing receipts in the 2017-2018 Budget, which was largely anticipated from the planned divestment of Energy Fiji Limited (EFL).

SEG 1: Established staff

The cost savings for SEG 1 is mainly attributable to the following:

- i) During the 2017-2018FY, only 683 doctors were employed which led to 285 vacant positions resulting in a savings of \$17,481,936; and
- ii) Due to vacant positions at the WoG level, which resulted in the low utilisation of funds for SEG 1.

SEG 2: Government wage earners

- i) The underspending is due to the vacant positions at WoG level which has resulted in the low utilisation of funds for SEG 2.
- ii) Ministry of Education significant savings were a strategic decision as there was anticipated over expenditure in SEG 1 and SEG 2 and to ensure that the Ministry was able to cushion the difference as much internally as it can.

SEG 3: Travel and communications

The cost savings for SEG 3 were driven by lower than expected staff travels and control measures undertaken during the year.

SEG 4: Maintenance and operations

This was a result of fuel consumptions fluctuations which was dependent on usage, breakdown, receipt of new vehicles resulting in reduced maintenance cost, number of requests for purchase of cooking gas cylinders and refrigeration, delay in payment of biomedical equipment service fees and incomplete services.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**18. *Original and Revised Approved Budget and Comparison of Actual and Budget Amounts (Cont...)***

SEG 5: Purchase of goods and services

- i) As a result of lower than projected purchase of goods and services during the year.
- ii) The reduced number of patients that were transported by ambulance, the low number of training courses for ambulance staff due to tight schedule of trainers, orders for kitchen equipment not processed due to non-availability of items from supplier and lack of storage space in kitchen, payments for appliances and dressings could not be made as the goods were not received in the current financial year, the tender for female shoes and uniform was re-advertised due to numerous complaints on specifications and additional funds of \$7.2m vired into vaccines allocation to urgently accommodate the payments for the meningococcal vaccines. Following the vaccination campaign, the allocation had unutilised funds.

SEG 6: Operating grants and transfers

- i) Judicial Department had savings of \$16,434,945 in operating grant & transfer due to savings in established staff, special expenditure and capital construction. The reason for established staff savings was due to 18 vacant posts for Judicial Officers that were not filled as at 31 July 2018, Special expenditure savings due to vacant Chief Tribunal, Legal Tribunal and Non-Legal Tribunal posts under employment Relations Tribunal, and Savings in Capital Constructions was mainly attributed to the low utilization rate of on-going projects and non-implementation of projects earmarked for the 2017/2018 financial year.
- ii) Ministry of Economy Head 4 had savings of \$10,413,143, in operating grant & transfer as a result of grants for Fiji Revenue and Customs Service was released on a need for funding.

SEG 7: Special expenditures

The cost savings in this SEG were attributable to the delayed implementation of disaster reconstruction projects and General Election Expense-Fiji Election Office, General Election -Fiji Police, ADB Meeting and Financial Assistance towards TC Winston

SEG 8: Capital construction

The cost savings in SEG 8 were mainly attributable to construction works that were hindered by Tropical Cyclone (TC) Josie, TC Keni and TC Gita. In addition, the budget released were based on the funding requirements to implement the programmes for the period reported. Furthermore, the delay in the tender process for maintenance of Fiji Pharmaceutical and Biomedical Services property; and the delay in implementation of projects by the Department of ITC.

SEG 9: Capital purchase

The significant cost savings in SEG 9 was mainly attributable to a number of purchases that were re-prioritized and delay in tender process for biomedical suppliers for urban hospitals and dental equipment and LMIS FPBS project was on hold as advised by higher authorities.

SEG 10: Capital grants and transfers

Funding from these allocations are released as and when required; and due to redeployment of funds for different programmes under the CARE for Fiji Initiatives which includes Homes-Care, Farms Care, Sugarcane -Care, Leaseholder-Care, Welfare-Care and E-Transport-Care.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**18. *Original and Revised Approved Budget and Comparison of Actual and Budget Amounts (Cont...)***

SEG 11: Pensions, gratuities and compassionate allowances

The overall savings under SEG 11 was mainly attributed to deletion of pensioners due to death, non-submission of life certificates and expiry of contract of contracted officers.

SEG 13: Value Added Tax

There was significant cost savings in this SEG as a result of a decrease in expenses incurred during the year as noted above for the individual SEGs.

There were no other material differences between the final approved budget and the actual amounts.

Basic Differences

The budget and the accounting basis differ. The financial statements for the government are prepared on the cash basis using a classification based on the nature of expenses. The financial statements include all budget sector agencies and excludes off-budget state entities, government commercial companies and commercial statutory authorities from 1 August 2017 to 31 July 2018. The budget is approved on cash basis by functional classification and deals only with the general government sector which excludes other extra budgetary activities. The Statement of Cash Receipts and Payments includes the same entities as the budget and other extra budgetary activities such as TMAs and Trust.

The government's accounting system is kept on a modified cash basis. Some expenditures are modified because some cash outflows such as accountable advances to employees for business travel are not reported when the payment is made but at the time of acquittal. Likewise, some cash inflows such as trust money are not reported as revenues.

The Statement of Cash Receipts and Payments are prepared on the cash basis. The general ledger amounts were adjusted to make them consistent with the cash basis to be included in the Statement of Cash Receipts and Payments.

In addition to the above, the basis for budgeting of Treasury bills is different from the basis used in accounting or reporting of Treasury bills. The Annual Appropriation Act appropriates the interest portion of Treasury Bills whereas the Statement of Cash Receipts and Payments records net of total issuance and redemptions. Treasury Bills is considered by government as a liquidity instrument and its sole purpose is to manage short term cash flow and support the development of the Government securities market.

Entity Differences

- The approved budget includes all entities within the central government sector.
- The budget deals only with the central government sector which excludes other extra budgetary activities. The Statement of Cash Receipts and Payments includes the same entities as the budget and other extra budgetary activities such as TMAs and Trust.

There is an entity difference: the budget is prepared for the government budgetary sector and the Statement of Cash Receipts and Payment includes both budgetary and extra budgetary entities. The entity differences are considered material.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

***Basic Differences (Cont...)***

Timing Difference

The budget and financial statements are prepared for the same period.

A reconciliation between the actual inflows and outflows are presented in the statement of comparison of the budget and actual amounts and the amounts of total cash receipts and total cash payments reported in the statement of cash receipts and payments for the year ended 31 July 2018 is presented below:

	<b>Total inflows</b>	<b>Total outflows</b>
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	3,244,439,632	3,737,464,104
	<u>3,244,439,632</u>	<u>3,737,464,104</u>
Entity differences		
Cost of goods sold (TMA)		451,429
Other expenses (TMA)		17,519,139
Net advance payments (TMA)		(122,419)
Third party payments (Note 19)		(5,955,007)
<b>Total Cash Receipts</b>	<b><u>3,244,439,632</u></b>	
<b>Total Cash Payments</b>		<b><u>3,749,357,246</u></b>

**19. Payment by Third Parties**

The Government benefits from payments made by third parties to purchase goods and services on its behalf during the period. These payments do not constitute cash receipts of payments by the government. They include payments for goods and services made by multilateral aid agencies and non-governmental organizations. They form part of the support for government programs provided by way of external and other assistance - additional information about external assistance and other assistance is provided by Note 19 below. The government has verified that the following payments have been made by third parties for capital works:

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Capital payments	5,955,007	11,602,187
<b>Total third party payments</b>	<b><u>5,955,007</u></b>	<b><u>11,602,187</u></b>

The Government benefits from goods and services purchased on its behalf as a result of cash payments made by third parties (donors) during the period by way of loans and grants. The payments made by the third parties do not constitute cash receipts or payments by the Government but do benefit the Government. They are disclosed in the payments by third parties column in the Statement of Cash Receipts and Payments. These third parties (donors) are not part of the Government of Fiji (economic entity).

Such disclosures are only made when the government has been formally advised by the third party (the donor) or the recipient that such payment has been made or the government has otherwise verified the payment.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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**20. External Assistance and Other Assistance**

Assistance was received in the form of cash transfers and deposits to current and term deposit accounts and trust fund accounts controlled by the Government. It also encompasses amounts drawn by the Government from accounts of donors consistent with external assistance and other assistance agreements and authorizations. Assistance was also received in the form of third party payments.

External assistance comprises loans and grants from multilateral donor agencies under agreements specifying the purposes for which the assistance will be utilised. Other assistance was provided for specified purposes by NGOs, private corporations and other donors.

The amounts, class of provider and purposes for which external assistance was provided during the period is outlined below:

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>External assistance</b>		
Total cash receipts	48,845,812	15,052,770
<b>Total external assistance</b>	<u>48,845,812</u>	<u>15,052,770</u>
<b><u>Multilateral aid agencies</u></b>		
Cash receipts	16,775,368	13,577,102
<b>Total multilateral aid agencies</b>	<u>16,775,368</u>	<u>13,577,102</u>
<b><u>Bilateral aid agencies</u></b>		
Cash receipts	32,070,444	1,475,668
<b>Total bilateral aid agencies</b>	<u>32,070,444</u>	<u>1,475,668</u>
<b>Other Assistance</b>		
Total cash receipts	615,362	3,718,632
<b>Total other assistance</b>	<u>615,362</u>	<u>3,718,632</u>
<b><u>Non-Governmental Organizations</u></b>		
Cash receipts	228,588	2,621,005
<b>Total NGOs</b>	<u>228,588</u>	<u>2,621,005</u>
<b><u>Private Corporations and Other Donors</u></b>		
Cash receipts	386,774	1,097,627
<b>Total private corporations and other donors</b>	<u>386,774</u>	<u>1,097,627</u>
Loan Funds		
External assistance	74,178,384	223,042,448
<b>Total loan funds</b>	<u>74,178,384</u>	<u>223,042,448</u>
<b>Grants and Donations</b>		
External assistance	49,461,174	18,771,402
<b>Total grants and donations</b>	<u>49,461,174</u>	<u>18,771,402</u>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)  
FOR THE PERIOD ENDING 31 JULY 2018**

20. **External Assistance and Other Assistance (Cont...):**

**External Assistance**

During the reporting period external assistance was received from multilateral and bilateral external assistance agencies under agreements specifying that the assistance would be utilised for the following purposes:

	Development Assistance		Emergency Assistance		Other Assistance		Total Assistance	
	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017
Loan funds	\$ 62,627,521	---	\$ ---	\$ 207,984,934	\$ 11,550,863	\$ 15,057,514	\$ 74,178,384	\$ 223,042,448
Grant funds	48,845,812	15,052,770	---	---	---	---	48,845,812	15,052,770
<b>Total</b>	<b>111,473,333</b>	<b>15,052,770</b>	<b>---</b>	<b>207,984,934</b>	<b>11,550,863</b>	<b>15,057,514</b>	<b>123,024,196</b>	<b>238,095,218</b>

**Purpose for which External Assistance and Other Assistance was provided and used**

**Other Assistance**

During the reporting period other assistance was received as grants and donations from non-Governmental organizations, private sector corporations and other donors for the following purposes:

	Development Assistance		Emergency Assistance		Other Assistance		Total Assistance	
	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017
Grant and donations	\$ 615,362	\$ 3,718,632	\$ ---	\$ ---	\$ ---	\$ ---	\$ 615,362	\$ 3,718,632

**Undrawn External Assistance and Other Assistance**

Undrawn external assistance, loans and grants consists of amounts which have been specified in a binding agreement with external assistance agencies but have not been utilised at reporting date, and are subject to terms and conditions that have been satisfied in the past and it is anticipated that it will be satisfied in the future.

	Development Assistance		Emergency Assistance		Other Assistance		Total Assistance	
	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017	31 Jul 2018	31 Jul 2017
Closing balance - Loans	\$ ---	\$ ---	\$ ---	\$ ---	\$ 262,230,000	\$ 153,970,000	\$ 262,230,000	\$ 153,970,000
Closing balance - Grants	---	---	---	---	2,230,000	1,800,000	2,230,000	1,800,000



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

20. *External Assistance and Other Assistance (Cont...):*

In regards to the drawdown of fund, these should be within the grace period, or else the borrower is required to seek extension or cancellation of the loan. Funds drawn must be within the approved limit as per the respective loan agreements.

21. **Goods and Services Received**

The Government of Fiji has received goods and services in 2017-2018 from donors. These assistance include goods such as computers and medical equipment, and services such as technical

Summary of goods and services received in-kind donors

	<b>Aid-in-Kind 31 July 2018</b>
	(\$)
<b>Donor Agency</b>	
Department of Foreign Affairs and Trade (DFAT)	59,925,737
European Union	32,474,290
China	30,778,567
New Zealand Ministry of Foreign Affairs and Trade (NZMFAT)	8,525,583
Japan Interantional Cooperation Agency (JICA)	15,985,597
The United Childrens Fund (UNICEF)	2,315,360
The United Development Programme (UNDP)	212,253
Taiwan	3,327,800
The Global Green Growth Institute (GGGI)	438,871
Kuwait Fund	1,023,919
<b>Total value of goods &amp; services received in kind</b>	<b><u>155,007,977</u></b>

Summary of goods and services received in-kind by activity

	<b>Aid-in-Kind 31 July 2018</b>
	(\$)
<b>Project</b>	
Australian Development Scholarships (ADS)(DFAT)	6,344,731
Australian Regional Development Scholarship (DFAT)	315,507
Training in Japan (JICA)	2,430,000
Pacific Leaders Educational Assistance for Development of State (Pacific LEADS)(JICA)	3,346,434
Short Term Training Attachment (NZMFAT)	583,771
NZ Development Scholarships - Public (NZMFAT)	1,459,428
Pacific Islands Leadership Program (Taiwan)	175,000
Human Resource Development Projects (Taiwan)	275,000
200 Vehicles Donation (China)	16,687,906
Child Protection Program (UNICEF)	59,000
Public Administration Reform and Governance (EU)	4,651,163
Good Governance, Democracy, Health & Gender (EU)	2,665,520
Assistance for Child Protection Program - Prosecution (UNICEF)	30,000
Assistance for Child Protection Program - Prosecution (UNICEF)	18,000
TC Winston Recovery Support (NZMFAT)	1,459,428
Disaster Risk Reduction Advisor (JICA)	231,517
Governance (DFAT)	6,310,144
Access to Quality Education Program (DFAT)	7,887,679
Australia-Pacific Technical College (DFAT)	12,778,041

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

<i>Goods and Services Received (cont...)</i>	<b>Aid-in-Kind 31 July 2018 (\$)</b>
21	
Child Protection Program (UNICEF)	8,000
Education Program (UNICEF)	110,000
Technical Assistance (JICA)	652,597
Project for System (JICA)	66,862
Support for Fiji Higher Education Commission (FHEC) (NZMFAT)	2,135,037
Fiji Health Sector Improvement Programme/Support Programme (DFAT)	7,887,679
NZ Medical Treatment Scheme 2017-2021 Fiji (NZMFAT)	364,857
Child Protection Programme (UNICEF)	10,000
Health, Nutrition and HIV & AIDS Programme (UNICEF)	1,838,000
Water, sanitation and hygiene programme (UNICEF)	146,360
Filiarsis Elimination Program (JICA)	148,860
Project for Improvement of Health Services through 5S-KAIZEN -TQM(JICA)	223,095
Project for Elimination of Filarisis in the Pacific (JICA)	1,405,553
Volunteer Scheme (JICA)	420,369
Navua Hospital - Technical Cooperation (China)	1,244,008
Mental Health Care System Enhancement Project (Personal Training) (Taiwan)	167,200
Mobile Medical Teams (Taiwan)	170,600
Mental Health Enhancement Project (Capacity	600,000
Support for Informal Settlements - Fiji Koroipita Rotahomes Project-Phase II & Phase III (NZMFAT)	926,758
Child Protection Programme (UNICEF)	40,000
Policy Evidence and Social Protection (UNICEF)	56,000
Volunteer Scheme (JICA)	128,532
Pacific Women Shaping Pacific Development (DFAT)	2,681,811
Engaging Youths in Organic Project (UNDP)	212,253
Second Phase of Technical Assistance for China-Aid Juncao Technology Demonstration (China)	2,639,723
Volunteer Scheme (JICA)	65,632
Pacific Horticultural and Agricultural Market Access (DFAT)	418,047
Fiji Dairy Industry Development Initiative (NZMFAT)	1,459,428
NWC Capacity Building (NZMFAT)	136,877
Sustainable Rural Livelihood (EU)	3,000,000
Vegetable Production, Marketing Extension and Capacity Building Project (Taiwan)	1,080,000
Volunteer Scheme (JICA)	86,309
Scholarship Program (Taiwan)	60,000
Financial Inclusion (DFAT)	2,602,934
Fiji Community Development Program (DFAT)	867,645
Market Development Facility (DFAT)	5,521,376
Supporting Private Sector Development in Fiji (DFAT)	6,310,144
Social Mitigation Programme -EDF 11 & Related Programs (EU)	22,157,607
Volunteer Scheme (JICA)	4,443,964
Project for Promotion of Regional Initiative on Solid Waste Management (J- PRISM Phase II) (JICA)	148,730
Technical Assistance - Advisor for PS Infrastructure Planning and Maintenance (JICA)	213,651
Technical Assistance (JICA)	222,259

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

		<b>Aid-in-kind</b>
		<b>31 July 2018</b>
		<b>(\$)</b>
21	<b>Goods and Services Received (cont...)</b>	
	Reinforcing Meteorological Training Functions of Fiji Meteorological Services (FMS) (JICA)	1,139,384
	Follow up Training on Himawari Satellite, Fiji Meteorological Services (JICA)	185,913
	Technical Assistance (GGGI)	438,871
	Clean and Renewable Energy Project (Taiwan)	800,000
	Project for Strengthening Capacity of Dept. Water, Sewerage to improve Rural Water Supply by Ecological Purification System Technology (JICA)	80,054
	Project to support reducing unaccounted water through effective control on Nadi/Ltka (JICA)	83,848
	Volunteer Scheme (JICA)	262,032
	Financing the Preparation of a Feasibility Study and Preliminary Engineering Design for Savusavu Water Supply and Sewerage System Project (Kuwait Fund for Arab Economic Development)	1,023,919
	Stinson Parade Bridge and Vatuwaqa Bridge Reconstruction Projects (China)	10,206,930
	<b>Total value of goods &amp; services received in-kind</b>	<b>155,007,977</b>

**22. Authorisation Date**

These IPSAS Financial Statements for the year ended 31 July 2018 were authorised for issue by the Permanent Secretary for Ministry of Economy on 30 November, 2020.

**23. Commitments & Contingencies**

Contingent liabilities of the Government at year end are disclosed in the statement of contingent liabilities in Schedule 5.

Financial Statements  
**Government of the Republic of Fiji**  
for the period ending 31 July 2018

*(Other Financial Statements required by Law)*

GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT 31 JULY 2018

Schedule 3

	Notes	31 Jul 2018 (\$)	31 Jul 2017 (\$)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalent	3	286,653,731	289,753,141
Accounts Receivable	17(b)	153,553,750	114,406,946
Prepayments	27	1,081,477	1,203,897
Inventory	28	3,129,786	3,441,302
<b>Total Current Assets</b>		<b>444,418,744</b>	<b>408,805,286</b>
<b>Non Current Assets</b>			
Term-Loans Receivable	29	572,199,306	481,928,586
Equity Investments	30	1,335,906,060	440,342,400
<b>Total Non Current Assets</b>		<b>1,908,105,366</b>	<b>922,270,986</b>
<b>TOTAL ASSETS</b>		<b>2,352,524,110</b>	<b>1,331,076,272</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	17(c)	164,938,055	95,014,885
Deferred Income	31	6,061,580	5,115,009
Trust fund account	32	197,701,126	197,199,489
Term Loans Payable - Treasury Bills	33(a)	185,283,183	94,884,303
Term Loans Payable - Overseas Loans	33(a)	59,057,667	56,630,835
Term Loans Payable - Domestic Loans	33(a)	235,277,000	160,729,000
<b>Total Current Liabilities</b>		<b>848,318,611</b>	<b>609,573,521</b>
<b>Non Current Liabilities</b>			
Term-loans Payable Overseas Loans	33(b)	1,396,235,176	1,311,330,048
Term-loans Payable Domestic Loans	33(b)	3,340,875,161	3,044,033,346
<b>Total Non Current Liabilities</b>		<b>4,737,110,337</b>	<b>4,355,363,394</b>
<b>TOTAL LIABILITIES</b>		<b>5,585,428,948</b>	<b>4,964,936,915</b>
<b>EQUITY</b>	46	<b>(3,232,904,838)</b>	<b>(3,633,860,643)</b>

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

Ministry of Economy  
Suva, Fiji

Dated 30 of the month of Nov, 2020

  
.....  
Ms. Makereta Konrote  
Permanent Secretary for Ministry of Economy

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF REVENUE & EXPENSES**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 4**

	Notes	31 Jul 2018	31 Jul 2017
		(\$)	(\$)
<b>REVENUE</b>			
Operating Revenue	35	3,079,416,368	2,800,944,648
Investing Revenue	36	165,023,264	36,497,041
Trade and Manufacturing Operations	44(a)	17,970,568	21,655,615
<b>TOTAL REVENUE</b>		<b>3,262,410,200</b>	<b>2,859,097,304</b>
<b>EXPENSES</b>			
Operating Expenses	38	2,029,871,453	1,722,012,740
Capital Expenses	39	1,382,283,665	1,025,601,795
Value Added Tax	40	37,476,706	35,913,968
Interest Payments on Loans	41	291,503,012	276,746,093
Trading and Manufacturing Operations	44(b)	13,368,156	16,566,320
<b>TOTAL EXPENSES</b>		<b>3,754,502,992</b>	<b>3,076,840,916</b>
<b>Deficit for the year</b>		<b>(492,092,792)</b>	<b>(217,743,612)</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF CONTINGENT LIABILITIES**  
**FOR THE YEAR ENDED 31 JULY 2018**

Schedule 5

No.	Name	Notes	Guarantee Balance including accrued interest 1 Aug 2017 (\$)	New Loan Guaranteed Issued in 2018 (Aug - July) (\$)	Guarantee Reduction in 2018 Loan Repayments (\$)	Accrued Interest 2018 (\$)	FX Effect (\$)	Guaranteed Balance plus interest accrued 31 July 2018 (\$)
<b>Section A:</b>								
<b>Explicit Contingent Liabilities -</b>								
<b>Guarantee of Loans Raised</b>								
1	Fiji Development Bank		190,584,886	97,300,000	(88,700,000)	812,765	---	199,997,651
2	Fiji Electricity Authority		99,209,799	---	(4,733,386)	---	---	94,476,413
3	Fiji Hardwood Corporation		5,065,585	---	(379,081)	499,418	---	5,185,922
4	Fiji Pine Limited		2,506,505	---	(705,486)	17,863	---	1,818,882
5	Fiji Sugar Corporation		178,167,302	151,053,440	(120,801,692)	---	1,827,617	210,246,667
6	Housing Authority		69,400,000	---	(9,700,000)	---	---	59,700,000
7	Fiji Broadcasting Corporation		14,640,962	---	(1,996,602)	---	---	12,644,360
8	Pacific Fishing Company Limited		2,604,576	2,847,280	(2,781,955)	---	---	2,669,901
	<b>Government Guarantee</b>	34	<b>562,179,615</b>	<b>251,200,720</b>	<b>(229,798,202)</b>	<b>1,330,046</b>	<b>1,827,617</b>	<b>586,739,796</b>
<b>Particulars</b>								
<b>Section B:</b>			<b>Authority</b>			<b>Liability as at</b>		
<b>Other Explicit Contingent Liabilities</b>						<b>31 July 2018</b>		
<b>- Subscription for Membership</b>						<b>(\$)</b>		
1	International Bank for Reconstruction and Development (IBRD)							303,034,283
2	Asian Development Bank							202,188,709
	<b>Total</b>	34						<b>505,222,992</b>
<b>Section C:</b>								
<b>Implicit Contingent Liabilities</b>								
1	National Bank of Fiji (Legal claims against the bank)							2,427,471
2	Provincial Councils - Loans Raised							1,441,163
3	Municipal Councils - Loans Raised							23,779,565
4	Fiji Revenue and Customs Service							35,482,450
	<b>Total</b>	34						<b>63,130,649</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2018**

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**24 Scope of Other Financial Statements**

This section on other Financial Statements contains the following as required by law (Financial Management Act 2004):

- Statement of Assets and Liabilities
- Statement of Revenue and Expenses
- Statement of Contingent Liabilities

It also includes as part of the notes, a Segmentation Report and other budgetary execution reports as required by law.

**25 Significant Accounting Policies relating to Other Financial Statements**

**25.1 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.

**25.2 Prepayments**

Prepayments comprise of unrecouped accountable advances paid to civil servants to facilitate official trips and accommodation for both domestic and overseas trips.

**25.3 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 cost. 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.

**25.4 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 Limited (UTOF) and Amalgamated Telecommunications Holdings (ATH).

**25.5 Investment in Sinking Fund**

Purpose of the Sinking Fund is to build cash reserves that would be sufficient to redeem the Global Bond when it matures. This account was established mainly for the purpose of redemption of the Offshore bond as well as debt repayments for Government. As at the end of July 2018, Sinking fund balance was \$12.3m compared to \$11.6m as at July 2017. Movements within the year were a result from dividends earned (FJD183,586) and exchange rate adjustments made.

**25.6 Accounts Payable**

Accounts Payable are amounts payable to suppliers or other creditors for the supply of goods, services or works.



**GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2018**

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*Significant Accounting Policies relating to Other Financial Statements (Cont...)*

**25.7 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.

**25.8 Treasury Bills Payable**

Treasury Bills Payable are recorded at discounted value.

**25.9 Government Bonds**

Starting in 2015, the bond premium and discounts are being amortized over the maturity period of the bond. However, the effect had not been applied retrospectively as it was impracticable to do so.

**25.10 Trust Fund Accounts**

Trust Fund Accounts comprises of funds which Government holds on behalf of its designated beneficiaries. The Trust Fund Accounts comprises of operating trust and main trust monies.

**25.11 Term Loans Payable**

Government borrow funds from either External or Domestic sources to finance its Capital Programs. External loans are recorded to the amount of disbursement made for each loan and converted to FJD using end of year exchange rates prescribed by the Reserve Bank of Fiji. Domestic loans are financial instruments raised locally that includes Government Bonds (Viti Bonds and Fiji Infrastructure Bonds) and Treasury Bills. Viti Bonds are recorded at Face Value while other domestic instruments are disclosed separately in the Financial Statements

**25.12 Operating Income**

Operating Income is recognized in the statement of receipts and payments using both accrual and cash basis system. Where AR (accounts receivable) 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.

**25.13 Investing Revenue**

Investing Revenue is recorded in the statement of receipts and payments on cash basis system.

**25.14 Loans Drawn**

Viti Bonds are recorded at Face Value. External Loans are recorded to the amount of disbursement made for each loan and converted to FJD using end of year exchange rates prescribed by the RBF.

**25.15 Expenditure**

Expenditure is recorded in the statement of revenue and expenses on a cash basis except for carry-over and accountable advance.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**26 Cash and Cash Equivalents**

The cash flow also includes other extra budgetary cash flows such as Trade and Manufacturing Account and Trust.

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Cash flows from Consolidated Fund Account of Budgetary cash flows:		
Net cash flows from operating activities (excluding TMA and Trust)	725,934,039	767,069,112
Net cash flows from investing activities	(1,215,632,867)	(966,282,216)
Net cash flows from financing activities	<u>486,896,160</u>	<u>217,754,081</u>
<b>Total net cash flows from Consolidated Fund Account</b>	<b><u>(2,802,668)</u></b>	<b><u>18,540,977</u></b>
Cash Flows from TMA (included in operating activities):		
TMA cash inflows	12,204,774	18,056,598
Less TMA cash outflows	<u>(13,344,785)</u>	<u>(16,566,320)</u>
<b>Net cash flows from TMA Account</b>	<b><u>(1,140,011)</u></b>	<b><u>1,490,278</u></b>
Cash Flows from Trust Funds (included in operating activities):		
Net Trust cash flows	<u>255,925</u>	<u>50,745,573</u>
<b>Net cash flows from Trust Accounts</b>	<b><u>255,925</u></b>	<b><u>50,745,573</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b><u>(3,686,754)</u></b>	<b><u>70,776,828</u></b>

**27 Prepayments**

Prepayments as at year end were as follows:

Prepayments	75	11,739
Advances	<u>1,081,402</u>	<u>1,192,158</u>
	<b><u>1,081,477</u></b>	<b><u>1,203,897</u></b>

Advances paid to staffs are recorded as prepayments, they are cleared to relevant expenditures upon retirement.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**28 Inventory**

Inventory comprises of raw materials; work in progress and finished goods of the Government Trading and Manufacturing Activities (TMAs). Inventories are valued at cost using the periodic inventory method. Inventory as at year end are as follows:

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Raw Materials	895,900	938,425
Work-in-Progress	378,073	182,190
Finished Goods for Sales	1,855,813	2,320,687
	<b><u>3,129,786</u></b>	<b><u>3,441,302</u></b>

**29 Term-Loans Receivable**

Term loans receivables are funds lent to state owned enterprises and students (scholarships) as part of Government on lending program.

**Term-Loans Receivable**

Term-Loans Receivable for Social Services	29(a)	321,705,443	228,345,465
Term-Loans Receivable for Economic Services	29(b)	250,493,863	253,583,121
Total Term-Loans Receivable		<b><u>572,199,306</u></b>	<b><u>481,928,586</u></b>

Loans provided by the Government to third parties are represented as follows:

**(a) Term-Loans Receivable for Social Services**

Public Officers and Ministers	14,476	14,476
I Taukei Affairs Board	5,678,924	5,778,924
PSC Scholarship Lending	9,049,544	9,041,153
Tertiary Education Loan Scheme	302,511,888	209,060,301
Loans to Fiji Sports Council	4,450,611	4,450,611
	<b><u>321,705,443</u></b>	<b><u>228,345,465</u></b>

**(b) Term-Loans Receivable for Economic Services**

Fiji Pine Commission	7,200,000	8,400,000
Fiji Sugar Corporation Limited	173,816,930	173,816,930
Viti Corporation Company Ltd	2,905,000	2,905,000
National Trading Corporation	1,900,000	1,900,000
Rewa Rice Limited	1,900,000	1,900,000
Pacific Fishing Company Limited	9,000,000	9,000,162
South Pacific Fertilizer	9,722,100	9,722,100
Housing Authority	34,740,200	36,230,048
Public Rental Board	9,309,633	9,708,881
	<b><u>250,493,863</u></b>	<b><u>253,583,121</u></b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**30 Equity 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 authorized to invest under the Trustee Act, in any security issued by any statutory body in Fiji and as advances authorized by Finance Act and any other Act or by resolution of the Parliament.

Investments as at year end were as follows:	<b>Shareholding</b>	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
		(\$)	(\$)
<b>Investments</b>			
Investments in Social Services	30(a)	6,916,667	6,628,943
Investments in Economic Services	30(b)	237,115,297	231,157,071
Investments in Infrastructure Services	30(c)	1,091,874,096	202,556,386
<b>Total Investments</b>		<b>1,335,906,060</b>	<b>440,342,400</b>

**(a) Investments in Social Services**

Post Fiji Limited	100%	5,600,000	5,600,000
Unit Trust of Fiji (Trustee) Ltd	49%	1,066,563	778,839
Unit Trust of Fiji (Management) Ltd	100%	50,000	50,000
Fiji Broadcasting Corporation Ltd.	100%	200,002	200,002
Walesi Ltd	100%	100	100
Fiji Public Trustee Corporation Ltd	100%	2	2
		<b>6,916,667</b>	<b>6,628,943</b>

**(b) Investments in Economic Services**

Air Pacific Ltd	51%	13,307,075	13,307,075
Fiji Hardwood Corporation	100%	90,000,000	90,000,000
Pacific Fishing Company Ltd	100%	14,728,956	14,728,956
Assets Fiji Ltd	100%	2	2
Fiji Pine Ltd	100%	61,002,064	61,002,064
Fiji Sugar Corporation Ltd	68%	15,119,580	15,119,580
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%	687,679	687,679
Air Terminal Services	51%	765,000	765,000

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

30 <i>Equity Investments (Cont...)</i>	Shareholding	31 Jul 2018	31 Jul 2017
		(\$)	(\$)
International Finance Corporation		603,068	577,349
International Bank for Reconstruction and Development		14,079,364	9,634,905
Copra Millers Fiji Ltd	98%	6,429,183	6,429,183
Asian Infrastructure Investment Bank		1,050,641	---
Asia Development Bank Subscription		10,644,615	10,207,208
		<b>237,115,297</b>	<b>231,157,071</b>

Investments in Asian Development Bank (ADB), International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD) reflect Paid-in subscriptions in the respective financial institution's capital stock that are subscribed by the government. These are not intended as income earning investments, but only to fulfil a requirement of these institutions to be entitled to borrowing and member privileges.

**(c) Investments in Infrastructure Services**

Airports (Fiji) Limited	100%	92,300,180	92,300,180
Amalgamated Telecom Holdings Limited	17%	219,627,976	80,262,716
Fiji Ports Corporation Limited	41%	29,993,490	29,993,490
Energy Fiji Limited	100%	749,952,450	---
		<b>1,091,874,096</b>	<b>202,556,386</b>

**(d) Reconciliation of Equity Investments**

The reconciliation of changes in investments are as follows:

**Increase/ (decrease) in fair value of shares**

Post Fiji Limited	---	---
Unit Trust of Fiji (Trustee) Limited	287,724	---
Unit Trust of Fiji (Management) Limited	---	---
Daily Post	---	(951,620)
Fiji Broadcasting Corporation Ltd	---	200,000
Walesi Limited	---	100
Fiji Public Trustee Corporation Limited	---	2
Air Pacific Ltd (Fiji Airways Ltd)	---	---
Fiji Hardwood Corporation	---	---
Pacific Fishing Company Ltd	---	---
Air Fiji Ltd	---	(171,804)
Assets Fiji Limited	---	2
Fiji Pine Ltd	---	---

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

30 <i>Equity Investments (Cont...)</i>	31 Jul 2018	31 Jul 2017
	(\$)	(\$)
Fiji Sugar Corporation Ltd	---	---
National Trading Corp. Ltd	---	(3,358,186)
Rewa Rice Ltd	---	---
Viti Corps Company Ltd	---	---
Yaqara Pastoral Company Ltd	---	---
Food Processors Ltd	---	(1)
Air Terminal Services	---	---
Copra Millers Fiji Ltd	---	---
Yaqara Group Ltd	---	(91,567)
Airports (Fiji) Ltd	---	---
Amalgamated Telecommunications Holdings	139,365,260	---
Fiji Ports Corporation Ltd	---	---
Energy Fiji Ltd	749,952,450	---
<b>Exchange Rate adjustments</b>		
International Finance Corporation	25,719	(19,201)
International Bank for Reconstruction and Development	4,444,459	(320,429)
Asian Development Bank	437,407	(248,218)
Asian Infrastructure Investment Bank	1,050,641	---
	<b>895,563,660</b>	<b>(4,960,922)</b>

The variations noted in Equity Investments are due to the recognition of Government interests in Energy Fiji Limited (475,000,000 ordinary shares of which 25,000,000 are non voting shares); increase in share price per unit (as at 31/07/17 and 31/07/18) for ATH and UTOF (Trustee) shares ; exchange rate adjustments for foreign investments with additional shares (264 shares) subscribed for IBRD.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>31 Deferred Income</b>	<b><u>6,061,580</u></b>	<b><u>5,115,009</u></b>

Deferred revenues are received cash deposits that government has collected, but not yet reported as revenue on the income statement. As they are reported as revenue in subsequent periods, (i.e. "amortized"), the amounts are deducted from the deferred revenue account.

**32 Trust Fund Account**

Section 25(1) of the Financial Management Act 2004 makes provision for the establishment of a Consolidated Trust Account to record all monies received by the government in trust except for monies received and administered by the Public Trustee or the Official Receiver.

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

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

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Deposits, Deductions and Retention Money	36,459,911	28,368,369
Consolidated Trust Fund	<u>161,241,215</u>	<u>168,831,120</u>
<b>Total Trust Fund Account</b>	<b><u>197,701,126</u></b>	<b><u>197,199,489</u></b>

**33 Term-Loans Payable**

Government borrows monies either domestically or from overseas to finance its Capital Programs. Total debt of Government outstanding as at 31/07/18 are as follows:

(a) **Current Liabilities**

Term-Loans Payable - Treasury Bills	33 (c)	185,283,183	94,884,303
Term Loans Payable - Overseas Loans	33(d)	59,057,667	56,630,835
Term Loans Payable - Domestic Loans	33(e)	<u>235,277,000</u>	<u>160,729,000</u>
<b>Total Current Liabilities</b>		<b><u>479,617,850</u></b>	<b><u>312,244,138</u></b>

(b) **Non-Current Liabilities**

Term-Loans Payable - Overseas Loans	33(d)	1,396,235,176	1,311,330,048
Term-Loans Payable - Domestic Loans	33(e)	<u>3,340,875,161</u>	<u>3,044,033,346</u>
<b>Total Non-Current Liabilities</b>		<b><u>4,737,110,337</u></b>	<b><u>4,355,363,394</u></b>
<b>Total Government Debt</b>		<b><u>5,216,728,187</u></b>	<b><u>4,667,607,532</u></b>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**33 Term-Loans Payable (Cont...)**

Term loans payable for overseas and domestic loans have been re-classified to represent current and non-current liabilities.

**(c) Treasury bills**

Term-Loans Payable - 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.

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Opening Balance	94,884,303	163,844,780
Treasury Bills Issued during the year	269,000,000	241,600,000
less unamortized amount	(2,500,501)	(1,883,410)
Treasury Bills Redemptions during the year	(177,900,000)	(308,677,067)
Non-Cash unamortised discount	1,799,381	---
Outstanding 31 July	<b>185,283,183</b>	<b>94,884,303</b>

**(d) Overseas loans**

Outstanding 1 August	1,367,960,883	1,258,728,392
Redemptions during the year	(44,811,307)	(49,336,100)
Capitalized interest	943,109	579,315
Add unamortized discount	850,649	859,989
Cash Borrowings	68,223,377	211,440,261
Non-cash borrowing-direct disbursement	5,955,007	11,602,187
Exemption - External Debt	---	(11,943,653)
Increase in public debt due to revaluation	56,093,533	(54,259,170)
Other adjustments	77,592	289,662
Outstanding 31 July	<b>1,455,292,843</b>	<b>1,367,960,883</b>

The Cash Borrowings amounting to \$68,223,377 was utilised for general budget support.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

33 *Term-Loans Payable (Cont...)*

	31 Jul 2018 (\$)	31 Jul 2017 (\$)
<b>Non Cash borrowings - By source:</b>		
<i>Bilateral</i>		
Export Import Bank of China	---	---
<i>Multilateral</i>		
Asian Development Bank	5,404,957	5,337,339
World Bank	550,050	6,264,848
<b>Non-Cash Borrowings - overseas</b>	<b><u>5,955,007</u></b>	<b><u>11,602,187</u></b>

Overseas loans amounting to \$5.95 million were drawn in financial year 01 August 2017 - 31 July 2018 from Government's loan facilities with Asian Development Bank and World Bank. These loans drawn by Government are directly disbursed to the contractors by lenders. Amount disbursed directly by Lenders to Water Authority of Fiji and Fiji Roads Authority was \$0.91 million and \$5.05 million respectively for the financial year 2017/2018.

(e) **Domestic loans**

Outstanding 1 August	3,204,762,346	3,079,850,613
Borrowings raised during the year	531,796,000	224,223,000
Add: Unamortized premium	(24,714)	30,397
Add: Accrued interests earned	648,865	301,336
Reversal of previous years accrued interest	(301,336)	---
Redemptions during the year	(160,729,000)	(99,643,000)
Outstanding 31 July	<b><u>3,576,152,161</u></b>	<b><u>3,204,762,346</u></b>

**Domestic Borrowings - By Source**

*Public*

Commercial Banks	76,673,000	2,000,000
Insurance companies	30,267,000	34,262,000
FNPF	402,363,000	172,635,000

*Private*

Others	22,493,000	15,326,000
<b>Total Domestic Borrowings raised in 2018</b>	<b><u>531,796,000</u></b>	<b><u>224,223,000</u></b>

Government bonds were raised locally during the year in the form of Fiji Infrastructure Bonds, Viti Bonds and Fiji Green Bonds. Accrued interest in 2016/17 fiscal year is reversed in this fiscal year.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>34 Contingent Liabilities</b>		
<i>Explicit Contingent Liabilities</i>		
Government Guarantees	586,739,796	562,179,615

The Financial Management Act 2004 section(62) stipulates that Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorized by the House of Representatives. Schedule 5 Statement of Contingent Liabilities provide in detail the various agencies (8 altogether) where government undertakes giving of guarantees by end of 31 July 2018.

*Other Explicit Contingent Liabilities*

International Bank for Reconstruction and Development (IBRD)	303,034,283	229,887,817
Asian Development Bank	202,188,709	193,880,399
	<b>505,222,992</b>	<b>423,768,216</b>

In addition, the subscriptions for membership with International Agencies such as the International Bank for Reconstruction and Development (IBRD) and the Asian Development Bank are also treated as contingent liabilities as the subscriptions represent callable capital and should government fail to honour the article of agreement, the agencies would call on the callable capital. The amounts are sourced from the certificate of balances provided by ADB and IBRD.

*Implicit Contingent Liabilities*

National Bank of Fiji - Legal claims against the bank	2,427,471	6,346,718
Provincial Councils - Loans Raised	1,441,163	1,873,561
Municipal Councils - Loans Raised	23,779,565	25,651,122
Fiji Revenue & Customs Services - litigation claims in relation to tax and customs matters	35,482,450	41,818,802
	<b>63,130,649</b>	<b>75,690,203</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	<b>31 July 2018</b> (\$)	<b>31 July 2017</b> <b>(Re-stated)</b> (\$)
<b>34 Contingent Liabilities (Cont...)</b>		
Government Contingent Assets	13,640,969	11,212,893

Contingent Asset and Liability figures for Fiji Revenue and Customs Services (FRCS) has been restated for 2016-2017FY. The reason for the restatement is due to errors and omissions. Errors relates to the classification of assets and liabilities whilst omissions relates to criminal cases not included in the listings.

The National Bank of Fiji comprises of legal claims against National Bank of Fiji - Asset Management Bank (NBF-AMB). This is sourced from the certificate of balances provided by the National Bank of Fiji - Asset Management Bank whereas loans raised by provincial councils and municipal councils represent a key component in the consolidation of general Government debt.

Loans raised by Municipal Councils are deemed implicit and represent a key component in the consolidation of general government debt. This is sourced from certificate of balances provided by the Ministry of Local Government.

The FRCS as an agent of Government has a number of litigation claims made against it in relation to tax and customs matters. These matters are resolved through various means not wholly within the control of the FRCS and may or may not give rise to an obligation. This is sourced from FRCSs audited Financial Statements for the year ended 31 July 2018.

From year 2015, only the explicit contingent liabilities with a reliable basis for the estimated amount are included in Schedule 5. The government recognizes a contingency to advance to FNPF on the basis of the provision of FNPF Act 2011 section 140 (1) that says "If the board is unable to satisfy a liability of the Board referable to a fund (the "relevant fund") out of the relevant fund, the Minister must, on written request by the Board, advance to the Board the amount needed to enable the Board to satisfy the liability".

**35 Operating Revenue**

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

	<b>31 Jul 2018</b> (\$)	<b>31 Jul 2017</b> (\$)
Direct Taxes	825,724,215	766,055,195
Indirect Taxes	2,005,911,627	1,813,120,249
Fees, Charges, Fines and Penalties	142,973,799	127,840,431
Operating Revenue - Surpluses	1,630	220
Other Revenues and Surpluses	34,401,166	44,298,661
Reimbursements and Recoveries	20,942,757	30,858,490
Grants in Aid (overseas)	49,461,174	18,771,402
<b>Total Operating Revenue</b>	<b>3,079,416,368</b>	<b>2,800,944,648</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>36 Investing Revenue</b>		
Interest received on Term-Loans Receivable	6,011,984	1,398,587
Sales of Government Assets	1,397,889	2,470,837
Dividend from Investments	149,766,928	25,308,640
Interest from Bank Balances	1,862,994	1,156,531
Return of TMA excess cash to consolidated fund account	5,961,851	6,162,446
Recovery of Fijian Affairs Loans	21,618	---
<b>Total Investing Revenue</b>	<b>165,023,264</b>	<b>36,497,041</b>

**37 Revenue from Non Exchange Transactions**

The primary objective of this disclosure is to differentiate between revenue from non-exchange transactions and revenue from exchange transactions in accordance with IPSAS 23 Revenue from Non Exchange Transactions. In a non-exchange transaction, government receives value from another entity without directly giving approximately equal value in exchange. Revenue from exchange transactions on the other hand arise whereby government collected revenues and directly gives approximately equal value to another entity in exchange.

<b>Revenue from non exchange transactions</b>	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>Direct Taxes (Gross)</b>	890,782,497	825,886,787
Direct Taxes Refunds	(65,058,282)	(59,831,592)
<b>Indirect Taxes</b>		
Value Added Tax (Gross)	1,044,540,672	942,908,016
Value Added Tax Refunds	(256,054,059)	(240,500,205)
Fiscal Duty	430,241,959	399,992,227
Excise Duty	166,441,553	144,708,176
Export Duty	9,720,193	9,798,921
Import Excise Duty	59,962,329	51,043,682
Service Turnover Tax	97,871,902	133,742,799
Water Resource Tax	64,289,698	62,565,152
Departure Tax	147,494,943	145,091,598
Fish Levy	85,687	123,042
Stamp Duty	85,266,235	81,024,453
Luxury Vehicle Duty	2,063,000	1,752,157
Environmental Levy	150,497,950	79,105,522
Miscellaneous indirect taxes	1,528,220	1,764,709
Third Party Insurance Levy	953,444	---
Telecommunication Levy	1,007,902	---
<b>Other non-exchange revenues</b>		
Grants in Aid	49,461,174	18,771,402
	<b>2,881,097,017</b>	<b>2,597,946,846</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

<i>37 Revenue from Non Exchange Transactions (Cont...)</i>	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>Revenue from exchange transactions</b>		
Fees, Charges, Fines and Penalties	142,973,799	127,840,431
Trading and Manufacturing Accounts - Sales Revenue	17,970,568	21,655,615
Other Revenues and Surpluses	34,402,796	44,298,881
Reimbursements and Recoveries	20,942,757	30,858,490
Repayment of Term-Loans Receivable	6,011,984	1,398,587
Sales of Government Assets	1,397,889	2,470,837
Dividend from Investments	149,766,928	25,308,640
Interest from Bank Balances	1,862,994	1,156,531
Return of Surplus Capital from Investments	5,961,851	6,162,446
Recovery of Fijian Affairs Scholarships	21,618	---
	<b>381,313,184</b>	<b>261,150,458</b>
<b>Total Revenue</b>	<b>3,262,410,201</b>	<b>2,859,097,304</b>
<b>38 Operating Expenses</b>		
Operating expenditure includes the following:		
Established Staff	900,309,981	800,546,116
Government Wage Earners	58,949,182	53,462,154
Travel and Communications	38,444,765	36,571,471
Maintenance and Operations	75,434,699	69,927,885
Purchase of Goods and Services	151,359,100	140,315,711
Operating Grants and Transfers	680,170,593	518,445,776
Special Expenditure	88,246,446	67,863,214
Pensions, Gratuities and Compassionate Allowances	36,956,687	34,880,413
<b>Total Operating Expenditure</b>	<b>2,029,871,453</b>	<b>1,722,012,740</b>
<b>39 Capital Expenses</b>		
Capital Expenditure includes the following:		
Capital Construction	102,877,892	83,016,151
Capital Purchases	75,674,702	48,526,290
Capital Grants and Transfers	1,203,731,071	894,059,354
<b>Total Capital Expenditure</b>	<b>1,382,283,665</b>	<b>1,025,601,795</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>40 Value Added Expense</b>	<b>37,476,706</b>	<b>35,913,968</b>

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

**41 Interest Payments and Other Charges 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.

**Interest Payments**

Overseas Loans	48,864,351	45,538,172
Domestic Loans	240,702,829	229,340,752
Treasury Bills	1,799,381	1,722,933
<b>Total Interest Paid</b>	<b>291,366,561</b>	<b>276,601,857</b>

Other charges on Public Debt - Miscellaneous Payments	136,451	144,236
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<b>Total Interest Paid and Miscellaneous Payments</b>	<b>291,503,012</b>	<b>276,746,093</b>
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**Interest Payment on overseas loans**

1994 Asian Development Bank 2nd Fiji Road Upgrading Project	---	22,156
1997 Asian Development Bank Third Road Upgrading project	915,304	891,557
1998 Japan International Corporation Agency Nadi Lautoka Water Supply and Sewerage Project	319,074	389,554
2004 Asian Development Bank Suva Nausori Water Supply and Sewerage Project	1,450,176	1,228,536
2006 Export Import Bank of China E-Government Project	631,990	679,905
2009 Asian Development Bank Emergency Flood Recovery Project	611,781	435,949
2010 Export Import Bank of China Fiji Low Cost Housing Project	764,925	796,473
2010 Export Import Bank of China Fiji Public Rental Housing Project	204,984	213,438
2010 Export Import Bank of Malaysia Queens Highway Rehabilitation Project	---	288,576
2010 Asian Development Bank Supplementary Third Road Upgrading project	707,650	554,212



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

<i>Interest Payments and Other Charges on Loans (Cont...)</i>	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
2010 Asian Development Bank Supplementary Suva/Nausori Water Supply Project	660,774	509,984
2011 Export Import Bank of China Sigatoka Valley and Sawani Serea Road Project	1,856,179	1,932,732
2011 Export Import Bank of China Buca Bay and Moto Road Project	2,082,453	2,169,890
2011 Fiji 2nd Government Global Borrowing	---	---
2012 Export Import Bank of China Nabouwalu and Dreketi Road Upgrading Project	5,128,889	4,887,910
2014 ADB Transport and Infrastructure Project	448,889	332,754
2016 IBRD Post Cyclone Winston Emergency LN8632	2,408,998	1,370,939
2015 Global Bond	27,016,053	27,312,687
2016-2017 ADB Emergency Assistance LN3403	2,122,529	105,113
2016 IBRD Transport Infrastructure LN8482	396,945	246,561
2016 IFAD Agricultural Loan EUR3.1m	21,063	6,600
2016-17 WB Fiji Cable Connection to Vanua Levu LN8666	90,180	12,995
3rd Global Bond Amortisation	850,649	859,989
LN8482 World Bank TIIP End Fee	---	258,425
LN8666 WB Fiji Connectivity Project Front End	---	31,237
2017 ADB UWSWMIP LN 3512 Capitalised Interest	97,275	---
LN8840 IBRB FSCRDPL Front End Fee	77,591	---
	<b>48,864,351</b>	<b>45,538,172</b>
<b>Interest Payment on domestic loans</b>		
Viti Bond 2012	97,710	131,430
Viti Bond 2013	315,200	315,200
Viti Bond 2014	265,960	265,960
Viti Bond 2015	336,660	336,660
Viti Bond 2016	231,765	231,415
Viti Bond 2016/17	460,221	205,444
Viti Bond 2017/18	169,042	---
Fiji Development Loan 2001	---	795,050
Fiji Development Loan 2002	805,850	3,776,100
Fiji Development Loan 2003	5,133,720	5,133,720
Fiji Development Loan 2004	8,032,970	8,032,970
Fiji Development Loan 2005	6,031,018	6,031,018
Fiji Development Loan 2006	25,155,879	25,519,525
Fiji Development Loan 2007	7,505,350	8,076,525
Fiji Development Loan 2008	20,371,851	20,374,381
Fiji Development Loan 2009	40,207,875	40,207,875

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

**41 Interest Payments and Other Charges on Loans (Cont...)**

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
Fiji Development Loan 2010	41,056,500	41,119,000
Fiji Development Loan 2011	6,556,590	7,055,135
Fiji Development Loan 2012	11,449,310	11,775,030
Fiji Development Loan 2013	8,055,020	8,097,120
Fiji Development Loan 2014	8,802,500	9,137,500
Fiji Development Loan 2015	11,497,089	11,916,474
Fiji Development Loan 2016	16,790,527	16,790,920
Fiji Development Loan 2017	13,673,547	4,017,850
Fiji Development Loan 2018	6,040,706	---
Fiji Green Bonds	1,659,969	---
Unamortised discount	---	(1,550)
	<b>240,702,829</b>	<b>229,340,752</b>

**42 Repayment of Loans**

Principal Repayments:		
Overseas Loans	44,811,307	49,336,100
Domestic Loans	160,729,000	99,643,000
<b>Total Principal Repayments</b>	<b>205,540,307</b>	<b>148,979,100</b>

**Principal Repayments Overseas Loans**

1994 Asian Development Bank 2nd Fiji Road Upgrading Project	---	3,855,142
1997 Asian Development Bank Third Road Upgrading project	5,939,113	5,497,409
1998 Japan International Corporation Agency Nadi Lautoka Water Supply and Sewerage Project	2,271,693	2,350,617
2004 Asian Development Bank Suva Nausori Water Supply and Sewerage Project	3,752,441	3,465,247
2005 Asian Development Bank Suva Supplementary Nausori Water Supply and Sewerage Project	981,494	905,942
2006 Export Import Bank of China E-Government Project	3,370,497	3,269,292
2009 Asian Development Bank Emergency Flood Recovery	386,964	---
2010 Asian Development Bank Supplementary Third Road Upgrading project	2,210,424	2,043,014
2010 Export Import Bank of Malaysia Queens Highway Rehabilitation Project	---	10,863,562
2010 EXIM Bank of China/ Fiji Low Cost Housing	2,744,177	2,661,778

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

42 <i>Repayment of Loans(Cont...)</i>	31 Jul 2018 (\$)	31 Jul 2017 (\$)
2010 EXIM Bank of China/ Public Rental Housing	735,381	713,300
2010 EXIM Bank of China/ Sigatoka Valley & Sawani Serea	6,659,062	6,459,112
2010 EXIM Bank of China/ Buca Bay and Moto roads	7,470,961	7,251,685
2011 Global bond	---	---
2012 EXIM Bank of China Road Upgrading Project	8,289,100	---
<b>Total Principal Repayments Overseas Loans</b>	<b>44,811,307</b>	<b>49,336,100</b>

Principal repayments for external loans will commence at the end of their grace periods. These loans were signed in 2014/2015 to 2016/2017 financial year with grace period ranging from 3 to 5 years from the signing date. Aside from the global bonds that is due in October 2020, the principal repayments for other external loans will commence in financial year 2019 and 2021 respectively.

**Principal Repayment Domestic Loans**

Fiji Development Loan 2001	---	25,000,000
Fiji Development Loan 2002	26,000,000	33,000,000
Fiji Development Loan 2003	28,000,000	---
Fiji Development Loan 2006	---	7,300,000
Fiji Development Loan 2007	10,300,000	2,500,000
Fiji Development Loan 2008	29,870,000	---
Fiji Development Loan 2010	---	2,000,000
Fiji Development Loan 2011	17,200,000	---
Fiji Development Loan 2012	1,300,000	---
Fiji Development Loan 2013	---	3,700,000
Fiji Development Loan 2014	---	15,200,000
Fiji Development Loan 2015	45,100,000	10,100,000
Fiji Development Loan 2016	370,000	---
Viti Bonds 2012 (4%)	2,589,000	843,000
<b>Total Principal Repayments Domestic Loans</b>	<b>160,729,000</b>	<b>99,643,000</b>

**43 Ways and Means**

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

Ways and Means Receipts	26,800,000	107,500,000
Ways and Means Repayments	(26,800,000)	(107,500,000)
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**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	31 Jul 2018 (\$)	31 Jul 2017 (\$)
<b>44 Revenue and Expense from Trading &amp; Manufacturing Accounts</b>		
Trading and Manufacturing Accounts - Sales Revenue	13,884,882	17,796,382
Trading and Manufacturing Accounts - Other Revenue and Surplus	4,085,686	3,859,233
<b>(a) Total Revenue from TMA's</b>	<b>17,970,568</b>	<b>21,655,615</b>
Cost of Goods sold	451,429	530,580
Other TMA Expenditures	12,916,727	16,035,740
<b>(b) Total Expenses from TMA's</b>	<b>13,368,156</b>	<b>16,566,320</b>
<b>45 Arrears of Revenue</b>	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
The Arrears of Revenue position of Government as at 31/07/2018 are as follows:		<b>Re-stated</b>
Ministry of Agriculture	806,817	805,187
Office of the Auditor-General	24,335	51,532
Ministry of Communications	8,412,697	7,599,780
Ministry of Education, Heritage and Arts	131,265	12,656
Ministry of Economy (Pensions Office)	146,141	149,639
Ministry of Economy (Surcharge)	665,804	711,546
Ministry of Fisheries & Forests	23,036	---
Government Printing and Stationery Department	643,597	479,367
Ministry of Health and Medical Services	484,381	404,452
Information Technology & Computing Services	---	289
Ministry of Industry, Trade and Tourism	---	---
Judiciary	13,337,274	13,450,691
Ministry of Employment, Productivity and Industrial Relation	52,418	15,620
Department of Lands	23,500,411	21,820,630
Ministry of Infrastructure and Transport	626,205	1,303,781
Land Transport Authority	17,616,921	6,652,801
Department of Fiji Meterological Services	1,894,106	1,894,106
Overseas Peacekeeping Missions	915,883	881,360
Fiji Police Force	3,015	3,781
Public Utilities (Water Authority of Fiji)	35,827,196	33,006,642
Ministry of Rural & Maritime Development	2,243,139	983,674
Solicitor General`s Office	3,543	575
<b>Total Arrears of Revenue</b>	<b>107,358,184</b>	<b>90,228,109</b>

Fiji Revenue and Customs Service IRD and Customs arrears have been excluded from Note 45 and recognised in Statement of Assets and Liabilities. (Note 17b)

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

	<b>31 Jul 2018</b>	<b>31 Jul 2017</b>
	(\$)	(\$)
<b>46 Equity Movements</b>		
Opening Balance 1 August	(3,633,860,643)	(3,599,484,240)
Deficit for the year - consolidated fund account	(496,695,204)	(222,832,904)
Surplus for the year - trade and manufacturing account	4,602,412	5,089,295
Revaluation of External Debt due to foreign currency conversions	(56,093,534)	66,202,823
Investment Equity Adjustment	895,563,662	(4,960,923)
Adjustments of underlying account balances and Equity	(32,952,120)	(75,355,685)
Previous years adjustments of term loans receivables	91,905,096	204,122,853
Effects of exchange rate movements	587,344	(479,416)
Cash remitted to Consolidated Fund Account	(5,961,851)	(6,162,446)
	<u>(3,232,904,838)</u>	<u>(3,633,860,643)</u>
<b>Closing balance as at 31 July</b>	<b>(3,232,904,838)</b>	<b>(3,633,860,643)</b>

47 For the year ended 31 July 2018, total amount of \$121,793,317 in penalties was waived by the Fiji Revenue & Customs Services and total amount of \$583,822 in interest was waived by Ministry of Lands and Mineral

48 Total income tax refunds for the year 2016/2017 has been restated from \$106,865,387 to \$18,694,678 to reflect the correct treatment for all refunds. The reason for the restatement is to exclude taxes received progressively during the year. The \$18,694,678 includes only individual income tax refunds as at 31st July 2017.

49 Tertiary Education Loans Scheme ("Scheme") is a fund intended to provide financing to Fijian students that qualify for higher education in approved institutions but are unable to support themselves financially. The scheme provides loans to access higher education at affordable rates of interest (free or low-interest rate of loans) for equitable access to higher education in the country in support of the Fijian Government vision of "Building a Smarter Fiji". The scheme in addition to tuition fees covers for accommodation transport costs, pocket allowances, books and study materials and other associated costs.

50 The Environment and Climate Adaptation Levy (ECAL) is a tax on prescribed services, items and income. ECAL is a broader version of the Environmental Levy introduced in 2015. According to the Environmental Levy (Budget Amendment) Act 2017, ECAL in 2017-2018, was made up of the following: 10% tax on importation of luxury vehicles; Miscellaneous - inclusive of 10% charge on super yacht charters and docking fees; 10% income tax on individual earnings of more than FJ \$270,000; 10 cents levy on plastic bags; and 10% ECAL on prescribed services. ECAL proceeds are collected by the Fiji Revenue & Customs Services (FRCS) and administered by the Ministry of Economy in accordance with the Finance Management Act 2004 and Finance Instructions 2010. This innovative fiscal tool helps fund critical work across Fiji to protect our natural environment, reduce our carbon footprint, and adapt our economy, our communities and our infrastructure to the worsening impacts of climate change.

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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51 In October 2017, Fiji made history by becoming the first emerging economy to offer a sovereign green bond. The Fiji Sovereign Green Bond ('FSGB') is worth FJ \$100 million and supports environmentally sustainable and climate change-related projects administered by the Fijian Government. It has helped encourage unprecedented private-sector climate finance, expedite climate action at the national and local levels and ensure fiscal stability. It is a unique capital market mechanism as it is largely adaptation-focused, with over 90% of spending on adaptation-centric projects and just under 10% spending on mitigation-centric projects - a true reflection of our national priorities. The FSGB focuses on climate change and environmental conservation that stems from national policies that focus on mainstreaming holistic sustainable development. The FSGB received overwhelming support from local and international investors alike, with more than FJ \$162.4 million worth of bids received for the FJ \$100 million green bonds issued. The issuances were split into two tenors, i.e., 5 years at 4% coupon rate and 13 years at 6.3% coupon rate. The projects selected for the FSGB were done in accordance to the Fiji Green Bond Framework, assessed by technical experts from IFC and endorsed by the FSGB Steering Committee.

**52 Events After Reporting Date**

(i) The COVID-19 pandemic has developed rapidly in 2020 and has dismantled the way world does business and in doing so, it has upended the very fundamentals of the global economy. The world economy including major markets, is rapidly approaching recession territory, propelled by historic growth across Asia and Europe. Measures taken by various governments to contain the virus have affected economic activity.

Government of Fiji announced a COVID-19 Response Budget on 26 March 2020 with a \$1 billion dollar Stimulus Package which incorporates a collective mobilization of various measures via the FNPF, RBF, Commercial Banks and Other Finance Companies, EFL, WAF and others to monitor and mitigate the effects of COVID-19. Some of the measures and initiatives rolled out to stimulate the economy are government salary cuts, health facilities boost, hotel investment incentive package, capital expenditure incentive, business assistance, SME assistance, employers and individual assistance, student assistance, elderly care, other support initiatives to all, Government institutional strengthening, and direct and indirect tax measures.

(ii) On 16 April 2018, the corporatisation of Fiji Electricity Authority to a limited liability company called Energy Fiji Limited ("EFL") was announced. As part of the corporatisation of EFL, the following capital structure was adopted as per Legal Notice 24:

Shareholder	Ordinary Shares	Non-Voting Shares
The Permanent Secretary Responsible for Finance	475,000,000	25,000,000

The initial shareholding for the permanent secretary responsible for finance for Energy Fiji Ltd was \$500,000,000. Out of the 500,000,000 shares, 95% (475,000,000 shares) was approved to be retained by Government and 5% (25,000,000 shares) to be issued to the Non-Voting Shareholders (domestic customers) of EFL. The Fijian Government offered the 5% non-voting shares in EFL to eligible domestic electricity customers for nil

On 23 August 2019, the Government of the Republic of Fiji announced that it had entered into an agreement to divest 20% of the shares (100,000,000 ordinary shares) in Energy Fiji Limited to the Fiji National Provident Fund ("FNPF"). The sale was concluded on 11 October for a sum of \$206,109,989.13. Following the divestment, Government of the Republic of Fiji will retain 75% of the shares in EFL, with the remaining shares held by FNPF (20%) and the eligible domestic account holders (5%).

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (*cont...*)**  
**FOR THE PERIOD ENDING 31 JULY 2018**

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(iii) The US\$200 million Bond will mature on 2 October 2020 and will be refinanced through funding already secured under policy – based budget support (Programme) loans with multilateral partners. The main focus of the Programme has been the improvement in fiscal management, enhanced policy, legal and institutional framework for SOEs and public-private partnerships with improvement in business and investment climate.

No adjustment has been made to the financial statements as at 31 July 2018 to this effect.



**GOVERNMENT OF THE REPUBLIC OF FIJI  
SEGMENTATION REPORT BY FUND CLASSIFICATION  
FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 6**

**Segment Information (IPSAS 18.12-15)**

The Government Account is made up of three funds as follows:

- The Consolidated Fund Account, which consists of all items funded under the Consolidated Fund Accounts (CFAs). The operating fund is where the National Government Budget comes from.
- Trading and Manufacturing Accounts (TMAs). TMAs were established under the 1981 Finance Act to enable Government ministries and departments to undertake quasi-commercial operations for the purpose of trading or production of goods and services for sale to other departments, statutory bodies, or individuals. Funding was provided by Government at the time of establishment and any surplus from activities in excess of the ceiling set when the original funding was allocated must be returned to the Consolidated Fund. The monies returned are recorded as revenue in the accounts of budgetary central Government.
- The Main Trust Fund Account consists of Trust Funds which Government are managing (as Trustees) on behalf of designated signatories.

For the purpose of this report, we are only focusing on two primary reportable segments i.e. the segmentation of Trade and Manufacturing Account from Fund 1 (Operating) and Fund 9 (Main Trust) combined.

**Primary Reportable Segments 2018**

	<b>CFA</b>	<b>TMA</b>	<b>Consolidated Total Government</b>
	(\$)	(\$)	(\$)
<b>Segment revenue</b>			
Non exchange revenue - taxes, grants and transfers	(2,881,097,017)	---	(2,881,097,017)
Exchange revenue - sale of goods and services	(198,319,352)	(17,970,568)	(216,289,920)
Exchange revenue - investments	(165,023,264)	---	(165,023,264)
<b>Segment expenses</b>			
Operating Expenditure	2,029,871,453	13,368,156	2,043,239,609
Capital Expenditure	1,382,283,665	---	1,382,283,665
VAT	37,476,707	---	37,476,707
Interest Payments on Loans	291,503,012	---	291,503,012
<b>Reconciled to aggregate net income</b>	<b>496,695,204</b>	<b>(4,602,412)</b>	<b>492,092,792</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
SEGMENTATION REPORT BY FUND CLASSIFICATION  
FOR THE PERIOD ENDING 31 JULY 2018**

Schedule 6

**Primary Reportable Segments 2018**

	CFA	TMA	Consolidated Total Government
	(\$)	(\$)	(\$)
<b>Segment Assets</b>			
Cash at Bank	273,022,838	13,630,893	286,653,731
Accounts Receivable	152,580,066	973,684	153,553,750
Prepayments	1,081,477	---	1,081,477
Inventory	---	3,129,786	3,129,786
Investments	1,335,906,060	---	1,335,906,060
Term-Loans Receivable	572,199,306	---	572,199,306
<b>Segment Liabilities</b>			
Accounts Payable	(164,937,844)	(211)	(164,938,055)
Deferred Income	(2,899,512)	(3,162,068)	(6,061,580)
Operating Trust fund	(36,281,812)	(178,099)	(36,459,911)
Consolidated Trust Fund	(162,270,743)	---	(162,270,743)
Term Loans Payable - Treasury Bills	(185,283,183)	---	(185,283,183)
Term-loans Payable Overseas Loans	(1,455,292,843)	---	(1,455,292,843)
Term-loans Payable Domestic Loans	(3,576,152,161)	---	(3,576,152,161)
<b>Reconciled to net liability</b>	<b>(3,248,328,351)</b>	<b>14,393,985</b>	<b>(3,233,934,366)</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**SUMMARY OF REVENUE**  
**FOR THE PERIOD ENDING 31 JULY 2018**

Schedule 7

<b>Heads of Revenue</b>	<b>Estimate 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>
<b>Operating Revenue</b>				
21 Direct Taxes.....	790,384,046	825,724,215	35,340,169	---
22 Indirect Taxes.....	2,306,878,986	2,005,911,627	---	300,967,359
23 Fees, Fines & Charges.....	129,206,458	142,973,799	13,767,341	---
24 Operating Revenue Sales.....	605	1,630	1,025	---
27 Other Receipts.....	35,938,162	34,401,166	---	1,536,996
28 Reimbursements & Recoveries.....	34,260,648	20,942,757	---	13,317,891
29 Grant Aid.....	35,630,246	49,461,174	13,830,928	---
<b>Operating Revenue Total</b>	<b>3,332,299,151</b>	<b>3,079,416,368</b>	<b>62,939,463</b>	<b>315,822,246</b>
<b>Investing Revenue</b>				
Repayments of Term Loans				
31 Receivable.....	405,110	6,011,984	5,606,874	---
32 Sales of Government Assets.....	371,874,475	1,397,889	---	370,476,586
33 Dividends from Investments.....	148,018,527	149,766,928	1,748,401	---
34 Interest from Bank Balances.....	898	1,862,994	1,862,096	---
Return of Surplus Capital from				
35 Investment.....	4,724,347	5,961,851	1,237,504	---
39 Term Loan Receivable.....	---	21,618	21,618	---
<b>Investing Revenue Total</b>	<b>525,023,357</b>	<b>165,023,264</b>	<b>10,476,493</b>	<b>370,476,586</b>
<b>Total Revenue</b>	<b>3,857,322,508</b>	<b>3,244,439,632</b>	<b>73,415,956</b>	<b>686,298,832</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISON  
FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 8**

<b>Heads and Subheads of Revenue</b>	<b>Estimate for 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>	<b>Actual Revenue 2017 (\$)</b>
<b>OPERATING REVENUE</b>					
<b>21 - DIRECT TAXES</b>					
<b>1. Income Tax</b>					
01. Income Tax.....	647,718,949	780,618,435	132,899,486	---	734,616,839
02. Capital Gains Tax.....	29,832,238	45,105,780	15,273,542	---	31,438,356
03. Withholding & Dividend Taxes.....	112,832,859	---	---	112,832,859	---
Total.....	<b>790,384,046</b>	<b>825,724,215</b>	<b>148,173,028</b>	<b>112,832,859</b>	<b>766,055,195</b>
Net Increase.....			<b>35,340,169</b>	-	
<b>22 - INDIRECT TAXES</b>					
<b>1. Value Added Tax</b>					
01. Value Added Tax.....	1,006,881,224	788,486,612	---	218,394,612	702,407,811
<b>2. Custom Taxes</b>					
01. Fiscal Duty.....	494,732,590	430,241,959	---	64,490,631	399,992,227
02. Excise Duty.....	175,001,976	166,441,553	---	8,560,423	144,708,176
03. Export Duty.....	12,431,138	9,720,193	---	2,710,945	9,798,921
04. Import Duty.....	58,552,409	59,962,329	1,409,920	---	51,043,682
<b>6. Service Turnover Tax</b>					
01. Hotel Turnover Tax.....	---	97,871,902	97,871,902	---	133,742,799
<b>7. Water Resource Tax</b>					
01. Water Resource Tax.....	69,898,688	64,289,698	---	5,608,990	62,565,152
<b>9. Departure Tax</b>					
01. Departure Tax.....	287,019,526	147,494,943	---	139,524,583	145,091,598
<b>10. Fish Levy Tax</b>					
01. Fish Levy.....	144,710	85,687	---	59,023	123,042
<b>12. Stamp Duty</b>					
01. Stamp Duty.....	97,814,954	85,266,235	---	12,548,719	81,024,453
<b>13. Luxury Vehicle Levy</b>					
01. Luxury Vehicle Levy.....	2,763,312	2,063,000	---	700,312	1,752,157
<b>14. Telecommunication Levy</b>					
01. Telecommunication levy.....	1,484,175	1,007,902	---	476,273	---
<b>15. Credit Card Levy</b>					
01. Credit Card Levy.....	---	---	---	---	---
<b>16. Third Party Insurance Levy</b>					
01. 3rd Party Insurance Levy.....	1,933,250	953,444	---	979,806	---
<b>19. Health and Environment Levy</b>					
01. Health Levy.....	3,857,240	---	---	3,857,240	---

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISON  
FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 8**

<b>Heads and Subheads of Revenue</b>	<b>Estimate for 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>	<b>Actual Revenue 2017 (\$)</b>
02. Environmental Levy.....	94,339,842	150,497,950	56,158,108	---	79,105,522
<b>99. Miscellaneous Fees and Receipts</b>					
01. Miscellaneous Fees and Receipts.....	23,952	1,528,220	1,504,268	---	1,764,709
<b>Total.....</b>	<b>2,306,878,986</b>	<b>2,005,911,627</b>	<b>156,944,198</b>	<b>457,911,557</b>	<b>1,813,120,249</b>
Net Decrease.....				<b>300,967,359</b>	
<b>23 - FEES, FINES &amp; CHARGES</b>					
<b>01. Dues</b>					
01. Light Due - Port & Harbor.....	1,375	---	---	1,375	---
<b>02. Duty</b>					
01. Stamp Duty.....	3,648,183	57,699	---	3,590,484	1,494
<b>03. Fees</b>					
01. Agricultural Produce and Inspection.....	12,569	1,478	---	11,091	308,802
02. Native Timber Measurement.....	1,704,262	286,381	---	1,417,881	332,913
03. Land and Survey Fees.....	532,306	1,072,818	540,512	---	604,491
04. Mining Fees.....	646,232	494,434	---	151,798	499,064
06. Passports.....	13,916,616	12,640,060	---	1,276,556	13,490,542
07. Town Planning Fees.....	282,961	472,514	189,553	---	256,537
08. Examination Fees.....	34,847	48,666	13,819	---	59,695
09. Government Day Schools-Fees.....	38,307	26,630	---	11,677	30,409
10. Government Boarding Schools-Fees.....	474,138	431,378	---	42,760	387,927
11. Health Fumigation and Quarantine.....	1,971,388	1,490,901	---	480,487	1,537,992
12. Hospital.....	2,742,991	1,838,901	---	904,090	2,153,874
13. Fiji School of Nursing.....	---	39	39	---	---
14. Cemetery Fees.....	124,407	60,166	---	64,241	60,680
17. Audit Fees.....	442,297	331,877	---	110,420	450,776
18. Court Fees.....	1,575,272	1,195,854	---	379,418	1,614,070
19. Registration.....	1,510,793	3,135,651	1,624,858	---	1,378,823
20. Management Fee.....	---	---	---	---	---
21. LTA Fees and Fines.....	30,926,205	33,488,670	2,562,465	---	27,829,234
23. LTA Road User Levy.....	14,974,941	16,536,982	1,562,041	---	11,949,971
27. Offshore Fisheries Management Fees.....	1,711,666	1,838,671	127,005	---	1,653,606
31. MSAF Fees.....	-	4,284,726	4,284,726	---	---
75. Civil Aviation.....	3,524	2,360	---	1,164	5,500
76. Land Sales Revenue Fees.....	---	---	---	---	20,604
99. Miscellaneous Fees.....	---	4,570,560	4,570,560	---	4,154,399

**GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 8**

<b>Heads and Subheads of Revenue</b>	<b>Estimate for 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>	<b>Actual Revenue 2017 (\$)</b>
<b>04. Licenses</b>					
01. Arms.....	55,906	35,735	---	20,171	45,688
02. Banks.....	---	---	---	---	---
03. Coasting.....	7,077	-	---	7,077	2,264
05. Liquor.....	1,098,647	845,704	---	252,943	834,985
06. Trading.....	349,067	510,173	161,106	---	412,118
07. Dogs.....	21,462	17,903	---	3,559	23,269
09. Money Lenders.....	96,730	46,982	---	49,748	69,708
10. Hotels and Guest Houses.....	212,972	160,624	---	52,348	162,361
11. License Insurance, Agents and Brokers..	1,167	49,411	48,244	---	---
12. Telecommunications and Television.....	6,000,000	7,468,409	1,468,409	---	7,819,787
14. Fishing.....	17,400	9,471	---	7,929	23,922
17. License- Security Industry.....	70,733	25,992	---	44,741	16,631
99. Other.....	1,427,236	2,116,440	689,204	---	1,747,350
<b>05. Rates - Public Works</b>					
01. Water Charges.....	39,186,795	45,242,787	6,055,992	---	44,260,283
<b>06. Fees Royalties</b>					
01. Royalties Timber.....	---	---	---	---	---
03. Royalties - Sand, Coral, Metal, etc.....	64,493	296,213	231,720	---	76,258
<b>07. Fines</b>					
01. Court Fines.....	3,297,570	1,814,480	---	1,483,090	3,549,216
<b>08. Administrative Fines and Penalty</b>					
02. Administrative Fines and Forfeitures....	23,921	26,059	2,138	---	15,188
Total.....	<b>129,206,456</b>	<b>142,973,799</b>	<b>24,132,391</b>	<b>10,365,048</b>	<b>127,840,431</b>
Net Increase.....			<b>13,767,343</b>		
<b>24 - OPERATING REVENUE - SALES</b>					
02. Sales - Cash.....	605	1,630	1,025	---	220
Total.....	<b>605</b>	<b>1,630</b>	<b>1,025</b>	---	<b>220</b>
Net Increase.....			<b>1,025</b>		
<b>27 - OTHER REVENUE AND SURPLUSES</b>					
<b>01. Surplus/Deficit from Agency</b>					
01. RBF Revaluation Reserve Account.....	2,000,000	2,090,262	90,262	---	3,016,262
06. Sales of items from Technical.....	3,485	11,583	8,098	---	15,108

**GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 8**

<b>Heads and Subheads of Revenue</b>	<b>Estimate for 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>	<b>Actual Revenue 2017 (\$)</b>
<b>02. Rent and Hire of Government Property</b>					
01. Rental for Land.....	11,937,321	14,386,719	2,449,398	---	13,419,599
02. Rental for Official Quarters.....	88,337	67,217	---	21,120	76,346
03. Rental for Buildings.....	301	---	---	301	---
04. Hire of Plant and Vehicles.....	1,777	16,239	14,462	---	---
05. Hire of Vessels and Punts.....	8,100	---	---	8,100	---
06. Revenue from Rest Houses.....	9,479	4,598	---	4,881	9,234
<b>03. Commission Revenue</b>					
01. Commission.....	2,828,906	3,969,990	1,141,084	---	3,147,001
<b>99. Other Revenue</b>					
01. Sale of Photographs.....	101	---	---	101	21
02. Sales of Publications.....	72,730	61,198	---	11,532	68,478
03. Revenue from Production of Films.....	2,336	147	---	2,189	413
04. Survey & Sales of Navigation Publications.....	240,237	417,513	177,276	---	306,999
05. Meat Inspection.....	34,465	15,427	---	19,038	19,280
06. Veterinary and Animal Quarantine.....	18,160	27,961	9,801	---	12,327
07. Freight and Charter Receipts.....	210,807	2,241,852	2,031,045	---	971,775
08. Chemical Analysis.....	3,925	3,313	---	612	1,807
09. Valuation Fees.....	30,461	15,086	---	15,375	18,153
10. Sale of Farm Product.....	53,677	42,262	---	11,415	31,835
11. Sale of Surplus Farm Produce.....	65,869	52,896	---	12,973	62,390
13. Sale of Fish and Ice.....	475,869	266,028	---	209,841	389,814
14. Sale of Sheep and Wool.....	19,708	8,385	---	11,323	30,126
17. Agricultural Landlord and Tenant Tribunal.....	4,004	2,640	---	1,364	1,923
19. Drying and Storage Facilities.....	---	---	---	---	---
20. Board Members Fees .....	91,414	201,908	110,494	---	85,411
24. Pound Keeping .....	---	4,239	4,239	---	---
25. Sale of Animals by Auction .....	---	850	850	---	---
99. Other Revenue.....	17,736,693	10,492,853	---	7,243,840	22,614,359
<b>Total.....</b>	<b>35,938,162</b>	<b>34,401,166</b>	<b>6,037,009</b>	<b>7,574,005</b>	<b>44,298,661</b>
<b>Net Decrease.....</b>				<b>1,536,996</b>	
<b>28 - REIMBURSEMENT AND RECOVERIES</b>					
<b>11. Reimbursement of Services</b>					
01. Reimbursement for Meteorological Services.....	477,593	500,459	22,866	---	540,886

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISON  
FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 8**

<b>Heads and Subheads of Revenue</b>	<b>Estimate for 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>	<b>Actual Revenue 2017 (\$)</b>
06. Reimbursement-HA Low Cost Housing.....	1,072,583	3,509,103	2,436,520	---	3,108,842
07. Reimbursement-PRB Housing Project.....	570,360	1,313,000	742,640	---	1,789,845
99. Reimbursement of WALESI Digital Television....	14,385,294	---	---	14,385,294	---
<b>12. Refund of Payments</b>					
03. Recoveries of Overpayments in Previous Years.....	1,655,357	996,174	---	659,183	832,872
<b>22. Contributions for Capital Projects</b>					
02. Rural Electrifications.....	630	343	---	287	718
<b>23. Contributions for Overseas Peace-Keeping</b>					
01. United Nations Peace-keeping force.....	3,600,000	7,351,575	3,751,575	---	12,334,958
02. Multinational Force and Observers.....	7,200,000	2,563,097	---	4,636,903	4,562,959
03. UN International Peacekeeping - .....	4,200,000	---	---	4,200,000	---
04. UN Mission -IRAQ .....	---	---	---	---	2,740,399
<b>31. MoE Technical College Recovery</b>	1,098,832	4,709,006	3,610,174	---	4,947,011
Total.....	<b>34,260,649</b>	<b>20,942,757</b>	<b>10,563,775</b>	<b>23,881,667</b>	<b>30,858,490</b>
Net Decrease.....				<b>13,317,892</b>	
<b>29 - GRANTS IN AID</b>					
02. NZ Government Grants.....	---	---	---	---	---
03. United Nations Development Programme.....	1,078,806	---	---	1,078,806	---
04. European Union.....	27,445,446	22,544,284	---	4,901,162	---
05. China Government Grants.....	1,710,859	---	---	1,710,859	---
06. Japan Government Grants.....	2,537,084	---	---	2,537,084	---
08. India Government Grants	-	2,240,406	2,240,406	---	---
99. Other Grant Aid.....	2,858,051	24,676,484	21,818,433	---	18,771,402
Total.....	<b>35,630,246</b>	<b>49,461,174</b>	<b>24,058,839</b>	<b>10,227,911</b>	<b>18,771,402</b>
Net Increase.....			<b>13,830,928</b>		
<b>Total Operating Revenue.....</b>	<b>3,332,299,150</b>	<b>3,079,416,368</b>	<b>369,910,265</b>	<b>622,793,047</b>	<b>2,800,944,648</b>
Net Decrease.....				<b>252,882,782</b>	



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**DETAILED REVENUE COMPARISON**  
**FOR THE PERIOD ENDING 31 JULY 2018**

Schedule 8

Heads and Subheads of Revenue	Estimate for 2018 (\$)	Actual Revenue 2018 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2017 (\$)
<b>INVESTING REVENUE</b>					
<b>31 - REPAYMENTS OF TERM LOANS RECEIVABLE</b>					
<b>11. Interest for Social Services Term Loans</b>					
01. Interest Public Officers & Ministers .....	184,260	---	---	184,260	30
02. Interest Economic Service Term Loan.....	---	---	---	---	---
12. Interest Economic Service Term Loan .....	220,849	---	---	220,849	---
13. Interest Fiji Sports Council .....	---	100,139	100,139	---	155,771
14. Interest PAFCO Loan.....	---	360,000	360,000	---	432,438
16. Interest Term Loan & Advances	---	339	339	---	---
<b>12. Principal Social Services Term Loans</b>					
08. Principal- PSC Tertiary Education.....	---	5,450,428	5,450,428	---	---
11. Principal - Students Scheme.....	---	---	---	---	617,912
<b>22. Principal Term Loans Economic Service</b>					
02. Principal - Copra Industry.....	---	101,078	101,078	---	192,436
Total.....	<b>405,109</b>	<b>6,011,984</b>	<b>6,011,984</b>	<b>405,109</b>	<b>1,398,587</b>
Net Increase.....			<b>5,606,875</b>		
<b>32 - SALES OF GOVERNMENT ASSETS</b>					
<b>31. Sales Proceeds in Infrastructure Services.....</b>					
91. Proceed from sales of Fixed Assets	371,874,475	704,215	---	371,170,260	106,313
Total.....	<b>371,874,475</b>	<b>1,397,889</b>	<b>693,674</b>	<b>371,170,260</b>	<b>2,470,837</b>
Net Decrease.....			-	<b>370,476,586</b>	
<b>33 - DIVIDENDS FROM INVESTMENTS</b>					
01. Investments in Social Services.....	1,730,252	---	---	1,730,252	367,383
02. Investments in Economic Services.....	31,180,648	27,458,074	---	3,722,574	17,497,835
03. Investments in Infrastructure Services..	115,107,627	122,308,854	7,201,227	---	7,443,422
Total.....	<b>148,018,527</b>	<b>149,766,928</b>	<b>7,201,227</b>	<b>5,452,826</b>	<b>25,308,640</b>
Net Increase.....			<b>1,748,401</b>		
<b>34 - INTEREST FROM BANK BALANCES</b>					
02. Interest from Domestic Bank.....	898	787,872	786,974	---	712,865
03. Interest from Term Deposits Local Banks.....	---	1,075,122	1,075,122	---	443,666
Total.....	<b>898</b>	<b>1,862,994</b>	<b>1,862,096</b>	---	<b>1,156,531</b>
Net Increase.....			<b>1,862,096</b>		

**GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE PERIOD ENDING 31 JULY 2018**

**Schedule 8**

<b>Heads and Subheads of Revenue</b>	<b>Estimate for 2018 (\$)</b>	<b>Actual Revenue 2018 (\$)</b>	<b>Increase (\$)</b>	<b>Decrease (\$)</b>	<b>Actual Revenue 2017 (\$)</b>
<b>35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS</b>					
74. Return of Surplus Capital from TMA Operations.....	4,724,347	5,961,851	1,237,504	---	6,162,446
Total.....	<b>4,724,347</b>	<b>5,961,851</b>	<b>1,237,504</b>	<b>---</b>	<b>6,162,446</b>
Net Increase.....			<b>1,237,504</b>		
<b>39 - SCHOLARSHIP BOND RECOVERY</b>					
01. Payment Term Loan FAB.....	---	21,618	21,618	---	---
Total.....	---	<b>21,618</b>	<b>21,618</b>	<b>---</b>	<b>---</b>
Net Increase.....			<b>21,618</b>		
<b>Total Investing Revenue.....</b>	<b>525,023,356</b>	<b>165,023,264</b>	<b>17,028,103</b>	<b>377,028,195</b>	<b>36,497,041</b>
Net Decrease.....				<b>360,000,092</b>	
<b>SUMMARY OF REVENUE</b>					
Operating Revenue.....	3,332,299,150	3,079,416,368	369,910,265	622,793,047	2,800,944,648
Investing Revenue .....	525,023,356	165,023,264	17,028,103	377,028,195	36,497,041
<b>Grand Totals.....</b>	<b>3,857,322,506</b>	<b>3,244,439,632</b>	<b>386,938,368</b>	<b>999,821,242</b>	<b>2,837,441,689</b>

**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 JULY 2018**

<b>Heads of Appropriation</b>	<b>Original Budget 2018</b>	<b>Redeployment</b>	<b>Revised Estimate 2018</b>	<b>Actual Expenses 2018</b>	<b>(Over) / Under Expenditure</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>GENERAL ADMINISTRATION</b>					
Office of the President	2,144,646	---	2,144,646	2,128,563	16,083
Office of the Prime Minister	23,979,967	---	23,979,967	20,854,074	3,125,893
Office of the Attorney General	22,314,501	---	22,314,501	17,771,890	4,542,611
Ministry of Economy	117,275,376	---	117,275,376	92,961,771	24,313,605
Ministry of iTaukei Affairs	13,214,425	---	13,214,425	12,945,019	269,406
Ministry of Defence and National Security	5,236,688	---	5,236,688	4,772,836	463,852
Ministry of Employment, Productivity and Industrial Relations	16,486,999	---	16,486,999	13,605,109	2,881,890
Ministry of Foreign Affairs	43,884,988	---	43,884,988	40,396,600	3,488,388
Office of the Auditor General	4,612,843	---	4,612,843	4,380,933	231,910
Fijian Elections Office	22,081,169	---	22,081,169	22,081,169	-
Judiciary	54,463,543	---	54,463,543	38,028,598	16,434,945
Parliament	10,997,878	---	10,997,878	10,893,457	104,421
Office of the Director of Public Prosecutions	6,292,166	---	6,292,166	5,628,012	664,154
Independent Commission	27,040,535	---	27,040,535	25,428,175	1,612,360
Ministry of Disaster Management and Meteorological Services	15,178,563	---	15,178,563	10,200,539	4,978,024
Ministry of Justice	7,971,408	---	7,971,408	5,898,078	2,073,330
Fiji Corrections Service	38,750,531	---	38,750,531	31,555,619	7,194,912
Ministry of Communication	55,363,660	---	55,363,660	40,597,147	14,766,513
Ministry of Civil Services	69,032,666	---	69,032,666	50,868,904	18,163,762
Ministry of Rural and Maritime Development	20,480,286	(1,808,000)	18,672,286	16,589,916	2,082,370
Republic of Fiji Military Forces	96,688,507	(545,000)	96,143,507	92,049,469	4,094,038
Fiji Police Force	148,798,968	(1,907,500)	146,891,468	143,085,756	3,805,712
Peacekeeping Missions	79,207,702	---	79,207,702	75,824,535	3,383,167
<b>Total for General Administration</b>	<b>901,498,015</b>	<b>(4,260,500)</b>	<b>897,237,515</b>	<b>778,546,169</b>	<b>118,691,346</b>

**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 JULY 2018**

<b>Heads of Appropriation</b>	<b>Original Budget 2018</b>	<b>Redeployment</b>	<b>Revised Estimate 2018</b>	<b>Actual Expenses 2018</b>	<b>(Over) / Under Expenditure</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>SOCIAL SERVICES</b>					
Ministry of Education, Heritage and Ministry of Health and Medical Services	490,115,675 321,245,594	(8,258,950) ---	481,856,725 321,245,594	460,081,244 253,932,368	21,775,481 67,313,226
Department of Housing	34,637,160	(12,682,662)	21,954,498	18,853,826	3,100,672
Ministry of Women, Children and Poverty Alleviation	113,354,139	---	113,354,139	106,879,217	6,474,922
Ministry of Youth and Sports	23,096,693	(400,000)	22,696,693	19,885,453	2,811,240
Higher Education Institutions	106,499,610	(3,000,000)	103,499,610	99,961,415	3,538,195
<b>Total for Social Services</b>	<b>1,088,948,871</b>	<b>(24,341,612)</b>	<b>1,064,607,259</b>	<b>959,593,523</b>	<b>105,013,736</b>
<b>ECONOMIC SERVICES</b>					
Ministry of Agriculture	86,339,030	13,000,000	99,339,030	87,501,626	11,837,404
Ministry of Fisheries	18,809,218	---	18,809,218	15,134,297	3,674,921
Ministry of Forests	16,020,890	---	16,020,890	13,300,906	2,719,984
Ministry of Lands and Mineral Resources	42,329,865	(6,950,000)	35,379,865	32,672,474	2,707,391
Ministry of Industry, Trade and Tourism	108,382,773	(3,000,000)	105,382,773	99,174,827	6,207,946
Ministry of Sugar	60,021,026	20,909,373	80,930,399	80,678,086	252,313
Ministry of Public Enterprise	17,939,825	---	17,939,825	14,967,959	2,971,866
Ministry of Local Government and Housing	33,927,785	(2,000,000)	31,927,785	22,320,054	9,607,731
Ministry of Environment	7,336,136	---	7,336,136	6,436,903	899,233
<b>Total for Economic Services</b>	<b>391,106,548</b>	<b>21,959,373</b>	<b>413,065,921</b>	<b>372,187,132</b>	<b>40,878,789</b>
<b>INFRASTRUCTURE SERVICES</b>					
Ministry of Infrastructure and Transport	134,177,887	---	134,177,887	115,633,476	18,544,411
Water Authority of Fiji	306,942,653	(16,177,888)	290,764,765	255,803,568	34,961,197
Ministry of Waterways	24,200,036	(3,270,000)	20,930,036	12,298,357	8,631,679
Fiji Roads Authority	527,548,636	(50,000,000)	477,548,636	382,714,769	94,833,867
<b>Total for Infrastructure</b>	<b>992,869,212</b>	<b>(69,447,888)</b>	<b>923,421,324</b>	<b>766,450,170</b>	<b>156,971,154</b>

**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 JULY 2018**

<b>Heads of Appropriation</b>	<b>Original Budget 2018 (\$)</b>	<b>Redeployment (\$)</b>	<b>Revised Estimate 2018 (\$)</b>	<b>Actual Expenses 2018 (\$)</b>	<b>(Over) / Under Expenditure (\$)</b>
<b>UNALLOCABLE</b>					
Miscellaneous Services	628,116,801	76,090,627	704,207,428	535,898,143	168,309,285
Pensions, Gratuities and Compassionate Allowances	46,221,100	---	46,221,100	36,956,687	9,264,413
Charges on Account of Public Debt	308,070,269	---	308,070,269	291,503,012	16,567,257
<b>Total for Unallocable Services</b>	<b>982,408,170</b>	<b>76,090,627</b>	<b>1,058,498,797</b>	<b>864,357,842</b>	<b>194,140,955</b>
<b>Grand Total</b>	<b>4,356,830,816</b>	<b>---</b>	<b>4,356,830,816</b>	<b>3,741,134,836</b>	<b>615,695,980</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS  
FOR THE PERIOD ENDING 31 JULY 2018**

Schedule 10

Summary by Standard Expenditure Group (SEG)	Original Budget 2018	Redeployment	Virements	Revised Estimate 2018	Actual Expenditure 2018	(Over)/ Under Expenditure
	(\$)	(\$)	(\$)	(\$)	(\$)	%
1. Established Staff	978,387,768	---	6,124,131	984,511,899	900,309,981	9
2. Government Wage Earners	57,279,863	---	6,482,374	63,762,237	58,949,182	8
3. Travel and Communications	36,076,833	---	9,412,463	45,489,296	38,444,765	15
4. Maintenance and Operations	79,611,471	---	4,777,338	84,388,809	75,434,699	11
5. Purchase of Goods and Services	170,708,143	(7,000,000)	10,506,246	174,214,389	151,359,100	13
6. Operating Grants and Transfers	720,636,998	---	(1,192,217)	719,444,781	680,170,593	5
7. Special Expenses	118,364,977	---	(17,659)	118,347,318	88,246,446	25
8. Capital Construction	195,588,180	(15,380,883)	(21,557,354)	158,649,943	102,877,892	35
9. Capital Purchase	104,079,505	(5,429,031)	(2,768,948)	95,881,526	75,674,702	21
10. Capital Grants and Transfers	1,479,314,949	30,312,806	(11,777,296)	1,497,850,459	1,203,731,071	20
11. Pensions, Gratuities & Compassionate Allowances	46,221,100	---	---	46,221,100	36,956,687	20
12. Charges on Account of Public Debt	10,093,132	---	---	10,093,132	1,935,831	81
13. Value Added Tax	62,490,760	(2,502,892)	10,922	59,998,790	37,476,706	38
14. Interest Payment on overseas loans	54,480,228	---	---	54,480,228	48,864,351	10
15. Interest Payment on domestic loans	243,496,909	---	---	243,496,909	240,702,829	1
<b>Grand Total</b>	<b>4,356,830,816</b>	<b>---</b>	<b>---</b>	<b>4,356,830,816</b>	<b>3,741,134,835</b>	<b>14</b>

Actuals for all the SEGs were within the original approved budgets.

Ministry of Economy

Suva, Fiji

Dated ..... 30 of the month of Nov, 2020



Ms. Makereta Konrote

Permanent Secretary for Ministry of Economy

**GOVERNMENT OF THE REPUBLIC OF FIJI  
BUDGET RESULT, ESTIMATES AND PROJECTIONS  
FOR THE PERIOD 2016 - 2020**

Schedule 11

	Actual 2016 (7 months) (\$)	Actual 2017 (\$)	Estimate 2018 (\$)	Actual 2018 (\$)	Projected 2019 (\$)	Projected 2020 (\$)
<b>REVENUE</b>						
Operating Revenue	1,433,248,435	2,800,944,648	3,332,299,152	3,079,416,368	3,454,242,911	3,631,142,982
Investing Revenue	67,559,755	36,497,041	525,023,357	165,023,264	88,024,012	90,245,150
<b>TOTAL REVENUE</b>	<b>1,500,808,190</b>	<b>2,837,441,689</b>	<b>3,857,322,509</b>	<b>3,244,439,632</b>	<b>3,542,266,923</b>	<b>3,721,388,132</b>
<b>EXPENDITURE</b>						
Operating Expenditure	994,214,951	1,722,012,740	2,207,287,153	2,029,871,453	2,157,111,923	2,131,690,278
Interest Payments on Loans	150,088,630	276,746,090	308,070,269	291,503,011	306,129,935	293,797,831
Capital Expenditure	590,688,999	1,025,601,795	1,778,982,634	1,382,283,665	1,305,621,975	1,191,730,661
Value Added Tax	21,689,835	35,913,968	62,490,760	37,476,706	48,284,326	43,280,103
<b>TOTAL EXPENDITURE</b>	<b>1,756,682,415</b>	<b>3,060,274,593</b>	<b>4,356,830,816</b>	<b>3,741,134,835</b>	<b>3,817,148,159</b>	<b>3,660,498,873</b>
<b>BUDGET RESULT</b>	<b>(255,874,225)</b>	<b>(222,832,904)</b>	<b>(499,508,307)</b>	<b>(496,695,203)</b>	<b>(274,881,236)</b>	<b>60,889,259</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE  
FOR THE PERIOD 2016 - 2020**

Description	Actual 2016 (7 months) (\$)	Actual 2017 (\$)	Original 2018 (\$)	Actual 2018 (\$)	Projected 2019 (\$)	Projected 2020 (\$)
<b>REVENUE</b>						
<b>Operating Revenue</b>						
Direct Receipts (Income Tax & Capital Gain Tax)	436,669,065	766,055,195	790,384,046	825,724,215	836,040,957	884,335,262
<b>Indirect Revenue</b>						
VAT	355,396,789	702,407,811	1,006,881,224	788,486,612	1,055,786,470	1,107,108,142
Customs	320,024,723	605,543,006	743,505,377	666,366,034	778,840,432	815,880,011
Service Turnover Tax	59,442,510	133,742,799	114,793,846	97,871,902	121,424,967	128,439,138
Water Resource Tax	23,071,905	62,565,152	69,898,688	64,289,698	73,936,419	78,207,391
Departure Tax	75,533,814	145,091,598	172,225,681	147,494,943	182,174,379	192,697,769
Fish Levy	52,474	123,042	144,710	85,687	153,070	161,912
Stamp Duty	42,674,925	81,024,453	97,814,954	85,266,235	103,465,281	109,442,002
Luxury Vehicle Tax	1,375,737	1,752,157	---	2,063,000	-	---
Telecommunication Levy	---	---	1,484,175	1,007,902	1,569,909	1,660,596
Credit Card Levy	---	---	---	---	---	---
Third Party Insurance Levy	---	---	1,933,250	953,444	2,044,925	2,163,051
Environmental Levy	---	79,105,522	94,339,842	150,497,950	99,789,428	105,553,812
Health Levy	---	---	3,857,240	---	4,080,055	4,315,742
Miscellaneous Fees & Receipts	278,026	1,764,709	---	1,528,220	---	---
Fees, Fines, Charges and Penalties	65,769,823	127,840,431	129,206,458	142,973,799	135,080,472	141,259,454
Operating Revenue Sales	---	220	605	1,630	640	677
Other Revenue and Surpluses	21,564,675	44,298,661	35,938,162	34,401,166	35,760,681	35,591,123
Reimbursement and Recoveries	14,323,312	30,858,490	34,260,648	20,942,757	19,094,826	19,326,900
Grant in Aid	17,070,657	18,771,402	35,630,246	49,461,174	5,000,000	5,000,000
<b>Total Operating Revenue</b>	<b>1,433,248,435</b>	<b>2,800,944,648</b>	<b>3,332,299,152</b>	<b>3,079,416,368</b>	<b>3,454,242,911</b>	<b>3,631,142,982</b>



**GOVERNMENT OF THE REPUBLIC OF FLJI**  
**DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE**  
**FOR THE PERIOD 2016 - 2020**

Description	Actual 2016 (7 months) (\$)	Actual 2017 (\$)	Original 2018 (\$)	Actual 2018 (\$)	Projected 2019 (\$)	Projected 2020 (\$)
<b>Investing Revenue</b>						
Repayment of Term Loans Receivable	385,088	1,398,587	405,110	6,011,984	7,297,301	10,204,962
Sale of Government Assets	---	2,470,837	371,874,475	1,397,889	---	---
Dividends from Investment	64,213,727	25,308,640	148,018,527	149,766,928	75,300,000	74,300,000
Interest from Bank Balance	312	1,156,531	898	1,862,994	949	1,004
Interest on Term Loans and Advances	---	---	---	---	428,511	453,264
Return of Surplus Capital from Investment	2,944,786	6,162,446	4,724,347	5,961,851	4,997,251	5,285,920
Scholarship Bond Recovery	15,842	---	---	21,618	---	---
<b>Total Investing Revenue</b>	<b>67,559,755</b>	<b>36,497,041</b>	<b>525,023,357</b>	<b>165,023,264</b>	<b>88,024,012</b>	<b>90,245,150</b>
<b>TOTAL REVENUE</b>	<b>1,500,808,190</b>	<b>2,837,441,689</b>	<b>3,857,322,509</b>	<b>3,244,439,632</b>	<b>3,542,266,923</b>	<b>3,721,388,132</b>
<b>EXPENDITURE</b>						
<b>General Administration Services</b>						
Operating Expenditure	335,916,311	593,142,733	791,259,028	694,944,558	768,815,739	767,622,294
Capital Expenditure	23,057,867	60,340,461	92,389,550	69,857,616	60,941,692	52,772,462
<b>Total General Administration</b>	<b>358,974,178</b>	<b>653,483,194</b>	<b>883,648,578</b>	<b>764,802,174</b>	<b>829,757,431</b>	<b>820,394,756</b>
<b>Social Services</b>						
Operating Expenditure	463,814,131	763,344,255	937,487,885	890,476,411	932,974,029	932,974,032
Capital Expenditure	34,527,825	55,812,027	133,557,939	60,590,711	84,501,719	54,667,719
<b>Total Social Services</b>	<b>498,341,956</b>	<b>819,156,282</b>	<b>1,071,045,824</b>	<b>951,067,122</b>	<b>1,017,475,748</b>	<b>987,641,751</b>

**GOVERNMENT OF THE REPUBLIC OF FLJI**  
**DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE**  
**FOR THE PERIOD 2016 - 2020**

Description	Actual 2016 (7 months) (\$)	Actual 2017 (\$)	Original 2018 (\$)	Actual 2018 (\$)	Projected 2019 (\$)	Projected 2020 (\$)
<b>Economic Services</b>						
Operating Expenditure	64,284,844	108,281,854	140,962,857	125,986,292	135,720,734	135,920,734
Capital Expenditure	84,433,455	110,496,336	240,415,758	240,763,991	190,843,619	196,885,535
<b>Total Economic Services</b>	<b>148,718,299</b>	<b>218,778,190</b>	<b>381,378,615</b>	<b>366,750,283</b>	<b>326,564,353</b>	<b>332,806,269</b>
<b>Infrastructure Services</b>						
Operating Expenditure	77,483,810	160,075,309	181,857,444	173,973,322	183,185,483	183,185,483
Capital Expenditure	266,013,503	484,373,220	806,546,098	589,335,161	712,960,798	641,530,798
<b>Total Infrastructure Services</b>	<b>343,497,313</b>	<b>644,448,529</b>	<b>988,403,542</b>	<b>763,308,483</b>	<b>896,146,281</b>	<b>824,716,281</b>
<b>Miscellaneous Services</b>						
Operating Expenditure	31,961,788	62,288,177	109,498,840	107,932,560	90,194,882	65,766,678
Capital Expenditure	182,656,349	314,579,750	506,073,287	421,337,810	256,374,147	245,874,147
<b>Total Miscellaneous Services</b>	<b>214,618,137</b>	<b>376,867,927</b>	<b>615,572,127</b>	<b>529,270,370</b>	<b>346,569,029</b>	<b>311,640,825</b>
<b>Unallocable</b>						
Pensions, Gratuities and Compassionate Allowance	20,754,067	34,880,413	46,221,100	36,956,687	46,221,056	46,221,056
Value Added Tax	21,689,835	35,913,968	62,490,760	37,476,706	48,284,326	43,280,103
Interest Payments on Loans	150,088,630	276,746,090	308,070,269	291,503,011	306,129,935	293,797,831
<b>TOTAL EXPENDITURE</b>	<b>1,756,682,415</b>	<b>3,060,274,593</b>	<b>4,356,830,815</b>	<b>3,741,134,836</b>	<b>3,817,148,159</b>	<b>3,660,498,872</b>
<b>(Deficit)/Surplus for the year</b>	<b>(255,874,225)</b>	<b>(222,832,904)</b>	<b>(499,508,306)</b>	<b>(496,695,204)</b>	<b>(274,881,236)</b>	<b>60,889,260</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
ESTIMATE AND ACTUAL BUDGET RESULT  
FOR THE PERIOD 2016- 2018**

**Schedule 13**

	<b>Actual 2016 (7 months) (\$)</b>	<b>Actual 2017 (\$)</b>	<b>Estimate 2018 (\$)</b>	<b>Actual 2018 (\$)</b>
<b>REVENUE</b>				
Operating Revenue	1,433,248,435	2,800,944,648	3,332,299,152	3,079,416,368
Investing Revenue	67,559,755	36,497,041	525,023,357	165,023,264
<b>TOTAL REVENUE</b>	<b>1,500,808,190</b>	<b>2,837,441,689</b>	<b>3,857,322,509</b>	<b>3,244,439,632</b>
<b>EXPENDITURE</b>				
Operating Expenditure	994,214,951	1,722,012,740	2,207,287,153	2,029,871,453
Interest Payments on Loans	150,088,630	276,746,090	308,070,269	291,503,011
Capital Expenditure	590,688,999	1,025,601,795	1,778,982,634	1,382,283,665
Value Added Tax	21,689,835	35,913,968	62,490,760	37,476,706
<b>TOTAL EXPENDITURE</b>	<b>1,756,682,415</b>	<b>3,060,274,593</b>	<b>4,356,830,816</b>	<b>3,741,134,835</b>
<b>BUDGET RESULT</b>	<b>(255,874,225)</b>	<b>(222,832,904)</b>	<b>(499,508,307)</b>	<b>(496,695,203)</b>

**Part B: Report on the Financial Statements of Government**

## The Office of the Auditor-General – Republic of Fiji

The Office of the Auditor-General is established as an Independent Office by the Constitution of the Republic of Fiji. Its roles and responsibilities include audit of the accounts of the Consolidated Fund and Financial Statements of Government and Annual Appropriation Statement required to be included in the Whole of Government annual report for a financial year under the *Financial Management Act 2004*. The audit extends to audit of the accounts of all money received or held by a State entity, whether or not for purposes of Government. These audits are carried out by the Auditor-General on behalf of Parliament.

At least once every year, the Auditor-General must report to Parliament on the audits conducted and on *other significant matters* the Auditor-General wishes to bring to the attention of Parliament.

This report satisfies these requirements.

As a result of its mandate, the Office of the Auditor-General has a distinctive view of the entire public sector of matters affecting financial and non-financial performance. We use this perspective to achieve our vision of promoting public sector accountability and sustainability through our audits by providing comprehensive analysis and value-adding recommendations.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers , taxpayers and the general public as well.

## Acronyms

Term	Definition
ACCF	Accident Compensation Commission of Fiji
ACF	Accident Compensation Fund
ADB	Asian Development Bank
AFS	Agency Financial Statement
AMMU	Asset Management and Monitoring Unit
CA	Control Activities
CE	Control Environment
COP 23	Conference of the Parties 23
COSO	Committee of the Sponsoring Organisations of the Treadway Commission
CP	Cabinet Paper
ECAL	Environment & Climate Adaptation Levy
EDF	European Development Fund
EU	European Union
FBOS	Fiji Bureau of Statistics
FCCC	Fijian Competition & Consumer Commission
FCS	Fiji Corrections Service
FDB	Fiji Development Bank
FI	Finance Instructions
FICAC	Fiji Independent Commission Against Corruption
FMA	Financial Management Act
FMIS	Financial Management Information System
FNCDP	Fiji National Council for Disabled Persons
FNPF	Fiji National Provident Fund
FNU	Fiji National University
FPO	Fiji Procurement Office
FRCS	Fiji Revenue and Customs Service
FRA	Fiji Roads Authority
FSG	Financial Statements of Government
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GWE	Government Wage Earner
IBRD	International Bank for Reconstruction and Development
IC	Information and Communication Control
IFAD	International Fund for Agricultural Development
IHRDP	Integrated Human Resource Development Programme
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IRD	Inland Revenue Department
ISA	International Standards on Auditing
ISSAI	International Standards for Supreme Audit Institutions
ITC	Information Technology and Computing Services
JEE	Job Evaluation Exercise
LTA	Land Transport Authority
NAMF	National Asset Management Framework
NDP	National Development Plan
NFAMF	National Fixed Asset Management Framework
OAG	Office of the Auditor General
PFTAC	Pacific Financial Technical Assistance
PR	Public Relations
RA	Risk Assessment
SARUP	Suva Ariel Roads Upgrading Project
SEG	Standard Expenditure Group
SLG	Standard Liability Group

<b>Term</b>	<b>Definition</b>
SPO	Strategic Planning Office
TELS	Tertiary Education Loans Scheme
TMA	Trading and Manufacturing Account/Activity
TSF	Tuna Stabilisation Fund
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
WOG	Whole of Government

## TABLE OF CONTENTS

<b>1.0</b>	<b>SUMMARY</b> .....	10
1.1	Introduction .....	10
1.2	Results of Our Audits .....	11
1.3	Financial Performance, Position and Sustainability .....	12
1.4	Understanding Internal Controls .....	18
1.5	Reference to Comments .....	20
1.6	Report Structure .....	20
<b>2.0</b>	<b>CONTEXT</b> .....	21
2.1	Legislative Framework .....	21
2.2	Annual Financial Statements of Ministries and Departments .....	21
2.3	Consolidation Process .....	22
2.4	Role of the Auditor-General .....	22
2.5	Reporting to Parliament .....	24
2.6	Types of Audit Opinion .....	24
<b>3.0</b>	<b>RESULTS OF OUR AUDITS – MINISTRIES &amp; DEPARTMENT</b> .....	26
3.1	Key Findings and Audit Conclusion .....	26
3.2	Quality of Draft Agency Financial Statements .....	30
3.3	Timeliness of Financial Reporting .....	31
3.4	Year-End Closing Process .....	32
<b>4.0</b>	<b>FINANCIAL STATEMENTS OF GOVERNMENT</b> .....	34
4.1	Introduction .....	34
4.2	Submission of Draft Financial Statements of Government .....	35
4.3	Result of Our Audit .....	36
<b>5.0</b>	<b>FINANCIAL POSITION, PERFORMANCE AND SUSTAINABILITY</b> .....	38
5.1	Introduction .....	38
5.2	Assessing Position and Performance .....	38
5.2.1	Net Operating Balance .....	39
5.2.2	Equity .....	40
5.2.3	Contingent Liabilities .....	41
5.3	Understanding Financial Performance .....	43
5.3.1	Revenue .....	44
5.3.2	Expenditure .....	47



5.3.3	Results from operation of Trading & Manufacturing Accounts.....	50
5.3.4	Trust Fund Accounts .....	50
5.3.5	Investments.....	50
5.3.6	Term Loan Receivable.....	52
5.3.7	Arrears of revenue .....	53
5.3.8	Accounts Payable.....	54
5.3.9	Term Loans Payable.....	54
5.3.10	Public Debt Sustainability .....	56
<b>5.4</b>	<b>Appropriation Statement .....</b>	<b>56</b>
<b>6.0</b>	<b>ASSESSMENT OF INTERNAL CONTROLS.....</b>	<b>58</b>
6.1	Introduction .....	58
6.2	Internal Control Framework.....	58
<b>7.0</b>	<b>SIGNIFICANT AUDIT MATTERS .....</b>	<b>64</b>
7.1	Key Findings.....	64
<b>APPENDIX A: AUDIT OPINION RESULTS .....</b>		<b>66</b>
<b>APPENDIX B: ANALYSIS OF FINANCIAL STATEMENTS OF GOVERNMENT .....</b>		<b>68</b>
	Cash and Cash Equivalents.....	68
	Borrowing Fund Account .....	69
	Financial Flexibility.....	82
	Financial Vulnerability .....	83
	Investments.....	91
<b>APPENDIX C: ASSESSMENT OF FINANCIAL GOVERNANCE .....</b>		<b>96</b>
<b>APPENDIX D: MODIFIED AUDIT OPINION - QUALIFICATION.....</b>		<b>99</b>
<b>APPENDIX E: GLOSSARY .....</b>		<b>107</b>
<b>HEAD 4</b>	<b>MINISTRY OF ECONOMY .....</b>	<b>109</b>
<b>PART A: FINANCIAL STATEMENTS .....</b>		<b>111</b>
4.1	Audit Opinion.....	111
4.2	Statement of Receipts and Expenditure – Head 4 .....	111
4.3	Statement of Receipts and Expenditure – Head 50 .....	112
4.4	Statement of Receipts and Expenditure – Head 51 .....	113
4.5	Statement of Receipts and Expenditure – Head 52 .....	113
4.6	Statement of Receipts and Expenditure – Head 13.....	113
4.7	Appropriation Statement – Head 4.....	114
4.8	Appropriation Statement – Head 50.....	114
4.9	Appropriation Statement – Head 51.....	114

4.10	Appropriation Statement – Head 52 .....	116
4.11	Appropriation Statement – Head 13 .....	116
4.12	Statement of Losses .....	117
4.13	Fiji Procurement Office TMA – Profit & Loss Statement.....	117
4.14	Fiji Procurement Office TMA – Balance Sheet .....	117
4.15	Office Accommodation TMA – Profit & Loss Statement.....	118
4.16	Office Accommodation TMA – Balance Sheet .....	119
4.17	Consolidated Trust Fund Account Statement .....	119
<b>PART B: ASSESSMENT OF FINANCIAL GOVERNANCE .....</b>		<b>122</b>
4.18	Internal Control .....	122
4.19	Submission of 2017 - 2018 Draft Agency Financial Statements .....	124
4.20	Quality of Draft Financial Statements .....	124
4.21	Timeliness of Draft Financial Statements.....	125
4.22	Timeliness of Provision of Management Comments and Signing of Financial Statements.....	125
<b>PART C: OTHER SIGNIFICANT MATTERS .....</b>		<b>127</b>
4.23	Trading and Manufacturing Account - Receivables Not Recorded.....	127
4.24	Variance in LTA Revenue.....	128
4.25	Absence of Risk Management Policy, Strategic Plan and Operational Plan.....	129
4.26	Arrears of Revenue Not Recorded .....	130
4.27	Administration of Environmental and Climate Adaption Levy .....	130
4.28	Presentation of Main Trust Fund Account - Recurring Issue .....	131
4.29	Delay in Finalisation of Financial Statements - Recurring Issue .....	132
<b>FINANCIAL STATEMENTS OF GOVERNMENT .....</b>		<b>134</b>
4.30	Internal Control Weaknesses for Ministries and Departments .....	134
4.31	Variance in Payroll.....	135
4.32	Annual Report on Whole of Government.....	136
4.33	Ageing Reports not maintained for VAT & Income Tax Refunds Outstanding .....	137
4.34	Implementation of Activities proposed in the PFTAC Report .....	138
4.35	Delay in finalization of the Financial Statements of Government.....	138
4.36	Main Trust Fund Account.....	140
4.37	Detailed Listing not maintained for Main Trust Fund Account .....	141
4.38	Variances in Main Trust Accounts .....	142
4.39	Reconciliations not prepared for Main Trust Fund Account – Judicial .....	143
4.40	Significant Outstanding Operating Trust Fund Balance.....	144
4.41	Variances between FMIS General Ledger and Bank Reconciliations .....	146

4.42	Overseas bank accounts not reported at Closing Rate .....	148
4.43	Debt Unit Internal Control Assessment .....	149
4.44	Undrawn Borrowing Facilities .....	149
4.45	Accounting for Green Bond Fund .....	151
<b>APPENDIX 1: MINISTRY OF ECONOMY FINANCIAL STATEMENT AMENDMENTS .....</b>		<b>153</b>
<b>APPENDIX 2: INTERNAL CONTROL WEAKNESSES ACROSS MINISTRIES .....</b>		<b>154</b>
<b>APPENDIX 3: PFTAC ACTIVITIES YET TO BE IMPLEMENTED .....</b>		<b>156</b>
<b>APPENDIX 4: CAUSE OF DELAY IN FINALISATION OF FINANCIAL STATEMENTS .....</b>		<b>157</b>
<b>APPENDIX 5: AUDIT ADJUSTMENTS FOR FINANCIAL YEAR 2017/2018 .....</b>		<b>161</b>

## 1.0 SUMMARY

### 1.1 Introduction

All Ministries and Departments prepare annual agency financial statements. Permanent Secretaries and management of these agencies are responsible for the preparation and fair presentation of the financial statements in accordance with requirements of the Financial Management Act (FMA) 2004 and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Permanent Secretary for Economy is responsible for consolidating the financial data of all Ministries and Departments into the Financial Statements of Government (FSG). These financial statements separately disclose expenditures against Appropriation Heads for sectors which include General Administration, Social Services, Economic Services and Infrastructure Services. Certain expenditures that cannot be allocated to any of these sectors are reflected as unallocable. *Unallocable expenditures* include miscellaneous services, pensions, gratuities and compassionate allowances and finance charges on public debt.

The accounts of other public entities<sup>1</sup> have not been consolidated with those of government based on the decision of the Ministry of Economy.

#### Budget sectors

<p><b>General Administration Sector</b></p>	<ul style="list-style-type: none"> <li>• Office of the President, Office of the Prime Minister and Department of Immigration, Office of the Attorney-General, Ministry of Economy, Ministry of iTaukei Affairs, Ministry of Defence and National Security, Ministry of Employment, Productivity and Industrial Relations, Ministry of Foreign Affairs, Judiciary, Parliament, Office of the Director of Public Prosecutions, Ministry of Disaster Management and Meteorological Services, Ministry of Justice, Fiji Corrections Service, Ministry of Communication, Ministry of Civil Service, Ministry of Rural and Maritime Development, Republic of Fiji Military Forces, Fiji Police Force and Peacekeeping Missions</li> </ul>
<p><b>Social Services Sector</b></p>	<ul style="list-style-type: none"> <li>• Ministry of Education, Heritage and Arts, Ministry of Health and Medical Services, Department of Housing, Ministry of Women, Children and Poverty Alleviation, Ministry of Youth and Sports and Higher Education Institutions</li> </ul>
<p><b>Economic Services Sector</b></p>	<ul style="list-style-type: none"> <li>• Ministry of Agriculture, Ministry of Fisheries, Ministry of Forestry, Ministry of Lands and Mineral Resources, Ministry of Industry, Trade and Tourism, Ministry of Sugar, Ministry of Public Enterprise and Ministry of Local Government and Housing and Ministry of Environment</li> </ul>
<p><b>Infrastructure Sector</b></p>	<ul style="list-style-type: none"> <li>• Ministry of Infrastructure and Transport, Ministry of Waterways and grants paid to Water Authority of Fiji and Fiji Roads Authority.</li> </ul>

<sup>1</sup> Other public entities other than Ministries and Departments

## 2017 - 2018 Budget

Government expenditures were guided by the following objectives<sup>2</sup>:

- Maintain national security, the rule of law and improve access to justice;
- Ensure civil servants are adequately remunerated for performance, risk and technical expertise;
- Increase support for education and health to strengthen Fiji's human capital and create the foundation for a knowledge-based society;
- Ensure existing social protection programs provide sufficient resources to protect the disadvantaged against inflationary pressures in the economy;
- Continue with the implementation of key infrastructure projects, particularly for roads, water and electricity;
- Support key policy initiatives to protect the environment and mitigate or adapt to the effects of climate change;
- Provide sufficient reserves for unforeseen events such as natural disasters, including funding for emergency response and recovery;
- Place greater emphasis on on-going reform initiatives to revitalise the sugar industry and ensure its long term survival;
- Support key initiatives to boost the performance of primary industries such as agriculture, fisheries and forestry, given their key contribution to poverty alleviation, rural development, food security and export growth;
- Accelerate key structural reforms in the public sector, including civil service reforms, public enterprise reforms and financial management reforms;
- Provide sufficient support for the development of micro, small and medium enterprises; and
- Promote programmes that facilitate private sector development and employment creation.

The financial position and expenditure of Government against the approved budget, have been considered against these context in this report.

### 1.2 Results of Our Audits

We issued 38 audit opinions which included one for the Financial Statements of Government and 37 on the agency financial statements of Ministries and Departments.

The details of the results of our audits are discussed in **Chapter 3** and **Appendix A**.

### Quality and Timeliness of Financial Statements

#### Financial Statements of Government

- A modified audit opinion with emphasis of matters and other matters was issued on 08 December 2020, which was after the legislative deadline of 30 April 2019.
- The Permanent Secretary for Economy signed the audited financial statements on 30 November 2020.
- We received the first complete draft financial statements for audit on 29 November 2019 with other amended draft financial statements received for audit on 26/06/20 and 12/08/20 respectively.

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<sup>2</sup> Economic and Fiscal Update Supplement to the 2017 – 2018 Budget

## Ministries and Departments

- We issued unmodified opinions on 24 or 65% of the 37 agency financial statements compared to 21 unmodified opinions issued in 2017. This reflects a slight improvement in the number of unmodified opinions issued for 2018. The remaining financial statements for 13 Ministries were issued with modified audit opinions.
- The submission of draft financial statements for 14 or 38% of Ministries/Departments were timely while majority (23 or 62%) were significantly late and were received for audit after the set deadline of 31 October 2018. However, 24 or 65% of the draft financial statements were of good quality while 11 or 30% of the draft financial statements required audit and accounting adjustments after submissions for our audit
- Management comments on draft management letters for 14 or 38% of Ministries/Departments were received on time and audited accounts for 20 or 54% of Ministries/Departments were signed and returned on time.

The delays in submissions of draft financial statements and management comments contributed to delays in our audit. Delays were also attributed to the following:

- Correction of errors and omissions on the draft financial statements submitted for audit;
- Various accounting adjustments passed;
- Delays in the submissions of management comments for issues raised in draft management letters; and
- Documents required during the audit were not provided on time.

### 1.3 Financial Performance, Position and Sustainability

Each year, the Permanent Secretary for Economy prepares the Financial Statements of Government and Annual Appropriation Statement in accordance with the provisions of the FMA 2004, Financial Instructions (FI) 2010, Finance Amendment Instructions 2016 and Cash Basis International Public Sector Accounting Standards (IPSAS) 2017.

These statements provide a consolidated view of the revenues, expenses, assets and liabilities and cash flows of State-agencies excluding controlled entities. The statements also reflect actual expenditure against approved and revised budget by sectors and appropriation heads and revenue collected by economic type.

#### Financial Snapshot

The key financial statement items namely expenditure, revenue, cash and cash equivalents, term loans receivables, investments, trust fund accounts, terms loans payable and equity are explained below with detail discussions in **Chapter 4** and in **Appendix B**.

The 2018 financial year was for 12 months from 01 August 2017 to 31 July 2018.

#### Understanding Financial Performance (Statement of Revenue and Expenses)

Table 1.1 provides a snapshot of revenue and expenses for 2018 in comparison to 2017.

Table 1.1: Revenue and Expenses Snapshot

Description	31/07/18 (\$)	31/12/17 (\$)	Increase/ (Decrease) (\$)
Direct Taxes	825,724,215	766,055,195	▲ 59,669,020
Indirect Taxes	2,005,911,627	1,813,120,249	▲ 192,791,378
Fees, Fines and Charges	142,973,799	127,840,431	▲ 15,133,368
Operating Revenue Sales	1,630	220	▲ 1,410
Other Receipts	34,401,166	44,298,661	▼ (9,897,495)
Reimbursements and Recoveries	20,942,757	30,858,490	▼ (9,915,733)
Grant Aid	49,461,174	18,771,402	▲ 30,689,772
<b>Total Operating Revenue</b>	<b>3,079,416,368</b>	<b>2,800,944,648</b>	<b>▲ 278,471,720</b>
Repayments of Term Loan Receivable	6,011,984	1,398,587	▲ 4,613,397
Sale of Government Assets	1,397,889	2,470,837	▼ (1,072,948)
Dividends from Investments	149,766,928	25,308,640	▲ 124,458,288
Interest from Bank Balances	1,862,994	1,156,531	▲ 706,463
Return of Surplus Capital from Investment	5,961,851	6,162,446	▼ (200,595)
Term Loan Receivable	21,618	---	▲ 21,618
<b>Total Investing Revenue</b>	<b>165,023,264</b>	<b>36,497,041</b>	<b>▲ 128,526,223</b>
<b>Total</b>	<b>3,244,439,632</b>	<b>2,837,441,689</b>	<b>▲ 406,997,943</b>
Operating Expenditure	694,944,558	593,142,733	▲ 101,801,825
Capital Expenditure	69,857,616	60,340,461	▲ 9,517,155
<b>Total General Administration Services</b>	<b>764,802,174</b>	<b>653,483,194</b>	<b>▲ 111,318,980</b>
Operating Expenditure	890,476,411	763,344,255	▲ 127,132,156
Capital Expenditure	60,590,711	55,812,027	▲ 4,778,684
<b>Total Social Services</b>	<b>951,067,122</b>	<b>819,156,282</b>	<b>▲ 131,910,840</b>
Operating Expenditure	125,986,292	108,281,854	▲ 17,704,438
Capital Expenditure	240,763,991	110,496,336	▲ 130,267,655
<b>Total Economic Services</b>	<b>366,750,283</b>	<b>218,778,190</b>	<b>▲ 147,972,093</b>
Operating Expenditure	173,973,322	160,075,309	▲ 13,898,013
Capital Expenditure	589,335,161	484,373,220	▲ 104,961,941
<b>Total Infrastructure Services</b>	<b>763,308,483</b>	<b>644,448,529</b>	<b>▲ 118,859,954</b>
Operating Expenditure	107,932,560	62,288,177	▲ 45,644,383
Capital Expenditure	421,337,810	314,579,750	▲ 106,758,060
<b>Total Miscellaneous Services</b>	<b>529,270,370</b>	<b>376,867,927</b>	<b>▲ 152,402,443</b>
Pensions, Gratuities and Compassionate Allowance	36,956,687	34,880,413	▲ 2,076,274
Value Added Tax	37,476,706	35,913,968	▲ 1,562,738
Interest Payments on Loans	291,503,011	276,746,090	▲ 14,756,921
<b>Total Unallocable</b>	<b>365,936,405</b>	<b>347,540,471</b>	<b>▲ 18,395,934</b>
<b>Total Expenditure</b>	<b>3,741,134,836</b>	<b>3,060,274,593</b>	<b>▲ 680,860,243</b>
<b>Key Financial Ratio</b>			
<b>Operating Margin<sup>3</sup></b>	<b>1.52</b>	<b>1.63</b>	<b>▲ 0.11</b>

▲ Increase from previous year

▼ Decrease from previous year

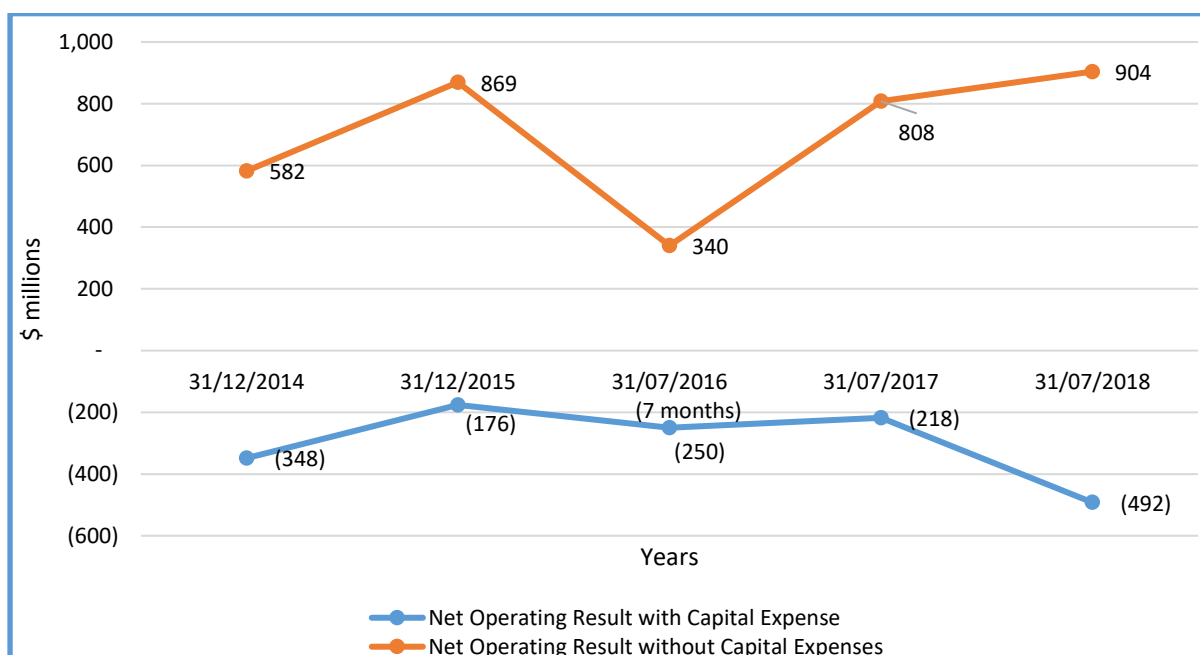
<sup>3</sup> Operating margin benchmark is > 1.0

There was an overall increase in revenue by \$407.0 million or 14%, which was mostly driven by increases in taxation revenue, fees, fines and charges, grant aid, repayments of term loans receivable and dividends received from investments.

Expenditure for all sectors increased resulting in an overall increase of \$680.8 million or 22% in 2018.

The net operating result with and without the inclusion of capital expenditures is shown in Figure 1.1 below.

**Figure 1.1: Underlying Net Operating Result with and without Capital Expenses (Five Year Trend)**



Source: Financial Statements of Government for 2014 - 2018

Net operating balance (with capital expenditure) remained in deficit in 2018 as in the last four years. The net operating deficit increased by 126% from \$218 million in 2017 to \$492 million in 2018.

With capital expenses excluded, Government's net operating balance recorded a surplus of \$904 million for the year ended 31 July 2018 (2017: \$808 million).

### Payroll Details

Established staff and government wage earners include full-time employees on contractual basis and project officers employed for specific projects within Ministries/Departments. The components of payroll expenditure included personal emoluments, superannuation contributions (FNPF), various allowances and overtime. Payroll costs and the number of employees from 2014 to 2018 are shown in Table 1.2 below.

**Table 1.2: Payroll Details**

	2014	2015	2016 (7 months)	2017	2018
<b>Established Staff</b>					
Actual Payroll Expenditure	\$719,735,060	\$781,720,316	\$458,175,830	\$800,546,116	\$900,309,981



	2014	2015	2016 (7 months)	2017	2018
Number of Employees	21,785	23,126	23,477	23,932	26,283
Average Cost per employee	\$33,038	\$33,803	\$19,516	\$33,451	\$34,254
<b>Government Wage Earners</b>					
Actual Payroll Expenditure	\$45,253,662	\$45,089,205	\$28,140,510	\$53,462,154	\$58,949,182
Number of Employees	4,633	4,351	4,520	4,642	4,263
Average Cost per employee	\$9,768	\$10,363	\$6,226	\$11,517	\$13,828
<b>Overall Total</b>					
Actual Payroll Expenditure	\$764,988,722	\$826,809,521	\$486,316,340	\$854,008,270	\$959,259,163
Number of Employees	26,418	27,477	27,997	28,574	30,546

<sup>1</sup> Source: Number of employees were extracted from Payroll Reports of Government

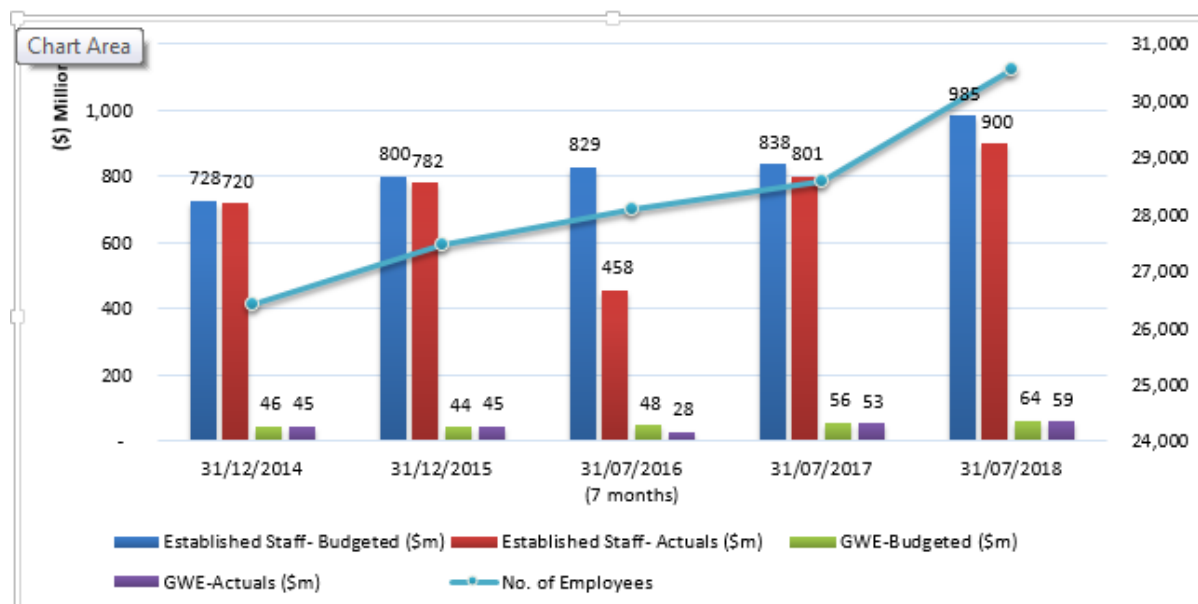
The payroll expenditure has been steadily increasing from 2014 to 2018 with concurrent increases in the total number of employees. The notable decline in 2016 was due to financial period of 7 months only. The total payroll expenditure in 2018 was \$959.3 million for 30,546 employees.

The highest number of employees was recorded in 2018, an increase of 1,972 from 2017.

The overall average payroll cost per employee in 2018 was \$31,404 compared to \$29,887 for 2017, an increase by 5%.

Figure 1.2 below shows the budgeted and actual established staff with government wage earners and employee numbers from 2014 to 2018.

**Figure 1.2: Payroll Trends**



## Understanding Financial Position (Statement of Assets and Liabilities)

Table 1.3 provides an overview of assets and liabilities for 2018 in comparison to 2017.

**Table 1.3: Assets and Liabilities Snapshot**

Description	31/07/18 (\$)	31/07/17 (\$)	Increase/ (Decrease) (\$)
Cash and Cash Equivalents	286,653,731	289,753,141	▼ (3,099,410)
Accounts Receivable	153,553,750	114,406,946	▲ 39,146,804
Prepayments	1,081,477	1,203,897	▼ (122,420)
Inventory	3,129,786	3,441,302	▼ (311,516)
Term-Loans Receivable	572,199,306	481,928,586	▲ 90,270,720
Equity Investments	1,335,906,060	440,342,400	▲ 895,563,660
<b>Total Assets</b>	<b>2,352,524,110</b>	<b>1,331,076,272</b>	<b>▲ 1,021,447,838</b>
<b>Liabilities</b>			
Accounts Payable	164,938,055	95,014,885	▲ 69,923,170
Deferred Income	6,061,580	5,115,009	▲ 946,571
Trust Fund Account	197,701,126	197,199,489	▲ 501,637
Term Loans Payable - Treasury Bills	185,283,183	94,884,303	▲ 90,398,880
Term Loans Payable - Overseas Loans	1,455,292,843	1,367,960,883	▲ 87,331,960
Term Loans Payable - Domestic Loans	3,576,152,161	3,204,762,346	▲ 371,389,815
<b>Total Liabilities</b>	<b>5,585,428,948</b>	<b>4,964,936,915</b>	<b>▲ 620,492,033</b>
		55	
<b>Net Liability</b>	<b>(3,232,904,838)</b>	<b>(3,633,860,643)</b>	<b>▲ 400,955,805</b>
<b>Key Financial Ratios</b>			
Current ratio <sup>4</sup>	0.52	0.67	

▲ Increase from previous year

▼ Decrease from previous year

Total assets increased by \$1.02 billion or 77% due to increases in accounts receivable by \$39.1 million, term loan receivable by \$90.3 million and equity investments by \$895.6 million. The major increase in equity investments resulted from the corporatisation of Energy Fiji Limited with total Government investment of \$749.9 million.

Liabilities increased by \$620.5 million or 12% due to increases in accounts payable by \$69.9 million and term loans payable by \$549.1 million. The increase in term loan payable was due to the increases in government borrowing, specifically through treasury bills and government bonds. In addition, Government offered its first Green Bond in four tranches in October 2017 worth a total of \$100 million. Proceeds from the issue of Fiji's Green Bond were used to fund identified eligible projects that fall under various sectors in accordance with the Fiji Green Bond Framework and have been approved in the budget.

Total assets was \$2.4 billion against total liabilities of \$5.6 billion resulting in a net assets deficiency of \$3.2 billion as at 31 July 2018. However, the overall net assets deficiency improved in 2018 by \$401 million or 11% from 2017.

<sup>4</sup> Current ratio benchmark is > 1.0

## Understanding Sustainability

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

The total Government debt as a percentage of GDP is an indication of debt sustainability relative to the production of goods and services.

Table 1.4 below shows the debt sustainability of Government for the last five years.

**Table 1.4: Movement in Debt Sustainability to GDP**

FY Ended	31/7/18	31/7/17	31/7/16 (7 Months)	31/12/15	31/12/14
Total Debt	\$5.2 billion	\$4.7 billion	\$4.5 billion	\$4.2 billion	\$4.1 billion
GDP	\$11.3 billion	\$9.9 billion	\$9.8 billion	\$9.2 billion	\$8.4 billion
Debt to GDP Ratio	46%	47%	46%	46%	48%

Source: Financial Statements of Government 2014 - 2018

A decrease in debt to GDP ratio indicates that there is slightly less burden of debt against the total production of goods and services by the Government.

## Financial Flexibility

A good debt indicator is financial flexibility which shows the increase in financial resources or revenue to respond to increasing financial commitments either by expanding revenue or increasing the debt burden.

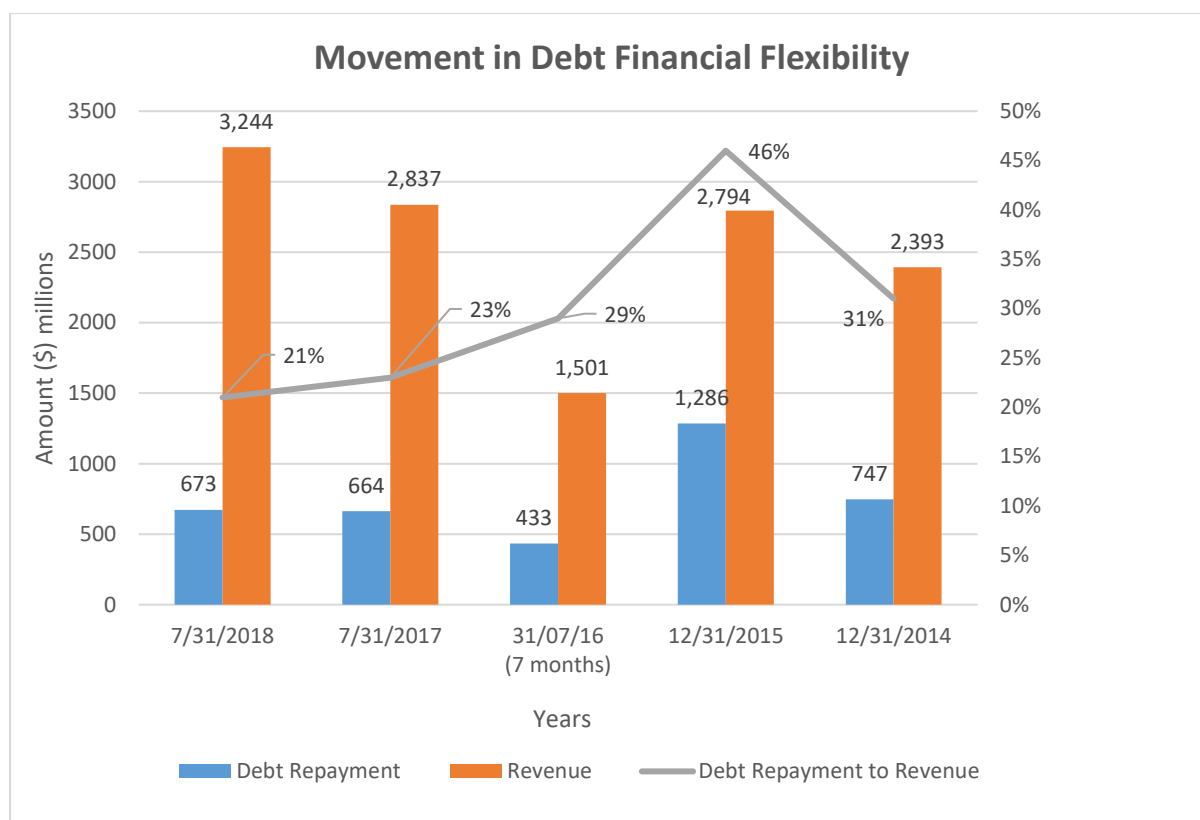
This indicator shows the percentage of total debt repayments against the total revenue for the economy. A lower percentage of debt to be repaid from total revenue is a good indicator for Government as this shows that a larger percentage of revenue is available to be used for other Government programs.

Figure 1.3 and Table 1.5 below shows the debt financial flexibility of Government for the last five years.

**Figure 1.3: Movement in Debt Financial Flexibility**

FY Ended	31/7/18	31/7/17	31/7/16 (7 Months)	31/12/15	31/12/14
Debt Repayment	\$674million	\$664million	\$433million	1,286million	\$747million
Revenue	\$3.3 billion	\$2.9 billion	\$1.5 billion	\$2.8 billion	\$2.4 billion
Debt Repayment to Revenue	21%	23%	29%	46%	31%

Source: Financial Statements of Government 2014 - 2018



### Financial Vulnerability

Financial vulnerability measures the total exposure of Government to exchange rates and other market risks through its dependence on external borrowings. The lesser the proportion of total external borrowings in comparison to domestic debt, the better it is for the Government.

Table 1.6 below shows the financial vulnerability measure of Government for the last five years.

**Table 1.6: Movement in Financial Vulnerability Measure**

FY Ended	31/7/18	31/7/17	31/7/16 (7 Months)	31/12/15	31/12/14
External Debt	\$1.4 billion	\$1.4 billion	\$1.3 billion	\$1.2 billion	\$1.3 billion
Total Debt	\$5.2 billion	\$4.7 billion	\$4.5 billion	\$4.2 billion	\$4.1 billion
External Debt to Total Debt	28%	29%	28%	29%	31%

Source: Financial Statements of Government 2014 - 2018

Government has a debt mix of approximately 30% external borrowings against 70% domestic borrowings.

### 1.4 Understanding Internal Controls

Good internal controls provide reasonable assurance that Ministries or Departments are achieving their objectives relating to operations, reporting and compliance. We assess the controls used by the Ministries/Departments using the following five key elements:

- (i) Control environment – actions, attitudes and values that influence daily operations;

- (ii) Risk assessment – processes for identifying, assessing and managing risk;
- (iii) Control activities – policies, procedures, and actions taken to prevent or detect errors;
- (iv) Information and communication – systems to inform staff about control responsibilities; and
- (v) Monitoring activities – oversight of internal controls for existence and effectiveness.

When we identify that internal controls in any of these elements are missing or are not operating as intended, we refer to them as *control deficiencies (audit finding)*. If we identify that a control deficiency, either alone or in combination with other deficiencies, may lead to a material misstatement in the entity's financial statements, we refer to this as a *significant audit finding*.

If we identify a deficiency (audit finding) with any of these internal controls as part of our audits, we report the finding to the entity's management.

The internal controls for the Ministries and Departments were assessed and categorized as either effective, generally effective or ineffective as follows:

Rating		Internal control assessment
● Effective		No deficiencies identified in internal controls
● Generally effective		Deficiencies identified in internal controls
● Ineffective		Significant deficiencies identified in internal controls

Summary of control assessments across the whole of government and by Sectors are shown in Table 1.7 below:

**Table 1.7: Summary of Control Assessments**

Sector	No. of Ministries/Departments				
	Control Environment	Risk Assessment	Control Activities	Information and Communication Control	Monitoring Activities
	(CE)	(RA)	(CA)	(IC)	(MA)
<b>General Administration</b>					
Effective	13	9	8	15	13
Generally Effective	6	10	9	4	6
Ineffective	3	3	5	3	3
<b>Social Services</b>					
Effective	-	-	1	1	1
Generally Effective	2	2	2	3	1
Ineffective	3	3	2	1	3
<b>Economic Services</b>					
Effective	1	2	2	3	3
Generally Effective	3	3	1	3	3
Ineffective	5	4	6	3	3
<b>Infrastructure Services</b>					
Effective	-	-	-	-	-
Generally Effective	2	-	2	2	-
Ineffective	-	2	-	-	2

It is noted that the internal controls for majority of Ministries and Departments are collectively effective. Detailed discussions on internal controls and deficiencies noted have been reported in the following respective sector reports and in **Chapter 6** and **Appendix C** of this report:

1. 2018 Audit Report on Economic Services Sector (Parliamentary Paper No. 147 of 2019)
2. 2018 Audit Report on General Administration Sector (Parliamentary Paper No. 148 of 2019)
3. 2018 Audit Report on Social Services Sector (Parliamentary Paper No. 149 of 2019)
4. 2018 Audit Report on Infrastructure Sector (Parliamentary Paper No. 150 of 2019)
5. Remaining 2018 Audit Report on General Administration, Social Services and Economic Services Sectors (Parliamentary Paper No. 187 of 2020)

This report summarizes our analysis of the financial position, performance, sustainability and timeliness and quality of financial reporting of the whole of Government. The report also includes the results of internal control reviews in respective Ministries and Departments.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the agency. These have been included in this report as they impacted on the overall system of control of the Ministries and Departments as at 31 July 2018.

## 1.5 Reference to Comments

Responses provided by the Ministry of Economy have been incorporated in this report where applicable. Responses from Ministries and Departments have been incorporated in the sector reports.

## 1.6 Report Structure

Chapter	Description
Chapter 1	<u>Provides a summary of the report and types of audit opinions</u>
Chapter 2	<u>Provides context for audit findings and conclusions and types of audit opinions</u>
Chapter 3	<u>Evaluates the audit opinion results, timeliness and quality of reporting</u>
Chapters 4 & 5	<u>Provides the financial analysis of the FSG</u>
Chapter 6	<u>Assess the strength of internal controls in ministries &amp; departments</u>
Chapter 7	<u>Discusses significant audit matters in the 2018 Financial Statements of Government.</u>
Appendix	<u>Appendices containing Assessment, Audit Opinions, Glossary and Analysis on Financial Statements of Government</u>

## 2.0 CONTEXT

### 2.1 Legislative Framework

The following legislation establishes the financial accountability frameworks and legislative time frames to complete financial statements audits for Ministries and Department. Refer to Table 2.1 below.

**Table 2.1: Legislative Framework**

Entity Type	Legislative Framework	Legislative Timeframe
Financial Statements of Government	<ul style="list-style-type: none"> <li>Financial Management Act 2004</li> <li>Finance Management (Amendment) Act 2016</li> <li>International Public Sector Accounting Standards (IPSAS) financial reporting under cash basis of accounting</li> </ul>	30 <sup>th</sup> April
Ministries & Departments	<ul style="list-style-type: none"> <li>Financial Management Act 2004</li> <li>Finance Instructions 2010</li> </ul>	30 <sup>th</sup> April

Financial Management Act 2004 (FMA 2004) states the following principles of responsible finance management:

- to manage finance over a medium term on a responsible and transparent basis;
- to manage revenues and expenditure in such a way as to achieve prudent levels of debt;
- to ensure value for money in the use of money and resources;
- to manage contingent liabilities in a prudent manner; and
- to report transparently in accordance with relevant accounting and statistical standards.

The legislation further states that the Minister for Economy is responsible for managing the financial affairs of the Government as a whole in accordance with the requirements of the Constitution of Republic of Fiji and the FMA 2004 and with due regard to the principles of responsible financial management. In addition, the responsible authority for a Ministry/Department is responsible for managing the financial affairs of the entity in accordance with the requirements of the FMA 2004 and with due regards to the principles of responsible financial management.

### 2.2 Annual Financial Statements of Ministries and Departments

Each Ministry/Department must prepare the following statements as required by Section 71 (1) of the *Finance Instructions 2010 (FI 2010)* as part of annual financial statements:

- Statement of receipts and expenditure;
- Profit and loss statement for each trading and manufacturing activity (where applicable);
- Appropriation statement;
- Statement of assets and liabilities for each trading and manufacturing activity (where applicable);

- Notes to the statement of assets and liabilities for each trading and manufacturing activity (where applicable);
- Statement of losses;
- Trust account statement of receipts and payments (where applicable).

On 12 June 2018, the Ministry of Economy issued *Circular No. 03/2018 – Closing of Accounts, Processes & Procedures* to all State-agencies to submit the 2018 draft annual financial statements to the Auditor-General by 31 October 2018.

Except for Trading and Manufacturing Accounts (TMA) which are accounted for on accrual basis, State-agencies prepare their financial statements using FMA 2004, FI 2010 and Finance (Amendment) Instructions 2016.

Each year State-agencies must prepare and make publicly available, for each financial year, an annual report which must be tabled in Parliament by the responsible Minister. The annual report must include the audited annual financial statements and audit report issued by the Auditor-General for the financial year.

The audited financial statements are used by a broad range of users such as parliamentarians, non-governmental organizations, donor agencies, employees, suppliers, lenders and the general public.

The Auditor-General's audit opinion on these financial statements gives reasonable assurance to the users that the financial statements are accurate and can be relied upon.

### **2.3 Consolidation Process**

The accounts of Ministries and Departments are consolidated with those of Ministry of Economy using *International Public Sector Accounting Standards (IPSAS): Financial Reporting under Cash Basis of Accounting* reporting requirements, *Cabinet Decision 277 of 2010 - Adoption of Cash Basis IPSAS* and disclosures made as required by FMA 2004. Additional statements are prepared in accordance with modified cash basis of accounting. Consolidated financial statements include State-agencies which are part of the national budget estimates and financials of those agencies outside the budget, such as TMAs and Trust Accounts, as required by law.

Intra-economic entity transactions, receipts and expenditures are eliminated on consolidation.

### **2.4 Role of the Auditor-General**

The Constitution of Republic of Fiji states that at least once every year, the Auditor-General shall inspect, audit and report to Parliament on -

- (a) the public accounts of the State;
- (b) the control of public money and public property of the State; and
- (c) all transactions with or concerning the public money or public property of the State.

In the report, the Auditor-General must state whether, in his or her opinion –

- (a) transactions with or concerning the public money or public property of the State have been authorized by or pursuant to the Constitution or any written law; and



(b) expenditures have been applied for the purpose for it was authorized.

In addition to the above, the Auditor-General is responsible on behalf of Parliament, to audit –

- (a) the accounts of the Consolidated Fund;
- (b) the Financial Statements of Government and annual appropriation statement required to be included in the Whole of Government Annual Report for a financial year under the FMA 2004; and
- (c) the accounts/financial statements of all state entities required to be included in the annual report for a financial year.

The Auditor-General must satisfy himself or herself that -

- (a) the accounts have been faithfully and properly kept;
- (b) expenditure has been properly authorized, properly applied and otherwise properly accounted for;
- (c) where applicable, all reasonable precautions have been taken to safeguard the collection of public money and trust money and other money and that the laws, directions and/or instructions relating to its collection have been duly observed;
- (d) where applicable, expenditure of money appropriate by Parliament has been applied to the purposes for which the money was appropriated; and
- (e) provisions of the Constitution of the Republic of Fiji and of the FMA 2004, and of any other law relating to money or property subject to his or her audit, have been complied with in all material respects.

The Auditor-General may conduct audits in the manner considered appropriate but must ensure that they are conducted in a competent manner having regard to assessment of effectiveness of any relevant internal control system. The Auditor-General must carry out the audit in accordance with the relevant provisions of the standards on auditing issued by the Fiji Institute of Accountants or other relevant standards considered appropriate.

Following the completion of an audit, the Auditor-General must give an opinion on each set of financial statements audited. In addition, a management letter should be issued to the responsible authority for each entity audited.

The Auditor-General's responsibility is to express an opinion on these financial statements based on his or her audit in accordance with the International Standards on Auditing (ISA). The public sector equivalent standard is International Standards for Supreme Audit Institutions (ISSAI). Those standards require the Auditor-General to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entities preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## 2.5 Reporting to Parliament

At least once every year, the Auditor-General must report to Parliament on audits completed under the Audit Act 1969. In addition, a report of the Auditor-General to Parliament about an audit must be submitted to the Speaker to Parliament within 9 months after the financial year in which the audit relates or within a longer period appointed by resolution of Parliament.

The Act also requires that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause* or *is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.

If any time in the opinion of the Auditor-General, serious irregularities have occurred in the receipt, custody or expenditure of public moneys or in the receipt, custody, issue sale, transfer or delivery of any stamps, securities, stores or other Government property or in the accounting for the same, he or she shall bring the matter to the notice of the-

- (a) Minister responsible for finance; and
- (b) Responsible authority and the Minister of the entity subject to audit.

## 2.6 Types of Audit Opinion

In accordance with ISA, we express an **unmodified opinion** when the financial statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS) under the cash-basis of accounting and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an agency.

### Modified Opinions:

We issue a **qualified opinion** when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An **adverse opinion** is expressed when we, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

We issue a **Disclaimer of Opinion** when we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

We include an **Emphasis of Matter** paragraph in the audit report to highlight an issue that will help the user better understand the financial statements. We also include an **Other Matter** paragraph to highlight a matter that is relevant to users' understanding of the audit report.

### 3.0 RESULTS OF OUR AUDITS – MINISTRIES & DEPARTMENT

We audit the financial statements of Ministries and Departments to provide reasonable assurance about whether the financial statements are free from material misstatements.

#### 3.1 Key Findings and Audit Conclusion

We issued 37 audit opinions on the 2018 financial statements of Ministries and Departments out of which 24 or 65% were unmodified opinions while 13 or 35% were modified opinions. This indicated that most agency financial statements did not contain material misstatements individually or in aggregate.

##### Introduction

In addition to the Financial Statements of Government, each year, we also audit the financial statements of Ministries and Departments to provide assurance to their reliability.

The Ministry of Economy advised all Ministries and Departments to provide the 2018 draft agency financial statements to the Auditor-General by 31 October 2018. If an agency complies with the monthly and quarterly reporting requirements set by the FI 2010 throughout the year, it should be able to prepare and present a high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by the 37 Ministries and Department by considering:

- Year - end closing process – whether accounts were closed-off on agreed date;
- Timelines – whether complete 2018 draft financial statements were submitted for audit by the agreed date;
- Quality – the extent of accounting and auditing adjustments made during the audit;
- Management comments – time taken (in days) by Ministries/Departments to submit management comments on audit findings raised in the Draft Management Letter (DML); and
- Signing of financial statements – time taken (in days) by Ministries/Departments to submit signed financial statements.

Our assessment criteria and the result of our assessment for each Ministry/Department are included in **Appendix C** and the summary of the whole of government assessments of timeliness and quality shown in Table 3.1 below.

**Table 3.1: Summary of Timeliness and Quality Assessment**

	No. of Ministries/Departments				
	Compliance to Year End Process	Quality of Financial Statements	Timeliness of Financial Statement	Timeliness of Management Comments	Timeliness of Signing of Financial Statements
Effective	9	19	3	13	16
Generally Effective	22	7	10	1	4
Ineffective	6	11	24	23	17
<b>Total</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>

It is noted that most Ministries/Departments were effective or generally effective in compliance to year-end closing processes, quality of the financial statements and timeliness of signing financial statements.

However, a good number of Ministries/Departments were ineffective in the following:

- Timeliness of submission of draft financial statements – 65%
- Timeliness of submission of management comments – 62%
- Timeliness of signing of financial statements - 46%

### Audit Opinion Results

Table 3.2 summarizes the types of audit opinions issued on the 2017-2018 financial statements by sectors.

**Table 3.2: Audit Opinions Issued for FY 2017 - 2018**

Sector	Unmodified Opinion	Modified Opinion (Qualified)
General Administration	16	5
Social Services	2	3
Economic Services	5	4
Infrastructure Services	1	1
<b>Total</b>	<b>24</b>	<b>13</b>

The summary and details of the agencies that fall under each Sector and the opinion issued on the financial statements have been reported in the five sector reports submitted to Parliament.

### Modified Opinions

We issued modified opinions (qualified) on 13 (35%) of the 2018 financial statements audited for various Ministries and Departments which indicated material misstatements were noted in the financial statements.

A modified opinion (qualified) is issued when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

The key reasons for the modified audit opinions, as discussed in **Appendix D** have been reported to the management of the respective agencies and in the various sector reports to Parliament.

Refer to Table 3.3 for Ministries/Departments with modified audit opinion and the key areas.

**Table 3.3: Key Areas for Modified Audit Opinion – Auditors’ Reports**

✓ New Key Area/emphasis of matter      ✓ Recurring Key Area/emphasis of matter

Ministries/Departments	Key Areas for Modified Audit Opinion						
	Revenue	Main Trust Fund Account	Records Management	Inventory	Expenditure	Value Added Tax	TMA
<b>General Administration</b>							
1. Office of the Prime Minister and Department of Immigration <sup>5</sup>	✓	✓	✓				
2. Ministry of Employment, Productivity and Industrial Relations		✓					
3. Judiciary		✓					
4. Ministry of Rural and Maritime Development		✓					
5. Fiji Police Force		✓					
<b>Social Services</b>							
6. Ministry of Education, Heritage and Arts and Higher Education Institutions			✓		✓		
7. Ministry of Health and Medical Services	✓	✓	✓		✓		✓
8. Ministry of Women, Children and Poverty Alleviation					✓		
<b>Economic Services</b>							
9. Ministry of Fisheries		✓			✓		
10. Ministry of Forestry <sup>6</sup>					✓		✓
11. Ministry of Lands and Mineral Resources		✓					
12. Ministry of Environment <sup>7</sup>	✓	✓	✓				
<b>Infrastructure Services</b>							
13. Ministry of Infrastructure and Transport		✓					✓

### Unmodified Opinions

We issued unmodified opinions on 24 or 65% of the 2018 financial statements for various Ministries and Departments which indicated that material misstatements were not noted in majority of the agencies audited. However, emphasis of matters and other matters were reported in the Auditors’ Reports.

In accordance with ISA, we express an unmodified opinion when the financial statements are prepared in accordance with the provisions of the FMA 2004 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, are not noted in our audit, which will affect the financial statements of an entity.

Refer Table 3.4 for Ministries/Departments with unmodified audit opinion and with emphasis of matter/other matter.

**Table 3.4: Ministries/Departments with Unmodified Audit Opinion**

✓ Unmodified with emphasis of matter and/or other matter

Ministry/Department	Emphasis of Matter/Other Matters
1. Office of the President	✓
2. Office of the Attorney General	

<sup>5</sup> The qualifications were for the Department of Immigration

<sup>6</sup> Ministry of Fisheries and Forest were under same appropriation head in 2016 - 2017

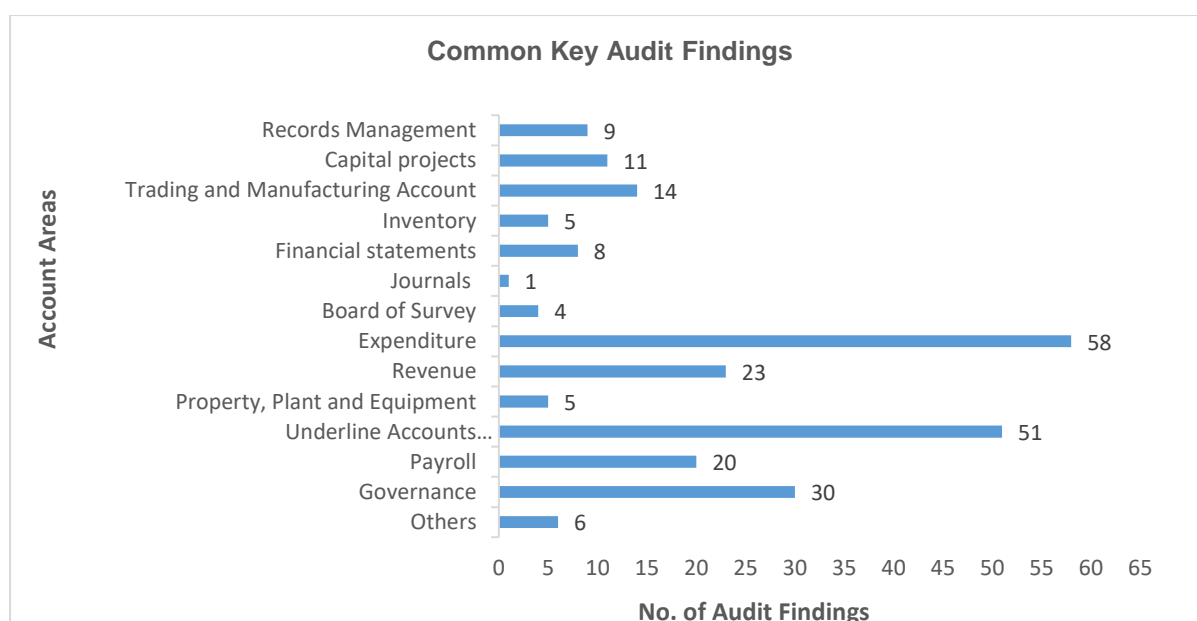
<sup>7</sup> Ministry of Environment was in Ministry of Local Government appropriation head in 2016 - 2017

Ministry/Department	Emphasis of Matter/Other Matters
3. Ministry of Economy	✓
4. Ministry of iTaukei Affairs	
5. Ministry of Defence and National Security	
6. Ministry of Foreign Affairs	✓
7. Parliament	
8. Office of the Director of Public Prosecutions	
9. Ministry of Disaster Management and Meteorological Services	✓
10. Ministry of Justice	
11. Fiji Corrections Service	✓
12. Ministry of Communication	
13. Department of Information, Technology and Computing Services (ITC)	
14. Ministry of Civil Service	
15. Republic of Fiji Military Forces	
16. Peacekeeping Missions	✓
17. Department of Housing	✓
18. Ministry of Youth and Sports	
19. Ministry of Agriculture	✓
20. Ministry of Industry, Trade and Tourism	
21. Ministry of Sugar	
22. Ministry of Public Enterprise	✓
23. Ministry of Local Government and Housing	✓
24. Ministry of Waterways	✓

### Common Key Findings

A total 245 common key findings were reported in the sector reports across the 37 Ministries and Departments. The findings are categorised according to the account areas as shown in Figure 3.1 below.

Figure 3.1: Common Audit Findings across Ministries/Departments



### 3.2 Quality of Draft Agency Financial Statements

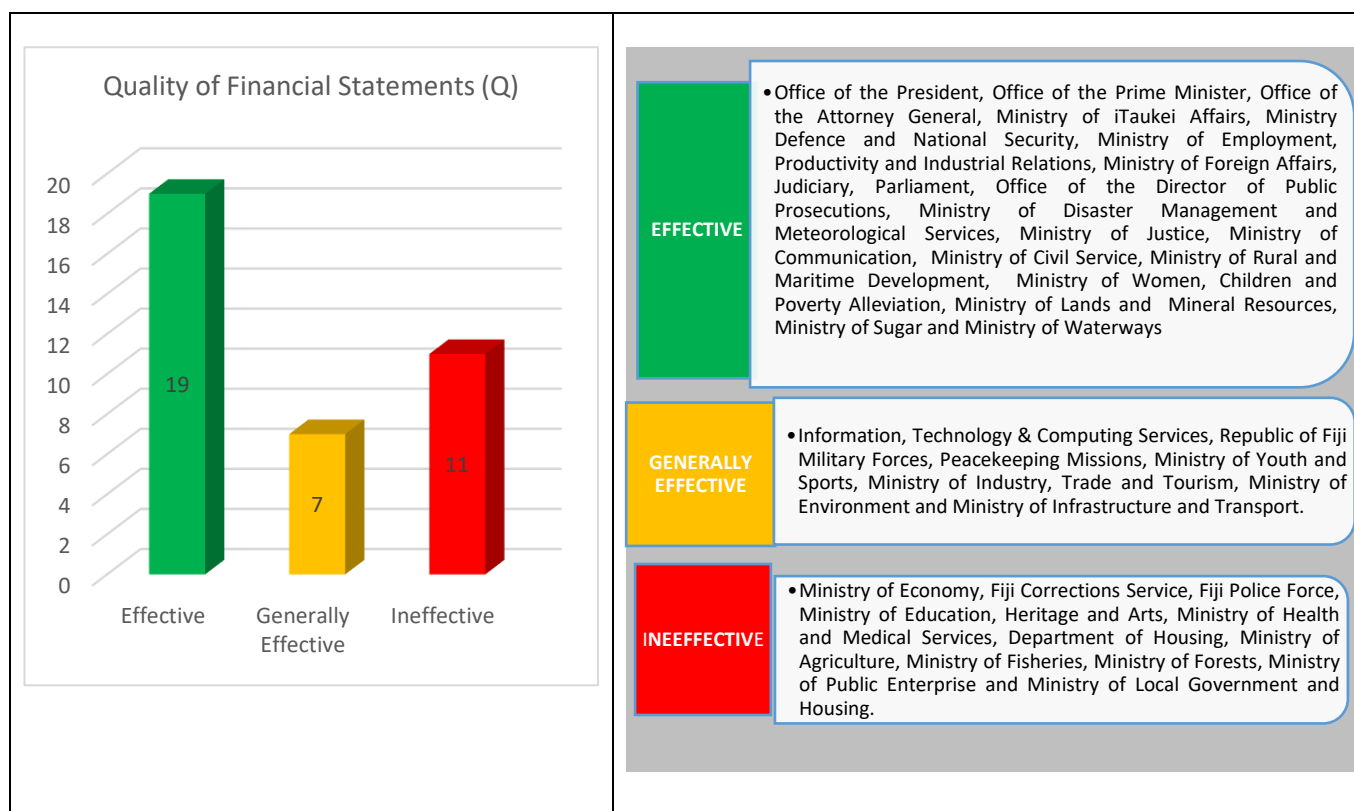
We assessed the quality of financial statements by the extent of audit adjustments made to draft financial statements which indicate the effectiveness of the agency’s internal review processes to identify and correct errors before financial statements are provided for audit. Refer to the Table below for the rating:

Rating	Quality of draft financial statements assessment
Effective	No adjustments or resubmission of financial statements were required
Generally effective	Adjustments on operating results/net assets were less than 1% (< 1%)
Ineffective	<ul style="list-style-type: none"> <li>Adjustments on operating results/net assets were more than 1% (&gt; 1%)</li> <li>Re-submissions of draft financial statements</li> </ul>

Of the 37 Ministries and Departments, 26 or 70% submitted quality draft financial statements for audit.

The quality of draft financial statements submitted by 11 Ministries and Departments were considered unsatisfactory/ineffective. Refer to Figure 3.2 for details.

Figure 3.2: Quality of Draft Financial Statements





### 3.3 Timeliness of Financial Reporting

To assess the timeliness of submission of acceptable draft financial statements, we compared the date the draft financial statements were received to the deadline set by the Ministry of Economy.

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received.

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received before or on 15 October 2018
● Generally effective	Acceptable draft financial statements received on or before 31 October 2018
● Ineffective	Acceptable draft financial statements received after 15 November 2018

92% of Ministries and Departments did not meet the due date for submission of draft financial statements for audit.

Refer to Table 3.5 below for details:

**Table 3.5: Submission of Draft Financial Statements by 31 October 2018**

- ✓ Met the timeline
- ✗ Did not meet timeline

Ministry/Department	Meeting Timelines
<b>General Administration</b>	
1. Office of the President	✗
2. Office of the Prime Minister and Department of Immigration	✗
3. Office of the Attorney General	✓
4. Ministry of Economy	✗
5. Ministry of iTaukei Affairs	✗
6. Ministry of Defence and National Security	✗
7. Ministry of Employment, Productivity and Industrial Relations	✗
8. Ministry of Foreign Affairs	✗
9. Judiciary	✗
10. Parliament	✗
11. Office of the Director of Public Prosecutions	✓
12. Ministry of Disaster Management and Meteorological Services	✗
13. Ministry of Justice	✗
14. Fiji Corrections Service	✗
15. Ministry of Communication	✗
16. Department of Information, Technology and Computing Services (ITC)	✗
17. Ministry of Civil Service	✗
18. Ministry of Rural and Maritime Development	✗
19. Republic of Fiji Military Forces	✓
20. Fiji Police Force	✗
21. Peacekeeping Missions	✗
<b>Social Services</b>	
22. Ministry of Education, Heritage and Arts	✗
23. Ministry of Health and Medical Services	✗
24. Department of Housing	✗
25. Ministry of Women, Children and Poverty Alleviation	✗

Ministry/Department	Meeting Timelines
26. Ministry of Youth and Sports	X
<b>Economic Services</b>	
27. Ministry of Agriculture	X
28. Ministry of Fisheries	X
29. Ministry of Forests	X
30. Ministry of Lands and Mineral Resources	X
31. Ministry of Industry, Trade and Tourism	X
32. Ministry of Sugar	X
33. Ministry of Public Enterprise	X
34. Ministry of Local Government and Housing	X
35. Ministry of Environment	X
36. Ministry of Infrastructure and Transport	X
37. Ministry of Waterways	X

### 3.4 Year-End Closing Process

A quality financial statements preparation process will reduce the risk of untimely, inaccurate and unreliable financial reporting.

On 12 June 2018, the Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and timelines were detailed.

The key focus areas in the Circular include:

- Retirement of imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of virements by 20 July 201 and payments 31 July 2018
- Monitoring of un-presented cheques by 31 July 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Closing date for journal adjustments by 10 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

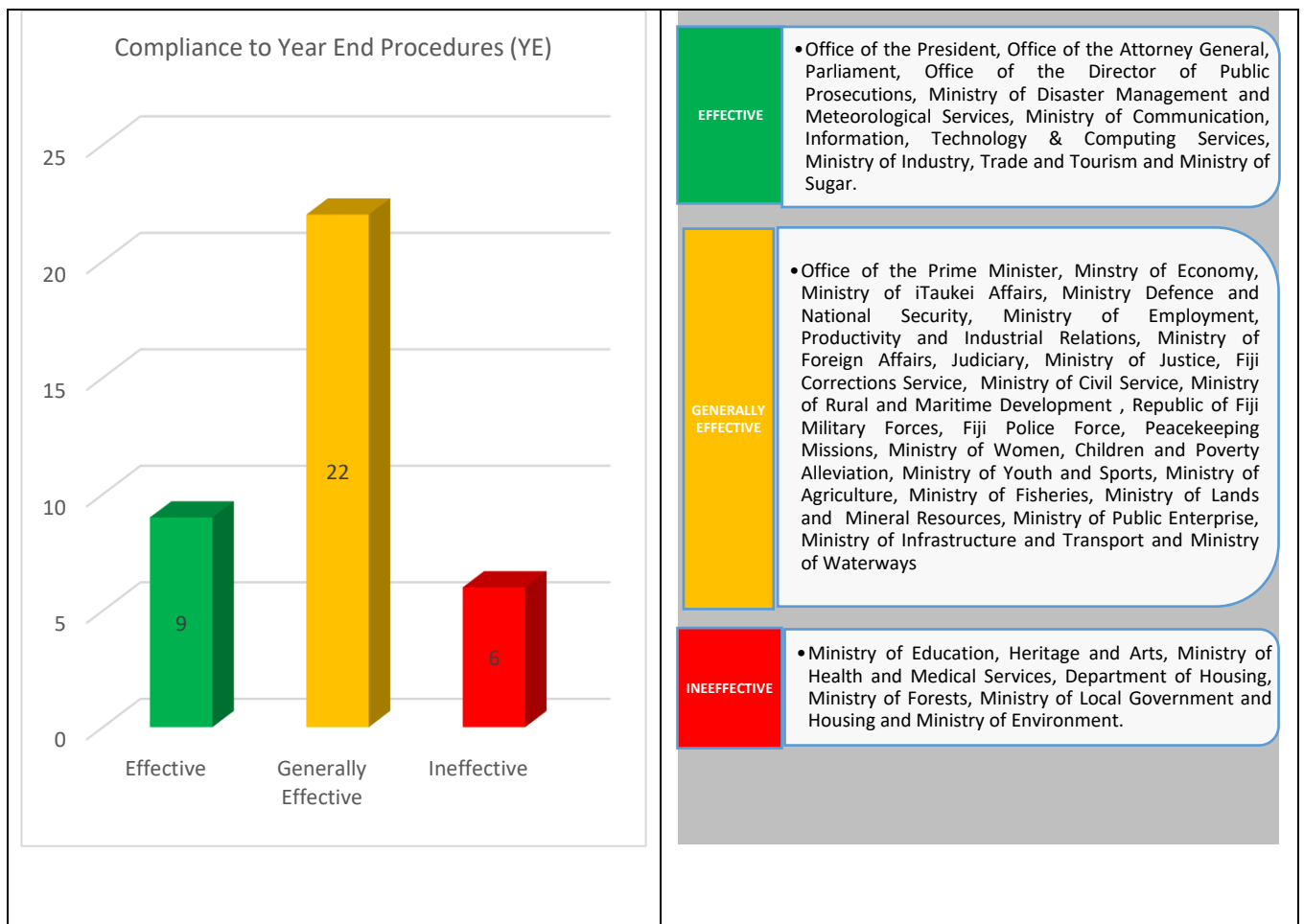
When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the due dates, they are more likely to prepare accurate and timely draft financial statements for audit.

There were 10 key focus areas in the 2018 closing of accounts. The year-end closing of accounts process ratings for Ministries and Departments were determined by classifying them into either effective, generally ineffective or ineffective as follows:

Rating	Year-end close process assessment
● Effective	All 10 key processes completed by due date
● Generally effective	Five of 10 key processes completed within two weeks of due date
● Ineffective	Less than five of 10 key processes completed within two weeks of due date

Of the 37 Ministries and Departments, nine (9) completed all processes by the due dates. Twenty two (22) Ministries and Departments completed 5 of 10 key processes within 2 weeks of due dates and were categorized as effective and generally effective respectively. Six (6) Ministries and Departments were ineffective as they completed less than 5 of 10 key processes within two weeks of the due date. Refer to Figure 3.3 below.

**Figure 3.3: Compliance with Year-End Closing Processes**



## 4.0 FINANCIAL STATEMENTS OF GOVERNMENT

### 4.1 Introduction

The Permanent Secretary for Economy prepares the consolidated financial statements of Government annually. These financial statements are prepared in accordance with the Cash-basis IPSAS reporting requirements and Cabinet Decision 277 of 2010. Additional disclosures are also made in accordance with the requirements of FMA 2004. Some statements forming part of the financial statements were drawn up using modified-cash basis balances from the FMIS general ledger.

#### Consolidated Fund Reporting

The FMA 2004 requires that all public money is to be paid into the Consolidated Fund unless it is required to be paid to another fund or retained by the authority receiving it by written law. Trust money is not payable into the Consolidated Fund. Except for payments made in error or not public money and refunds of unclaimed money, withdrawals can only be made from the Consolidated Fund under an appropriation made by law.

This report covers the following transactions for the financial year:

- Operating revenue including taxes, revenue from investments including those from operation of TMAs;
- Expenditures incurred for unallocable items;
- Government borrowings and repayments;
- Government guarantees and other contingent liabilities; and
- Government assets and liabilities.

#### Consolidated Trust Account

FMA 2004 states that trust money is to be accounted for separately from public money and other money and is to be kept in a separate bank account pending withdrawal. Trust monies are to be utilized for purposes related to the objectives of the trust and accounted for, banked, invested, reported and otherwise controlled in accordance with FI 2010.

This report covers the trust fund receipts and payments for the financial year.

#### Appropriation Statement

Expenditure of money appropriated by an Appropriation Act from the Consolidated Fund or any other fund can be incurred only in accordance with the authorization effected by the Appropriation Act. Ministries and Departments specified in the Appropriation Act concerned or the budget estimate tabled with the Bill are responsible for its administration.

The Minister for Economy or Permanent Secretary may in writing without further appropriation, authorize the transfer or virement of any unspent amount in an appropriation category within a head of appropriation to another appropriation category within the head of appropriation, other than for a Constitutional body.

An appropriation made by an Annual Appropriation Act lapses at the end of the financial year to which it relates except where the Minister has authorized the carry over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date, for use in the following year, subject to such conditions as the Minister specifies in the authorization.

The Minister may with the approval of Cabinet, authorize the redeployment of amounts appropriated by the most recent Annual Appropriation Act for administration by the Ministry to the heads of appropriation and appropriation categories to one or more Ministries and Departments.

As per section 10 (1) of the FI 2010, the Permanent Secretaries of the agencies may authorize the transfer of budgeted funds as follows:

- (a) out from SEG 1 or 2 (Established and Unestablished Staff) but shall not transfer funds into SEG 1 or 2;
- (b) into and out of one or more of the following operating SEGs (SEGs 3, 4, 5, 6, or 7);
- (c) from the operating SEGs (SEGs 1, 2, 3, 4, 5, 6, or 7) to the capital SEGs (SEGs 8, 9, or 10) but not from capital to operating or from capital to capital; and
- (d) virement within SEG 13 to meet the consequential VAT component of the virements in (a), (b) and (c) above.

In addition, the Permanent Secretary for Economy may authorise the transfer of the following budgeted funds in respect of all agencies:

- (a) within each of SEGs 1 or 2 or from SEG 1 into SEG 2 or vice versa;
- (b) within each of capital expenditure SEGs (SEGs 8, 9, or 10) or from SEG 8 into either SEG 8, 9, or 10 or vice versa, as the case may be; and
- (c) virement within SEG 13 to meet the consequential VAT component of the virements in (a) and (b) above.

This report covers payments to Ministries and Departments through appropriation, deployment of funds, virements, expenditures incurred and unspent balances.

Refer to Appropriation Statement on Table 5.13.

### Quality of Financial Report

The quality of the Financial Statements of Government largely depends on the reliability of the information provided to the Ministry of Economy by the Ministries and Departments.

## 4.2 Submission of Draft Financial Statements of Government

We received the first complete draft Financial Statements of Government for audit on 29 November 2019. Following this, amendments were made on compliance with Cash Basis IPSAS, additional disclosures and correction of errors and omissions.

Refer to Table 4.1 below for details.

**Table 4.1: Submission of Draft Financial Statements of Government**

Draft Financial Statements	Date Received
First draft	29/11/19
Revisions	26/06/20
Revisions	12/08/20

### Key Changes in the Financial Statements of Government

There were improvements to the Financial Statements of Government for 2018 when compared to 2017. These key changes include:

- Inclusion of Statement of Responsibility
- Note 16 - Controlled entities which includes all Ministries and Departments by sector
- Note 45 - Land Transport Authority (LTA) Arrears of Revenue
- Note 18 - Comparison of Actual and Budget Amounts

### 4.3 Result of Our Audit

The Permanent Secretary for Economy signed the 2017/2018 Financial Statements of Government on 30 November 2020. A modified audit opinion (qualified) with emphasis of matters and other matters on the financial statements was issued after the legislative deadline of 30 April 2019.

#### Basis for Qualified Audit Opinion

- Included in the Trust Fund Account balance of \$197.7 million in the Statement of Assets and Liabilities (Schedule 3) is Main Trust amounting to \$161.2 million (Note 32). Main Trust Fund Account balance amounting to \$78.4 million was not supported with detailed listing of claimants of the monies held in the trust. Hence, audit was not able to confirm the accuracy and completeness of the Trust Fund Account balance of \$197.7 million as at 31 July 2018.

#### Emphasis of Matters

- Included in Accounts Receivable of \$153.6 million in the Statement of Assets and Liabilities (Schedule 3), is Tax Receivables-IRD and Customs amounting to \$151 million. Detailed Listings were not provided to support these amounts. Consequently, audit was not able to ascertain the accuracy and completeness of the Accounts Receivable balance as at 31 July 2018.
- Established Staff and Government Wage Earners Payroll expenditure in the Statement of Cash Receipts and Payments amounted to \$959.3 million. An unreconciled variance of \$9.6 million exists between FMIS general Ledger and the Payroll Report for both Established Staff and Government Wage Earners.
- Reflected in the Statement of Assets and Liabilities (Schedule 3) is cash of \$286.7 million. A variance of \$1.1 million existed between the FMIS general ledger balance and the bank reconciliation statement.
- Note 52 of the financial statements discloses the novel coronavirus (COVID-19) global pandemic impact subsequent to 31 July 2018. No adjustment has been made to the financial statements as at 31 July 2018 for the financial implications.

## Other Matters

- Internal controls were generally found to be weak for the Department of Immigration, Ministry of Employment, Productivity and Industrial Relations, Ministry of Foreign Affairs, Ministry of Disaster Management and Meteorological Services, Fiji Correction Services, Fiji Police Force, Ministry of Education, Heritage & Arts, Ministry of Health & Medical Services, Department of Housing, Ministry of Women, Children and Poverty Alleviation, Ministry of Agriculture, Ministry of Fisheries and Ministry of Forestry.
- The Fiji Roads Authority, as implementing agency for the Suva Ariel Roads Upgrading Project (SARUP 1), under the Transport Infrastructure Investment Sector Project ABD Loan No. 3210-FIJ, did not comply with the Implementation Arrangements set forth in the Project Administration Manual stated in the Loan Agreement. The Project Administration Manual required that the ADB Procurement Guidelines be followed for the procurement of goods and works. The Authority prepared the contract agreement for Contract No. FRA/TIISP/16-01 Suva Ariel Roads Upgrading Project (SARUP 1) under FRA general terms and conditions but ADB determined a misprocurement as some amendments were made to the FIDIC clauses. As a result, SARUP 1 project will no longer be funded by the ADB and World Bank, the Government of Fiji will incur the full cost of the project totalling \$30.4 million. The funds that have been disbursed by ADB as at 31/07/18 totalling \$5.7 million and World Bank totalling \$3 million will be submitted with FRA/TIISP/16-03 Road Reseals Programme of Roads in Western, Central and Northern Divisions of Fiji. The Government of Fiji will be responsible to pay the full remaining balance of \$20.4 million.

## 5.0 FINANCIAL POSITION, PERFORMANCE AND SUSTAINABILITY

### 5.1 Introduction

Our analysis cover the key components of the financial statements which are revenue, expenditure, assets and liabilities. The detailed analysis are provided in **Appendix B**.

The primary objective of our analysis is to assist users understand the Financial Statements of Government by clarifying the financial effects of key transactions and events in 2017/2018.

Financial statements also assist users understand the sustainability of government.

#### Operating margin

The Operating margin ratio for the year ended 31/07/18 was 1.52 (2017 – 1.63 ), indicating that for every \$1 of operating expenses there is \$1.52 of operating revenue to meet those operating expenses.

#### Current ratio

This ratio shows the amount of current assets available to meet current liabilities as they fall due. The current ratio as at 31/07/18 was 0.52 (2017 – 0.67), which was below the benchmark 1.0 indicating a net working capital deficit.

#### Debt to equity ratio

Debt to equity ratio as at 31/07/18 was 1: 1.73 (2017 – 1:1.37). This shows that for every \$1 of equity, \$1.73 is owed to creditors and lenders.

#### Sectors of government covered

In this chapter, we assess the position, performance and sustainability of government as reported in the Financial Statements of Government. These financial statements report on the consolidated position of the Government comprising of the general administration, social services, economic services, infrastructure services sectors and those which are unallocable.

### 5.2 Assessing Position and Performance

We measure performance by looking at the net operating balance for the financial year. This is a measure of the normal operations of Government and indicates whether government is earning more than it spends.

We measure financial position by looking at the net worth or equity at the end of the financial year. This indicates the degree to which government's assets exceeds liabilities and indicates the extent to which government would be able to absorb unexpected adverse economic conditions.

We assess sustainability by considering how government's position and performance change over time. We also consider how government is able to fund both day to day operations and its investment in assets. This includes an assessment of whether the revenue the government earns

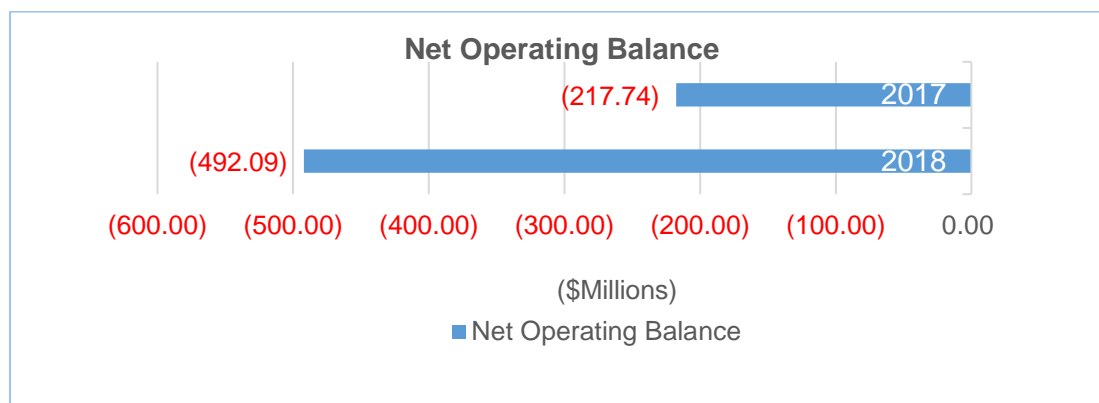


is sufficient to finance its operations and capital investments or whether it needs to borrow for these purposes.

### 5.2.1 Net Operating Balance

Figure 5.1 shows negative net operating balance for 2018 and 2017 below.

**Figure 5.1: Net Operating Balance**



Net operating result with and without capital expenditures is shown in Table 5.1 below.

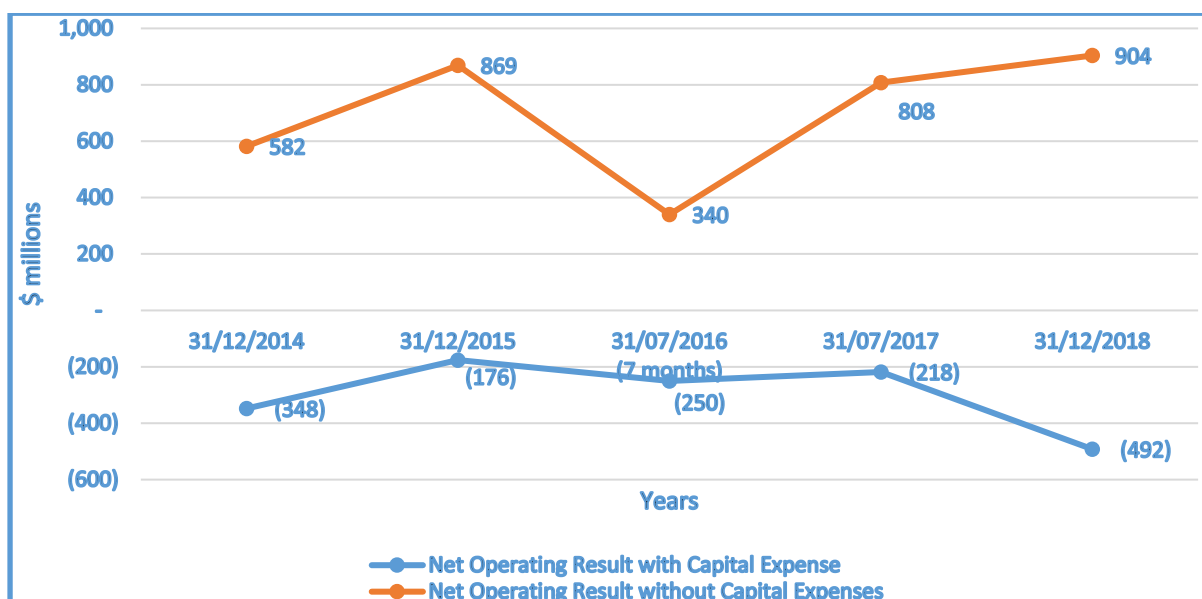
**Table 5.1: Net Operating result**

	31/07/18 (\$)	31/07/17 (\$)
<b>Revenue (Includes TMA revenue)</b>	3,262,410,200	2,859,097,304
<b>Expenses (Includes TMA expenses)</b>	3,754,502,992	3,076,840,916
<b>Expenses (Without Capital Expenses)</b>	2,372,219,327	2,051,239,121
<b>Overall Net Operating Deficit</b>	<b>(492,092,792)</b>	<b>(217,743,612)</b>
<b>Net Operating Surplus without Capital Expenses</b>	<b>890,190,873</b>	<b>807,858,183</b>

The net operating result remained at a deficit from 2014.

Refer to Figure 5.2 for trend of net operating result for the past five years.

Figure 5.2: Trend for Net Operating Result



Source: Financial Statements of Government for 2015 to 2018

### 5.2.2 Equity

As at 31 July 2018, the Financial Statement of Government showed net assets deficiency of \$3.2 billion.

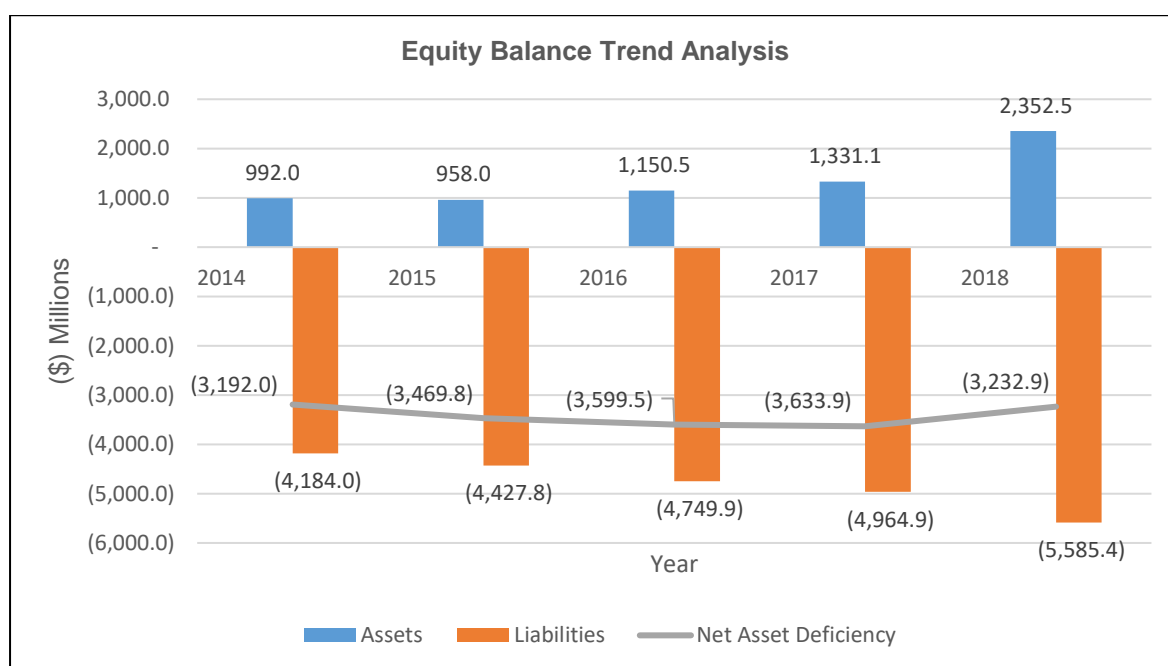
Refer to Table 5.2 below for details.

Table 5.2: Net Assets Deficiency

Total Assets (\$)	Total Liability (\$)	Net Assets Deficiency (\$)
2,352,524,110	5,585,428,948	3,232,904,838

Changes in net assets/equity between two reporting dates reflect the increase or decrease in net assets/liabilities during the period.<sup>8</sup> Figure 5.3 below shows the total assets, total liabilities and net equity balances for the past 5 years.

<sup>8</sup> IPSAS 1 - Presentation of Financial Statements, Section 120

**Figure 5.3: Equity balance Trend Analysis**

Total liabilities had an increasing trend while total assets fluctuated over the past 5 years. The decrease in equity balance in 2018 was due to increase in equity investments and term loan receivable as a result of recognition of outstanding debt from Tertiary Education Loans Scheme (TELS) due to government.

### 5.2.3 Contingent Liabilities

The Government under the authority of the Parliament provides guarantee for the financial liability of State entities in respect of loans or otherwise. A 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 claims.

Government contingent liabilities are classified into broad two categories namely Government Guarantee (explicit) and Other Contingent Liabilities (implicit). In Government Guarantee (explicit) the government's obligation is defined by the deed of guarantee. The government is legally mandated to settle an obligation should the respective borrowing entity default on its loan repayments.

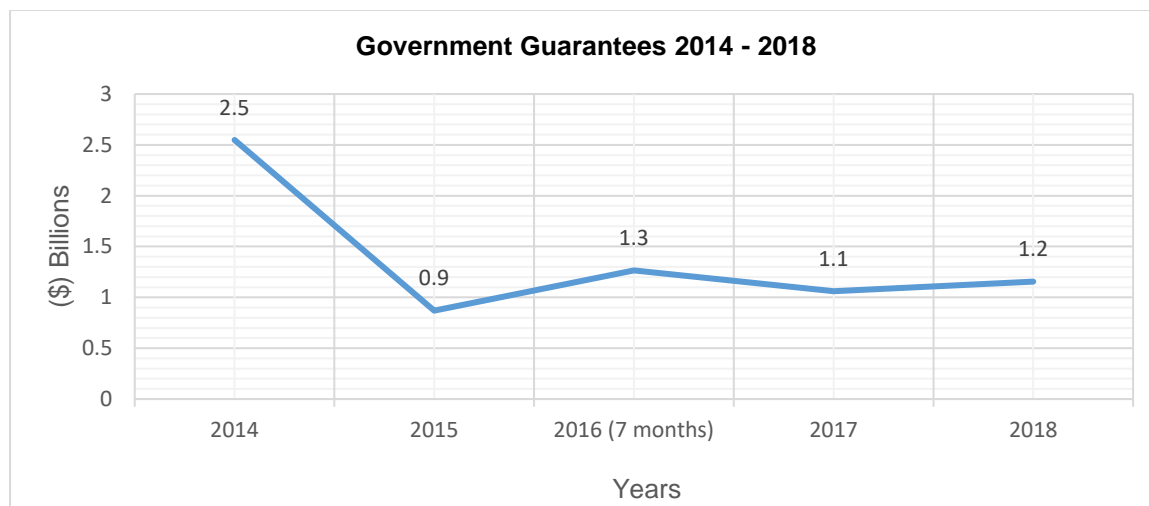
Other contingent liabilities (implicit) includes guarantee such as that of international agencies securities accounts, and Municipal and Provisional Council's borrowings which contribute to the overall public sector risk. These are classified differently on the basis that no deed of guarantee exists for the contingent liabilities and are not officially recognized until a failure occurs.<sup>9</sup>

Government Guarantees (explicit) is further classified into two sub-sections, explicit and other explicit.

<sup>9</sup> Contingent Liability Report as at 31 July 2017, Debt Management Unit

The total contingent liabilities as at 31 July 2018 was \$ 1.15 billion. The contingent liabilities balance increased by \$93.4 million or 9% compared to the balance of \$1.06 billion in 2017. Refer to Figure 5.4 for a trend analysis of the balances over the past years.

**Figure 5.4: Trend analysis of Contingent Liabilities**

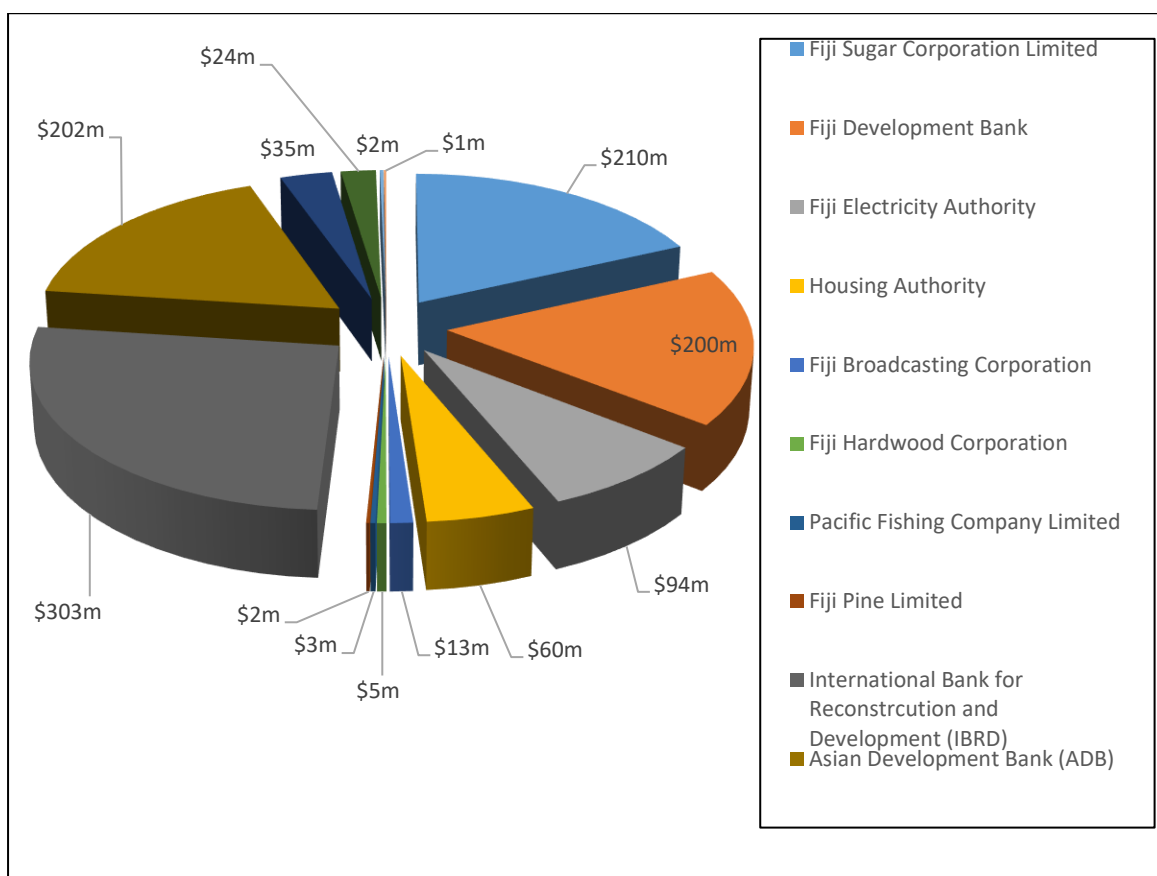


The increase in Government's total contingent liability in 2018 was mainly due to new loan guarantees, as approved by Parliament, to the Fiji Development Bank of \$97.3 million, Fiji Sugar Corporation Limited of \$151 million, Pacific Fishing Company Limited of \$2.8 million and increase in other explicit contingent liabilities for International Bank of Reconstruction and Development (IBRD) and Asian Development Bank (ADB) due to changes in exchange rates for callable portions from USD to FJD.

For the year ending 31 July 2018, callable capital subscribed in IBRD and ADB were noted at significant balances of \$303.0 million or 26% and \$202.2 million or 18% of total contingent liability, respectively. The changes in the balances was attributed to the exchange rates used in the conversion of the 'callable portions'.

Refer to Figure 5.5 for composition of contingent liabilities as at 31/07/18.

**Figure 5.5: Composition of contingent liabilities as at 31/07/18**



### 5.3 Understanding Financial Performance

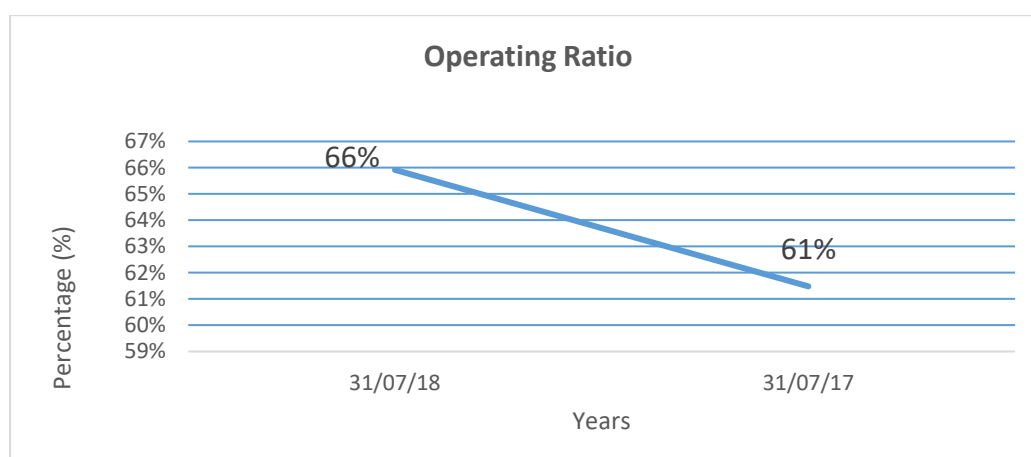
The net operating balance is used to measure financial performance. It shows the difference between revenue earned and expenses incurred from day-to-day operations. Refer to Table 5.3 for details.

**Table 5.3: Net operating deficit**

	31/07/18 (\$)	31/07/17 (\$)
Revenue (Includes TMA revenue)	3,262,410,200	2,859,097,304
Expenses (Includes TMA expenses)	3,754,502,992	3,076,840,916
<b>Overall Net Operating Deficit</b>	<b>(492,092,792)</b>	<b>(217,743,612)</b>

The net deficit as per budget estimates was \$499.5 million compared to the actual net operating deficit for the year ended of \$492.1 million, a reduction by \$7.4 million. This was due to actual total expenditure of \$3.7 billion being within budget.

Operating ratio shows the percentage of operating expenses for every \$1 of operating revenue.

**Figure 5.6: Operating ratio**

In 2017, Government had an operating ratio of 61%, from every \$1 of operating revenue the government paid out \$0.61 for operating expenses. The remaining 39% was available for use for non-operating expenses.

In 2018, the operating ratio increased to 66% indicating that 34% of revenue was available for non-operating expenses or capital expenditures.

### 5.3.1 Revenue

The total forecasted revenue by Government in 2018 was \$3.8 billion which comprised of operating revenue of \$3.3 billion and investing revenue of \$525 million. There was no forecasted revenue for government Trading and Manufacturing operations.

However, the actual revenue collections by government in 2018 from its normal operations totalled \$3.2 billion, thus a shortfall of \$612.8 million or 16% of the total estimated revenue. The anticipated sale of government assets did not take place during the financial year 2018 which contributed to the shortfall in revenue. Government budgeted \$371.8 million from sale of Government assets as investing receipts, which was largely anticipated from the planned divestment of Energy Fiji Limited (EFL).

The other contributing factor to the shortfall in revenue was due to zero collection of other various budgeted revenue.

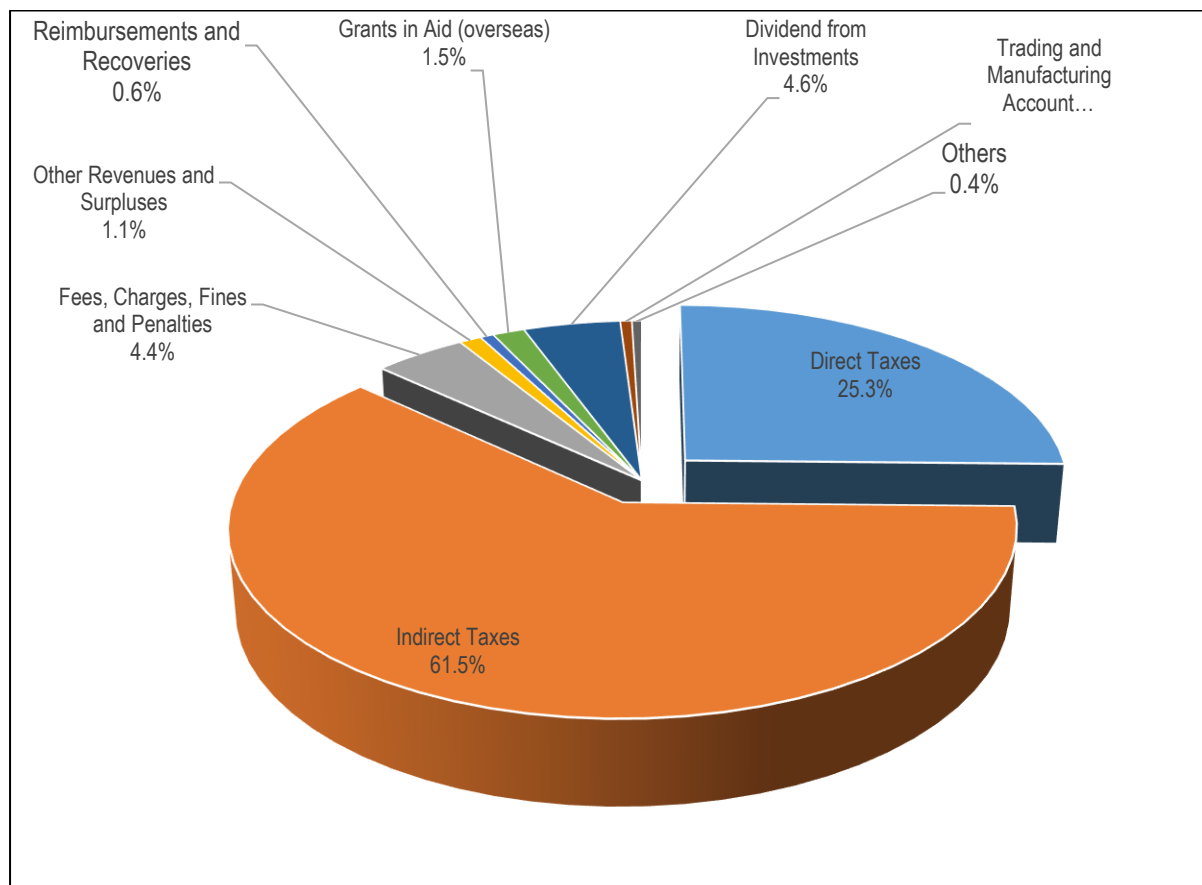
Refer to the Table 5.4 below.

**Table 5.4: Budgeted revenue with zero collections**

Revenue Description	Budgeted Amount (\$)
Withholding & Dividend Taxes	112,832,859
Health Levy	3,857,240
Light Due - Port & Harbour	1,375
Coasting	7,077
Rental for Buildings	301
Hire of Vessels and Punts	8,100
Sale of Photograph	101
Reimbursement of WALESI Digital Television	14,385,294

Revenue Description	Budgeted Amount (\$)
UN International Peacekeeping	4,200,000
United Nations Development Programme	1,078,806
China Government Grants	1,710,859
Japan Government Grants	2,537,084
Interest Public Officers & Ministers	184,261
Interest Economic Service Term Loan	220,849
Dividends - Investments in Social Services	1,730,252
<b>Total</b>	<b>142,754,458</b>

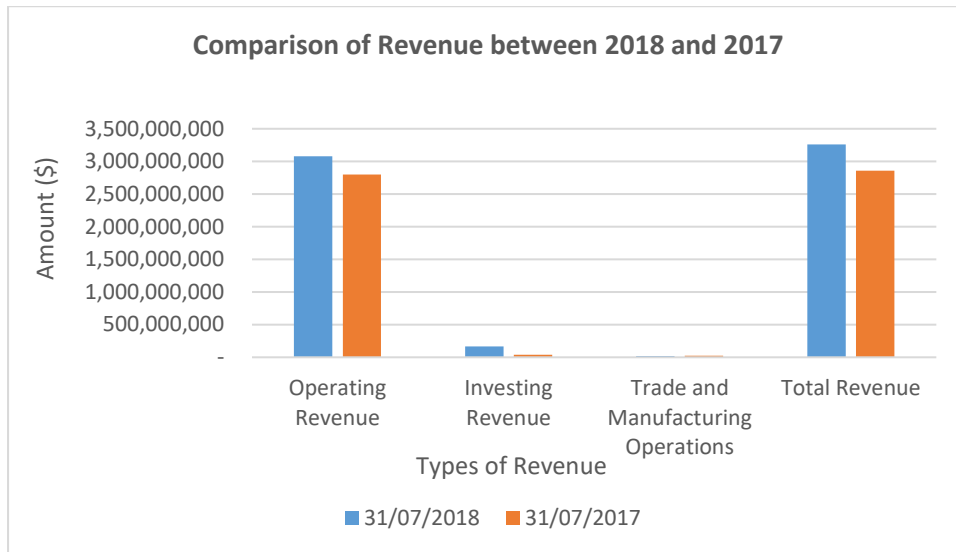
Figure 5.7: Categories of Revenue



Other revenue of 0.5% is made up of operating revenue surplus, interest received on term loan receivable, sale of government assets, interest from bank balances, return of surplus capital from investment and term loan receivable.

Comparison of actual revenue for 2018 and 2017 is shown in Figure 5.8 below.

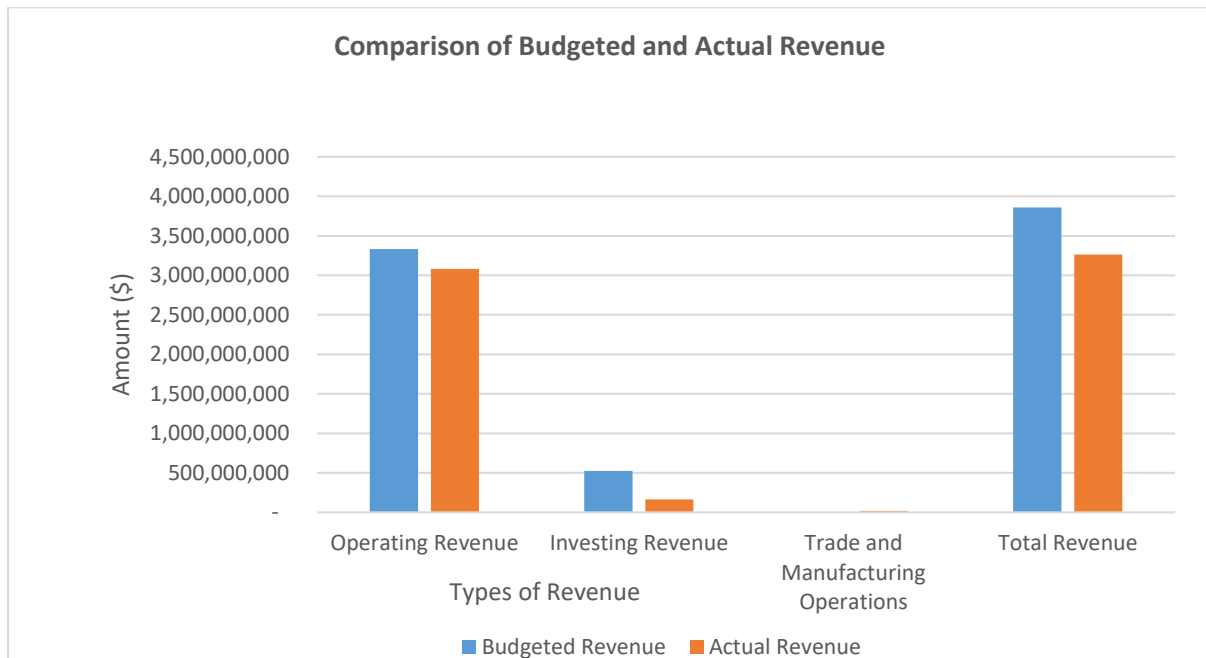
**Figure 5.8: Comparison of Actual Revenue for 2018 and 2017**



Total revenue in 2018 increased by \$403 million or 14% from 2017. The increase in revenue was due to increased collection of direct taxes by \$59.7 million or 7.8%, Indirect taxes by \$192.8 million or 10.5%, fees, fines and charges by \$15.1 million or 11.8%, grant aid from \$30.7 million or 163% and repayments of term loans receivable by \$4.6 million or 329.9%.

Comparison of estimated and actual revenue is shown in the Figure 5.9 below.

**Figure 5.9: Comparison of Estimated and Actual Revenue as at 31 July 2018**



Operating revenue comprised 94% total revenue, 5% investing revenue and revenue from TMA operations 1%.



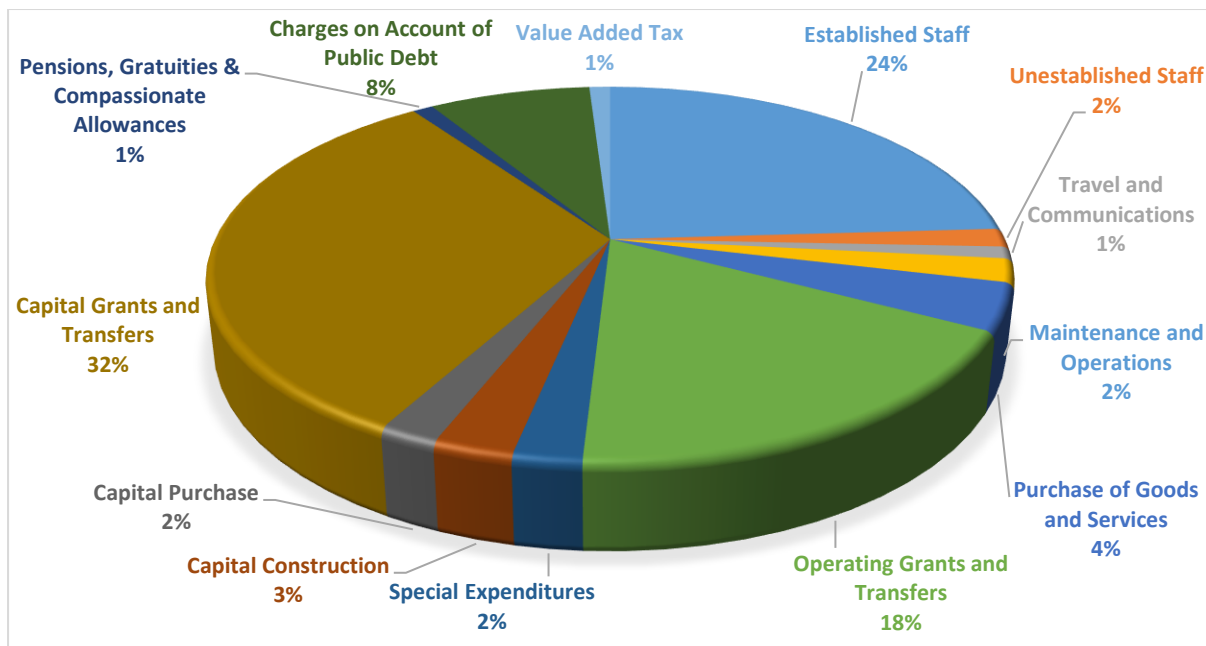
Major revenue types were indirect taxes of \$2 billion or 61.5%, direct taxes of \$825.7 million or 25% and fees, fines and charges of \$143 million or 4%.

### 5.3.2 Expenditure

The total revised expenditures estimate was \$4.3 billion with actual expenditure of \$3.7 billion resulting in savings of \$615.7 million or 14%.

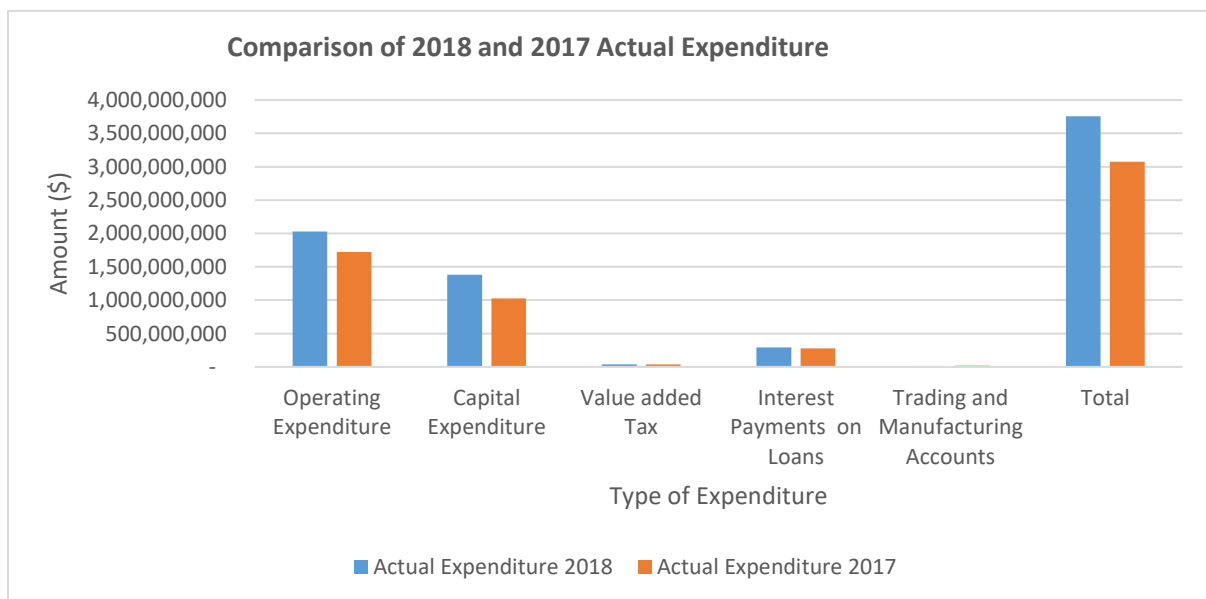
Figure 5.10 shows the percentage utilization of expenditure by SEGs.

**Figure 5.10: Utilization of Government Expenditure by SEGs**



Comparison of actual expenditure for 2018 and 2017 is shown in Figure 5.11 below.

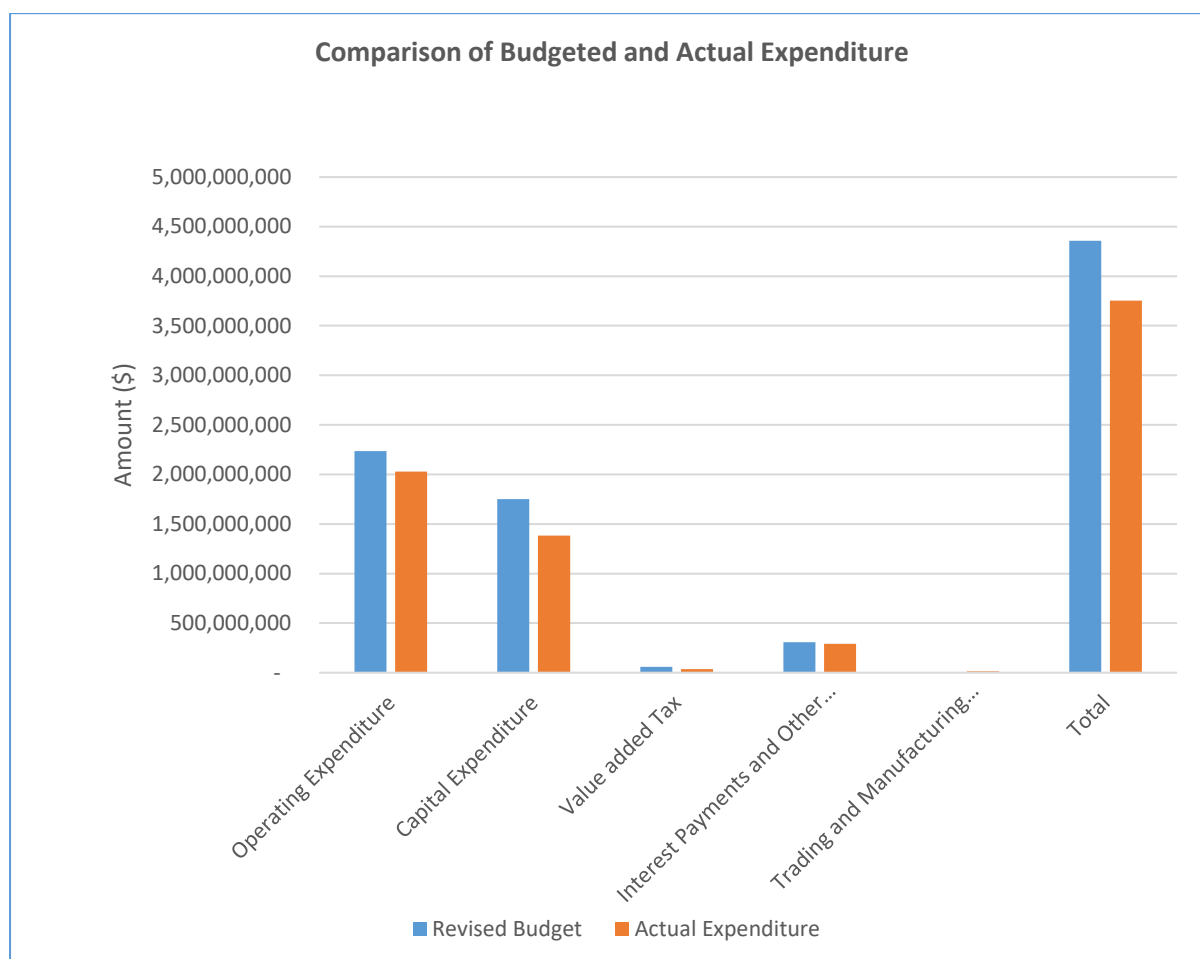
**Figure 5.11: Comparison of Actual Expenditure for 2017 and 2018**



The actual expenditures increased by \$677.7 million or 22% in 2018 in comparison to 2017. The increase in expenditure was due to increase in expenditures for established staff by \$99.8 million or 12%, government wage earners by \$5.5 million or 10%, travel and communication by \$1.9 million or 5%, maintenance and operations by \$5.5 million or 8%, purchase of goods and services by \$11.0 million or 8%, operating grants and transfers by \$161.7 million or 31%, special expenditures by \$20.4 million or 30%, capital construction by \$19.9 million or 24%, capital purchases by \$27.1 million or 56% and capital grants and transfers by \$309.7 million or 35%.

Comparison of revised estimate and actual expenditures is shown in Figure 5.12 below.

**Figure 5.12: Comparison of Revised Estimate and Actual Expenditure**



SEGs 1 to 13 recorded savings resulting in overall savings of \$615.7 million or 14%. Significant savings were for recorded established staff of \$84.2 million, special expenditures of \$30.1 million, operating grants and transfers of \$39.3 million and Capital construction, purchases, grants and transfers of \$370.1 million.

Total expenditures comprised operating expenditure of 54%, capital expenditure of 36.5%, charges on public debt was 8%, value added tax was 1% and Trading and Manufacturing Account expenditure was 0.5%.

## Payroll expenditures

The total Government payroll expenditure for 2018 was \$959.3 million with 94% or \$900.3 million paid to Established Staff while 6% or \$58.9 million to Government Wage Earners. Refer to Table 5.5 below for comparison of revised estimate and actual expenditure.

**Table 5.5: Comparison of Revised Estimate and Actual Expenditure for Payroll**

SEG Description	Revised Estimate (\$)	Actual Expenditure (\$)	Variance (\$)	Percentage
1 Established Staff	984,511,899	900,309,981	84,201,918	9%
2 Government Wage Earners	63,762,237	58,949,182	4,813,055	8%
<b>Total</b>	<b>1,048,274,136</b>	<b>959,259,163</b>	<b>89,014,973</b>	<b>8%</b>

The total payroll expenditure was \$959.3 million against a revised budget of \$1.05 billion resulting in a saving of \$89 million. The savings was due to the number of vacant positions not filled across Ministries/Departments.

Payroll expenditure increased by \$105.3 million in 2018 compared to 2017. This was due to the implementation of the Job Evaluation Exercise across the whole of Government. Refer to Table 5.6 below for comparison of revised and actual payroll expenditure for 2018.

**Table 5.6: Comparison of Actual Payroll Expenditure for 2018**

SEG	SEG Description	Revised Estimate (\$)	Actual Expenditure (\$)	Variance (\$)	Percentage
1	Established Staff	900,309,981	800,546,116	99,763,865	12%
2	Government Wage Earners	58,949,182	53,462,154	5,487,028	10%
	<b>Total</b>	<b>959,259,163</b>	<b>854,008,270</b>	<b>105,250,893</b>	<b>12%</b>

Total number of employees for established staff and government wage earners for 2018 and 2017 are shown in Table 5.7 below.

**Table 5.7: Payroll details**

	2018	2017
<b>Established Staff</b>		
Actual Payroll Expenditure	\$900,309,981	\$800,546,116
Number of Employees	26,283	23,932
Average Cost per employee	\$34,254	\$33,451
<b>Government Wage Earners</b>		
Actual Payroll	\$58,949,182	\$53,462,154
Number of Employees	4,263	4,642
Average Cost per employee	\$13,828	\$11,157
<b>Overall Total</b>		
Actual Payroll	\$959,259,163	\$854,008,270
Number of Employees	30,546	28,574

Source: Number of employees was extracted from payroll reports.

The total number employed by the Government was 30,546 as at 31 July 2018 which increased by 1,972 or 7% from 2017.

### 5.3.3 Results from operation of Trading & Manufacturing Accounts

Total revenue and expenses arising from Trading and Manufacturing operations administered by Ministries and Department were \$18 million and \$13.4 million respectively resulting in a surplus of \$4.6 million for 2018.

### 5.3.4 Trust Fund Accounts

The trust fund account consisted of operating trust and main trust fund accounts.

The operating trust fund account records payroll deductions including income tax, superannuation contributions (FNPF) and other payments to third parties. The main trust fund account records tender deposits, retention monies and trust funds set up for specific activities within Ministries/Departments.

The total trust fund account balance for the year ended 31 July 2018 was \$197.7 million. Refer to Table 5.8 below.

**Table 5.8: Trust fund account balances**

	31/07/18 (\$)	31/07/17 (\$)	Variance (\$)
Deposits, Deductions and Retention	36,459,911	28,368,369	8,091,542
Consolidated Trust Fund (Main Trust Fund Account)	161,241,215	168,831,120	(7,589,905)
<b>Total</b>	<b>197,701,126</b>	<b>197,199,489</b>	<b>501,637</b>

The operating trust fund account balance as at 31 July 2018 was \$36.5 million, an increase of \$8 million. This indicated that operating trust accounts were not cleared on time. In addition, the inclusion of dormant accounts, carried forward balances and new Trust Fund accounts also contributed to the increase.

In comparison, the consolidated trust fund account balance as at 31 July 2018 was \$161.2 million which decreased by \$7.6 million or 4% from 2017.

The cash balances for the main trust fund account as at 31 July 2018 was \$161 million which is sufficient to cover 99% of the main trust fund account liability of \$161.2 million.

However, the operating trust fund accounts do not have separate bank accounts and funds from the consolidated fund account is used to settle payments. The domestic cash at bank balance net of unrepresented cheques as at 31 July 2018 was \$92.4 million which was more than sufficient to cover total operating trust fund account balance of \$36.5 million. This shows that 39% of the total net domestic cash as at 31/07/18 was utilized to settle payments for operating trust fund account.

### 5.3.5 Investments

Total investments in 2018 of \$1.3 billion increased by \$895.6 million compared to 2017, due to:

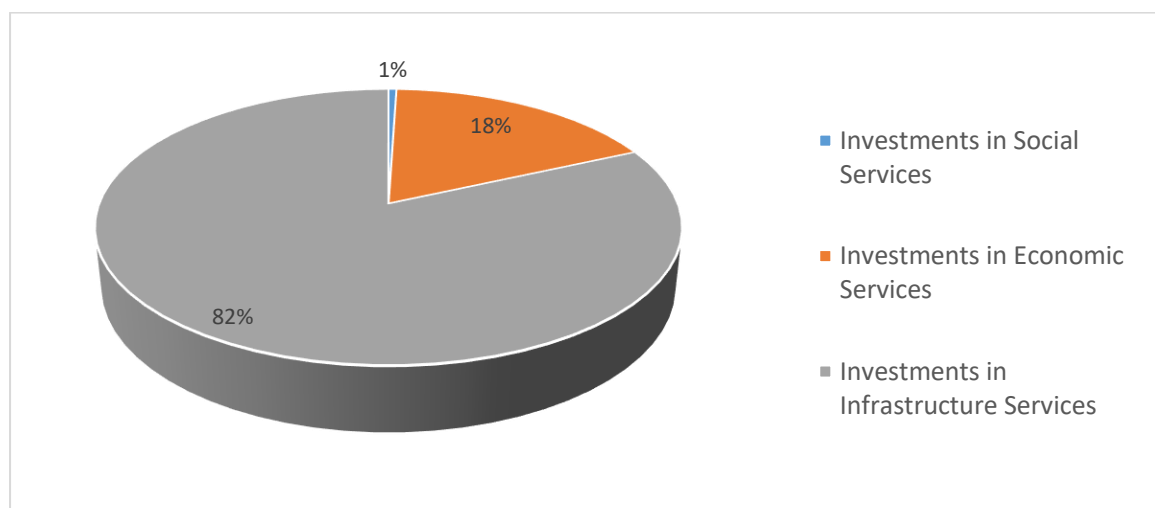
- increase in share prices for Amalgamated Telecom Holdings Limited and Unit Trust of Fiji (Trustee) Limited;
- new investments in Energy Fiji Limited;
- subscription of additional shares in International Bank for Reconstruction; and
- increase in value of investment for International Bank for Reconstruction and Development and Asian Development Bank due to exchange rate adjustments.

There was no sale of investments for the year ended 2018.

Government investments in the Infrastructure Sector was the major component which made up 82% or \$1.09 billion while the remaining \$237 million or 18 % were in the Economic Services Sector and 1% or \$6.9 million in the Social Services Sector.

Refer to Figure 5.13 below for the composition of Government investments by sector.

**Figure 5.13: Composition of Investment by Sector**



Changes in investment from 2017 to 2018 is shown in Table 5.9 below.

**Table 5.9: Changes in investment by sector**

Description	2018 (\$)	2017 (\$)	Increase/ (Decrease) (\$)
<b>Investment in Social Services</b>			
Post Fiji Limited	5,600,000	5,600,000	---
Unit Trust of Fiji (Trustee) Limited	1,066,563	778,839	287,724
Unit Trust of Fiji (Management) Limited	50,000	50,000	---
Fiji Broadcasting Corporation Limited	200,002	200,002	---
Walesi Limited	100	100	---
Fiji Public Trustee Corporation Limited	2	2	---
<b>Total</b>	<b>6,916,667</b>	<b>6,628,943</b>	<b>287,724</b>
<b>Investment in Economic Services</b>			
Fiji Airways Limited	13,307,075	13,307,075	---
Fiji Hardwood Corporation Limited	90,000,000	90,000,000	---
Pacific Fishing Company Limited	14,728,956	14,728,956	---
Assets Fiji Limited	2	2	---
Fiji Pine Limited	61,002,064	61,002,064	---

Description	2018 (\$)	2017 (\$)	Increase/ (Decrease) (\$)
Fiji Sugar Corporation Limited	15,119,580	15,119,580	---
Rewa Rice Limited	1,506,224	1,506,224	---
Viti Corps Company Limited	6,000,000	6,000,000	---
Yaqara Pastoral Company Limited	1,191,846	1,191,846	---
Food Processors (Fiji) Limited	687,679	687,679	---
Air Terminal Services	765,000	765,000	---
International Finance Corporation	603,068	577,349	25,719
International Bank for Reconstruction and Development	14,079,364	9,634,905	4,444,459
Copra Millers Fiji Limited	6,429,183	6,429,183	---
Asian Infrastructure Investment Bank	1,050,641	---	1,050,641
Asian Development Bank Subscription	10,644,615	10,207,208	437,407
<b>Total</b>	<b>237,115,297</b>	<b>231,157,071</b>	<b>5,958,226</b>
<b>Investment in Infrastructure Services</b>			
Airports (Fiji) Limited	92,300,180	92,300,180	---
Amalgamated Telecom Holdings Limited	219,627,976	80,262,716	139,365,261
Fiji Ports Corporation Limited	29,993,490	29,993,490	---
Energy Fiji Limited	749,952,450	---	749,952,450
<b>Total</b>	<b>1,091,874,096</b>	<b>202,556,386</b>	<b>889,317,711</b>
<b>Total Investments</b>	<b>1,335,906,061</b>	<b>440,342,400</b>	<b>895,563,661</b>

### 5.3.6 Term Loan Receivable

Term loan receivable as at 31/07/18 was \$572.2 million. Refer to Table 5.10 below for details.

**Table 5.10: Term loans Receivable by Sector**

Description	2018 (\$)	2017 (\$)	Increase/ (Decrease) (\$)
<b>Term Loan Receivables for Social Services</b>			
Public Officers and Ministers	14,476	14,476	---
I Taukei Affairs Board	5,678,924	5,778,924	(100,000)
PSC Scholarship Lending	9,049,544	9,041,153	8,391
Tertiary Education Loan Scheme	302,511,888	209,060,301	93,451,587
Loans to Fiji Sports Council	4,450,611	4,450,611	---
<b>Total</b>	<b>321,705,443</b>	<b>228,345,465</b>	<b>93,359,978</b>
<b>Term Loan Receivables for Economic Services</b>			
Fiji Pine Commission	7,200,000	8,400,000	(1,200,000)
Fiji Sugar Corporation Limited	173,816,930	173,816,930	---
Viti Corporation Limited	2,905,000	2,905,000	---
National Trading Corporation Limited	1,900,000	1,900,000	---
Rewa Rice Limited	1,900,000	1,900,000	---
Pacific Fishing Company Limited	9,000,000	9,000,162	(162)
South Pacific Fertilizer	9,722,100	9,722,100	---
Housing Authority	34,740,200	36,230,048	(1,489,848.28)
Public Rental Board	9,309,633	9,708,881	(399,248)
<b>Total</b>	<b>250,493,863</b>	<b>253,583,121</b>	<b>(3,089,258)</b>

Description	2018 (\$)	2017 (\$)	Increase/ (Decrease) (\$)
<b>Total Term Loan Receivable</b>	<b>572,199,306</b>	<b>481,928,586</b>	<b>90,270,720</b>

The term loan receivable balances increased by \$90.3 million or 19% compared to 2017, as a result of an increase in outstanding debt from Tertiary Education Loans Board by \$93.5 million.

### 5.3.7 Arrears of revenue

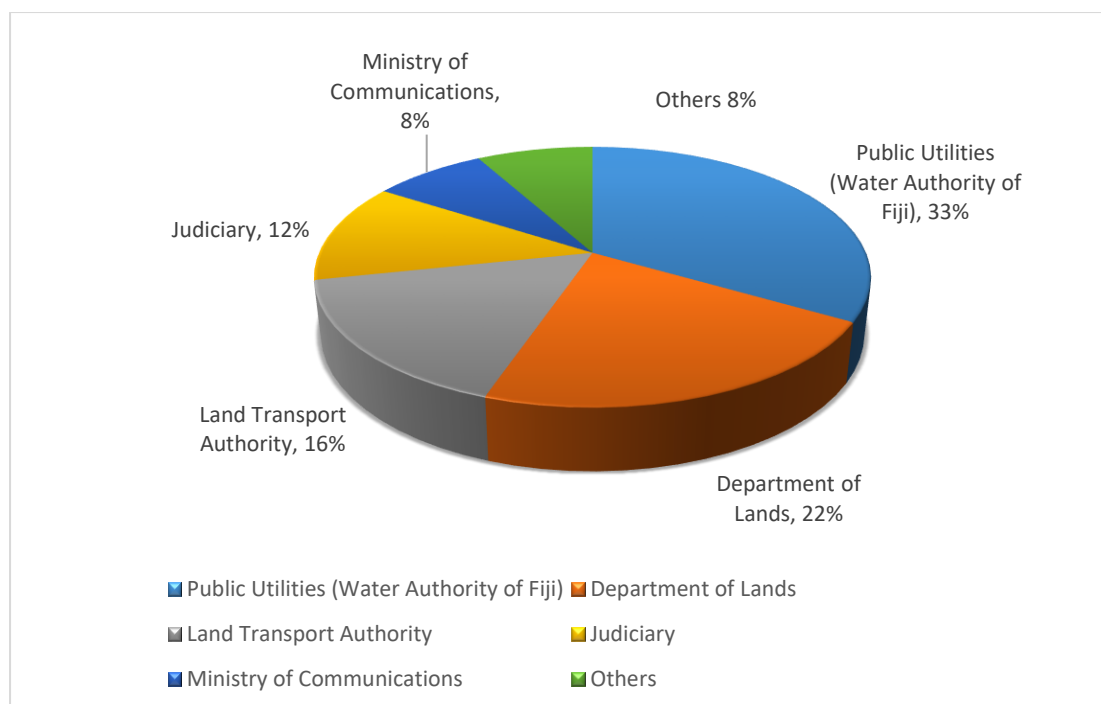
Arrears of revenue in 2018 was \$107.3 million, an increase of \$17.1 million or 19% in comparison to 2017.

The increase was mainly due to increases in arrears of revenue for Ministry of Communications by \$812,917, Department of Lands by \$1.7 million, Land Transport Authority by \$11.0 million, Public Utilities (Water Authority of Fiji) by \$2.8 million and Ministry of Rural and Maritime Development \$1.3 million.

The major proportion of debt were in relation to water rates for Water Authority of Fiji totalling \$35.8 million, followed by crown land rental due to the Department of Lands of \$23.5 million. Refer to Table 5.11 and Figure 5.14 for details of arrears of revenue.

**Table 5.11: 2018 Arrears of Revenue**

Ministry/Department	2018 (\$)	Percentage
Water Authority of Fiji	35,827,196	33%
Department of Lands	2,350,041	22%
Land Transport Authority	17,616,921	16%
Judiciary	13,337,274	12%
Ministry of Communications	8,412,697	8%
Others	8,663,684	8%
<b>Total</b>	<b>107,358,184</b>	

**Figure 5.14: Composition of Arrears of Revenue**

### 5.3.8 Accounts Payable

The accounts payable balance as at 31/07/18 was \$164.9 million, an increase of \$69.9 million or 74% from the 2017 balance of \$95 million.

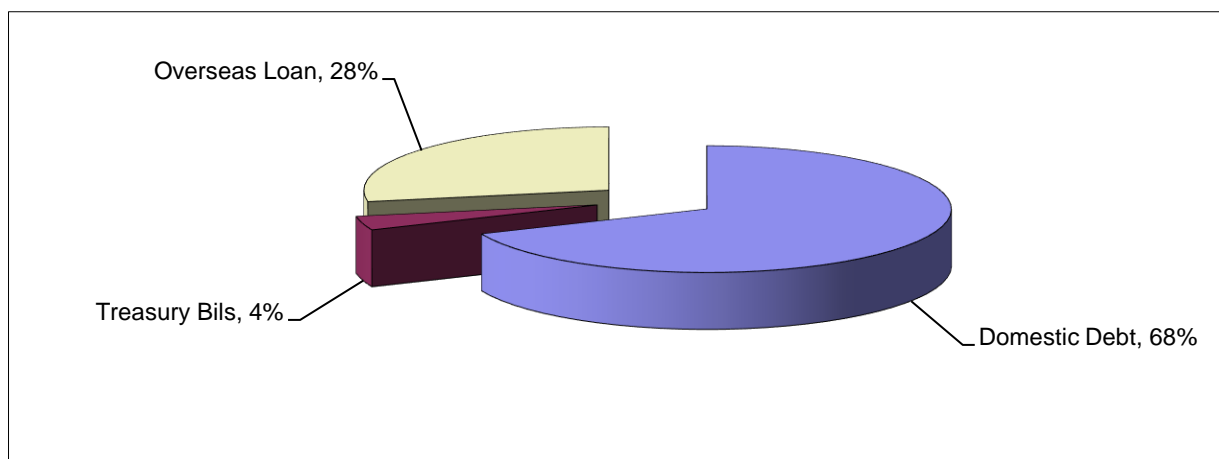
The balance of \$164.9 million was made up of VAT & income tax refunds outstanding of \$164.2 million and withholding tax of \$688,789.

### 5.3.9 Term Loans Payable

Public debt in 2018 totalled \$5.2 billion. This comprised of domestic borrowings of \$3.6 billion which made up 69% of total debt; overseas borrowings of \$1.5 billion or 28%; and Treasury Bills of \$185.3 million which made up the remaining 3%.

These are illustrated in Figure 5.15 below.



**Figure 5.15: Composition of Public Debt in 2017/2018**

Government offered its first Green Bond in four tranches in October 2017 worth a total of \$100 million. Proceeds from the issue of Fiji's Green Bond were used to fund identified eligible projects that fall under various sectors in accordance with the Fiji Green Bond Framework and have been approved in the 2018 budget.

Government also received short term advances from the Reserve Bank of Fiji referred to as "Ways and Means". These advances are raised to meet immediate cash flow needs of government.

During the year, Government had utilized \$26.8 million of this facility through the Reserve Bank of Fiji.

For the year ended 2018, \$205.5 million was the total principal loan repayments for overseas loans and domestic loans, made up of \$44.8 million and \$160.7 million respectively.

Interest payments were \$48.9 million for overseas loans and \$240.7 million for domestic loans. Treasury bills fees and charges were \$1.8 million. Other charges totalling \$136,450 included Reserve Bank of Fiji registry fees of \$130,199 and agency and management fees.

#### Principal repayments for external loans commencing at end of their grace period

Principal repayments for external loans as shown in the Table 5.13 below will commence at the end of their respective grace periods. The loans were signed in 2014/2015 to 2016/2017 financial year with grace period ranging from 3 to 5 years. Aside from the Global bonds that was due in October 2020, the principal repayments for other external loans will commence in the 2019 and 2021 financial year respectively.

Refer Table 5.12 for details.

Table 5.12: Principal Repayments for external loans

Lenders by Financial Institutions	Loan agreement signed	Commencement of principal repayment	No. of years lapsed	Loan balance 31/07/18 (\$)
<b>Asian Development Bank (ADB):</b>				
Transport Infrastructure loan (Loan No. 3210)	12/12/2014	15/06/2020	6	10,023,981
Urban Water Supply and Wastewater Management Investment Program (Loan No. 3512)	16/10/2017	15/04/2023	5	3,293,208
Emergency Assistance for Recovery from Tropical Cyclone Winston (Loan No. 3403)	18/07/2016	15/11/2021	5	105,064,089
Sustained Private Sector-Led Growth Reform Program (Loan No. 3667)	24/06/2018	15/10/2021	3	31,519,227
<b>International Fund for Agricultural Development (IFAD) loans:</b>				
Fiji Agricultural Partnership Project (Loan No. 2000000602)	3/12/2015	2020 onwards	5	2,213,478
<b>World Bank/International Bank for Reconstruction and Development:</b>				
IBRD Post Cyclone Winston Emergency Development Policy Operation (Loan No. 8632)	18/07/2016	15/11/2022	6	105,064,089
Transport Infrastructure Investment Project (Loan No. 8482)	14/04/2016	15/05/2021	5	7,792,253
Fiji Connectivity Project (Loan No. 8666)	16/12/2016	15/01/2022	6	6,268,807
IBRD Fiscal Sustainability and Climate Resilience Development Policy Loan (Loan No. 8840)	18/04/2018	15/05/2023	5	31,519,227
<b>European Investment Bank</b>				
Fiji Water and Wastewater Project	10/11/2017	2022 onwards	5	No drawdowns in FY 2017/2018
<b>Total</b>				<b>302,758,359</b>

### 5.3.10 Public Debt Sustainability

The total Gross Domestic Product (GDP) as at 31 July 2018 was \$11.3 billion which increased by \$1.5 billion or 15% from \$9.9 billion in 2017. The total debt of \$5.2 billion also increased by \$549 million or 12%. Total debt as a percentage of GDP was 46% in 2018.

Total Government revenue was \$3.3 billion and total debt was \$5.3 billion. Debt to revenue ratio was 1: 1.60 indicating that for every \$1 of Government revenue there was \$1.60 of government debt.

Interest charges on loans and other charges on public debt was \$291.5 million, interest expense to revenue ratio was 1: 0.09, indicating that 9% of total revenue can be used for repayment of interest expenses on loans.

## 5.4 Appropriation Statement

The Appropriation Statement for Government is shown in Table 5.13 below.

Table 5-13: Appropriation Statement

SEG	Original Budget 2018 (\$)	Redeployment (\$)	Virements (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Savings (\$)	(Over)/Under Expenditure (%)
1. Established Staff	978,387,768	---	6,124,131	984,511,899	900,309,981	84,201,918	9
2. Government Wage Earners	57,279,863	---	6,482,374	63,762,237	58,949,182	4,813,055	8
3. Travel and Communications	36,076,833	---	9,412,463	45,489,296	38,444,765	7,044,531	18
4. Maintenance and Operations	79,611,471	---	4,777,338	84,388,809	75,434,699	8,954,110	11
5. Purchase of Goods and Services	170,708,143	(7,000,000)	10,506,246	174,214,389	151,359,100	22,855,289	15
6. Operating Grants and Transfers	720,636,998	---	(1,192,217)	719,444,781	680,170,593	39,274,188	5
7. Special Expenditure	118,364,977	---	(17,659)	118,347,318	88,246,446	30,100,872	25
8. Capital Construction	195,588,180	(15,380,883)	(21,557,354)	158,649,943	102,877,892	55,772,051	35
9. Capital Purchase	104,079,505	(5,429,031)	(2,768,948)	95,881,526	75,674,702	20,206,824	21
10. Capital Grants and Transfers	1,479,314,949	30,312,806	(11,777,296)	1,497,850,459	1,203,731,071	294,119,388	20
11. Pensions, Gratuities & Compassionate Allowances	46,221,100	---	---	46,221,100	36,956,687	9,264,413	20
12. Charges on Account of Public Debt	10,093,132	---	---	10,093,132	1,935,831	8,157,301	81
13. Value Added Tax	62,490,760	(2,502,892)	10,922	59,998,790	37,476,706	22,522,084	38
14. Interest Payment on overseas loan	54,480,228	---	---	54,480,228	48,864,351	5,615,877	10
15. Interest Payment on domestic loan	243,496,909	---	---	243,496,909	240,702,829	2,794,080	1
<b>Grand Total</b>	<b>4,356,830,816</b>	<b>---</b>	<b>---</b>	<b>4,356,830,816</b>	<b>3,741,134,835</b>	<b>615,695,981</b>	<b>14</b>

The revised estimate was \$4.4 billion and actual expenditure was \$3.7 billion resulting in a savings of \$615.7 million or 14%. This was due to significant saving in established staff, purchase of goods and services, operating grants and transfers, special expenditure, capital construction, capital purchase and capital grants and transfers in various Heads of Appropriations as reported in the Sector Reports.

## 6.0 ASSESSMENT OF INTERNAL CONTROLS

### 6.1 Introduction

In this chapter, we detail our assessment of the strength of the internal controls designed, implemented and maintained by the 37 Ministries and Departments to ensure reliable financial reporting.

We assess financial controls using the guidelines provided in the International Standards on Auditing/International Standards for Supreme Audit Institutions. We have noted the similarities of the controls in these standards with that of the internal control framework of the Committee of the Sponsoring Organisations of the Treadway Commission (COSO), which is widely recognised as a benchmark for designing and evaluating internal controls.

Internal controls are processes designed and implemented by Permanent Secretaries, Heads of Departments and other personnel of Ministries and Departments to provide reasonable assurance about the achievement of a Ministry or Department's objectives with regard to reliability of financial reporting effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "control" refers to any aspects of one or more components of internal control.

Permanent Secretaries, Heads of Departments and other personnel of Ministries and Departments are responsible for the preparation of the financial statements in accordance with the Financial Management Act 2004, and Finance Instructions 2010, and for such internal controls as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Internal control issues noted during our audit were reported to the Permanent Secretary or Head of Department of Ministries and Departments.

Summary of our internal control assessments for each of the 37 Ministries and Departments against each element of internal controls is shown in **Appendix C**

### 6.2 Internal Control Framework.

During our audits, we assessed the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either or alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components and assessed as either effective, generally effective or ineffective as follows:

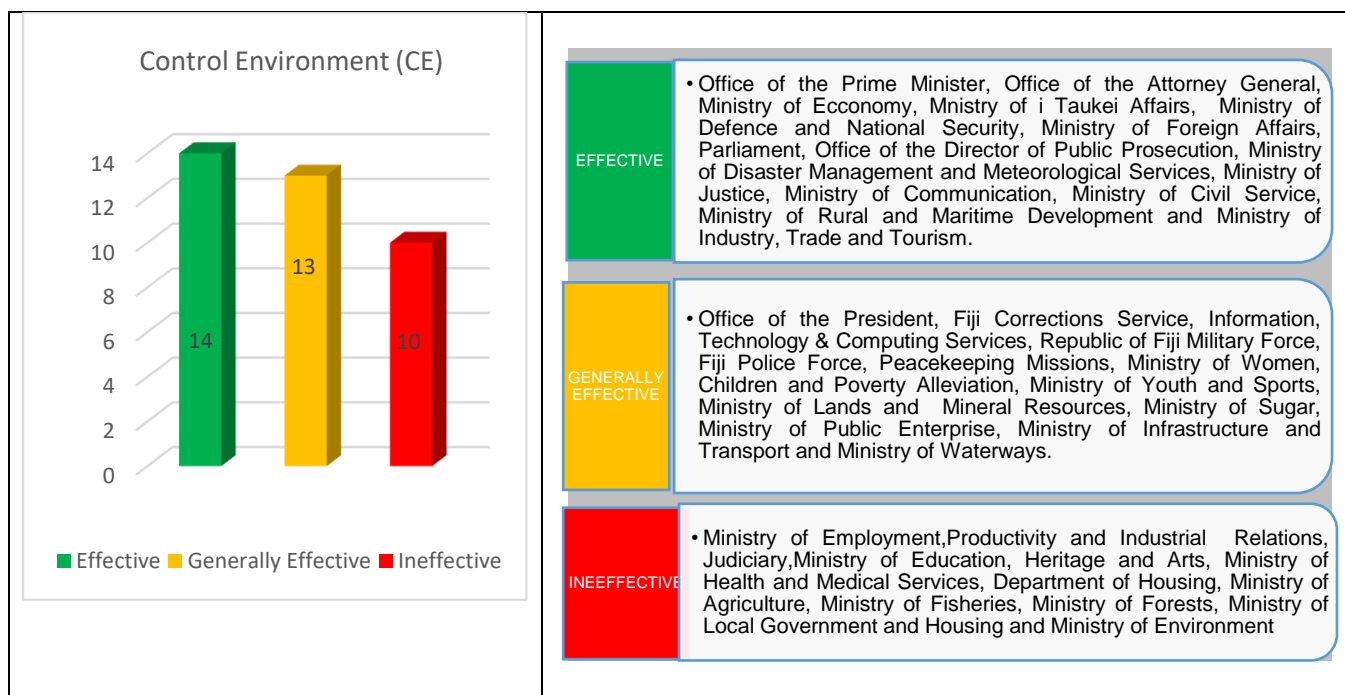
Rating	Internal control assessment
Effective	No deficiencies identified in internal controls
Generally effective	Deficiencies identified in internal controls
Ineffective	Significant deficiencies identified in internal controls

### Control Environment (CE)

Control environment is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity’s objectives. It is also include commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or the entities’ code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

**Figure 6.1: Categories of Control Environment**



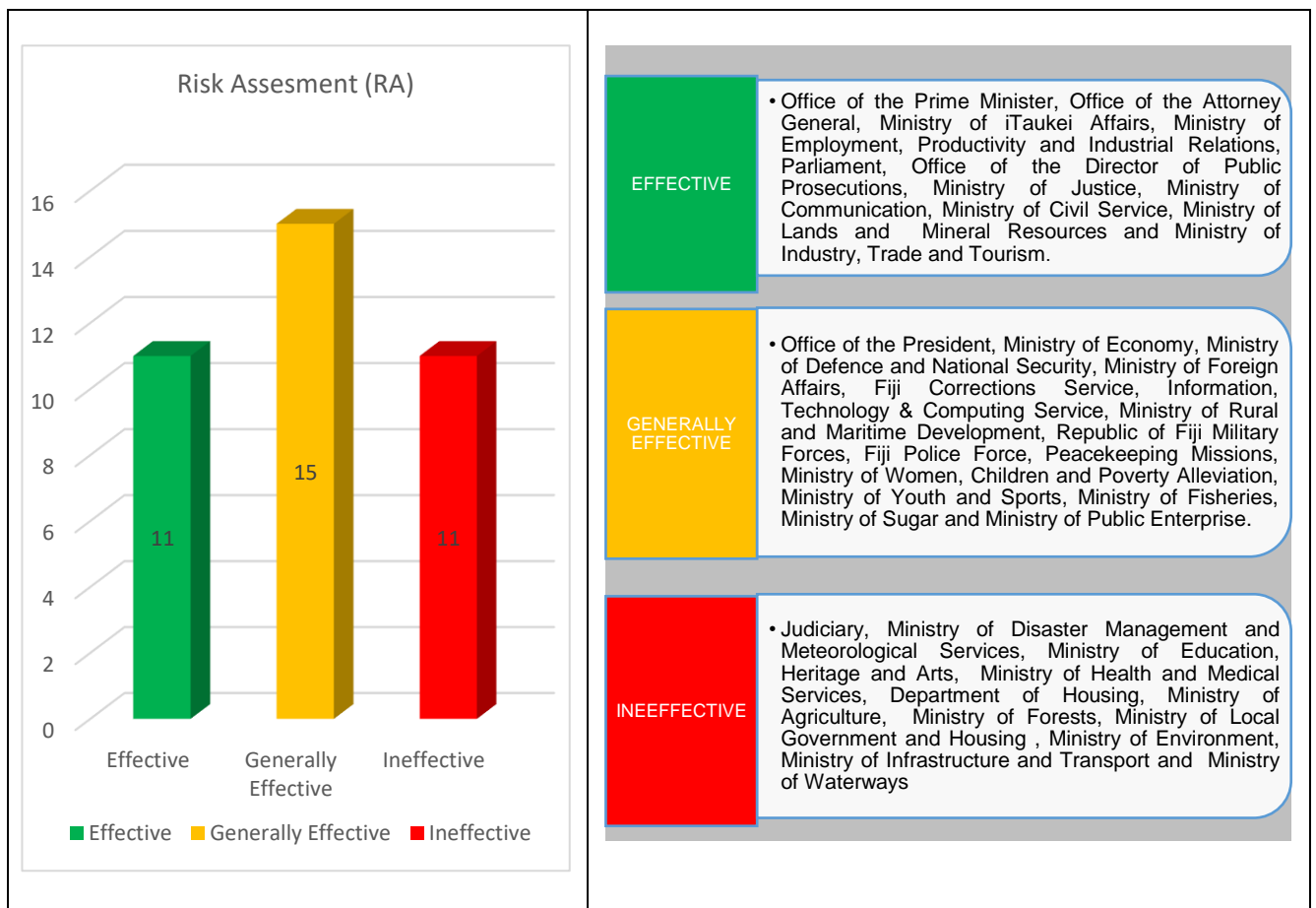
Of the Ministries and Departments reported, the control environment for 27 or 73% agencies were effective or generally effective. Ten Ministries and Departments require improvement in setting standards, processes and structures for carrying out internal control across the entity.

### Risk Assessment (RA)

Risk assessment involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.

Figure 6.2: Categories of risk assessment



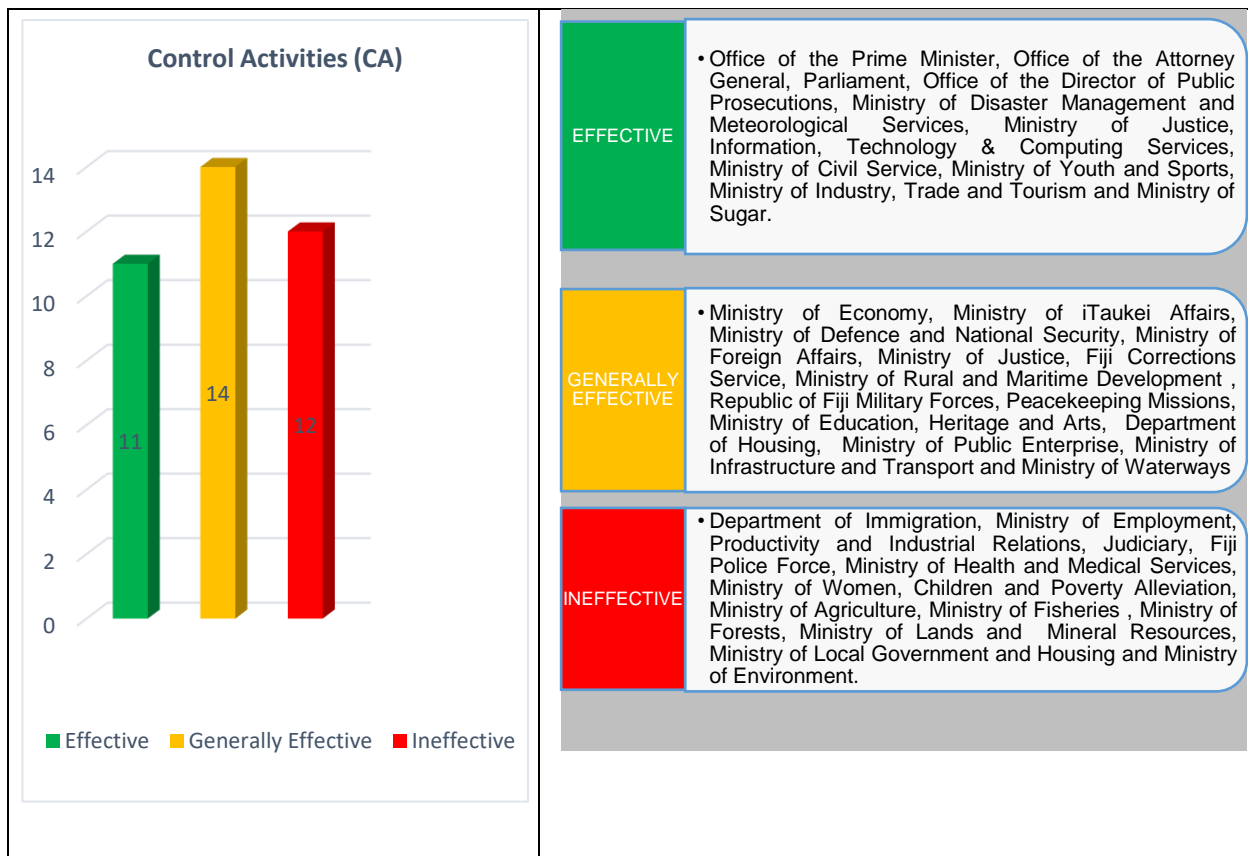
Of the 37 Ministries and Departments reported, the risk assessment for 26 or 70% of agencies were effective or generally effective. Eleven Ministries and Departments require improvement in the process for identifying and analysing risks including determining how risks should be managed.

### Control Activities (CA)

Control activities are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the environment.

Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.

Figure 6.3: Categories of control activities



Of the 37 Ministries and Departments reported, the control activities for 25 or 68% of agencies were effective or generally effective. Twelve Ministries and Departments require improvement in the establishment of policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives.

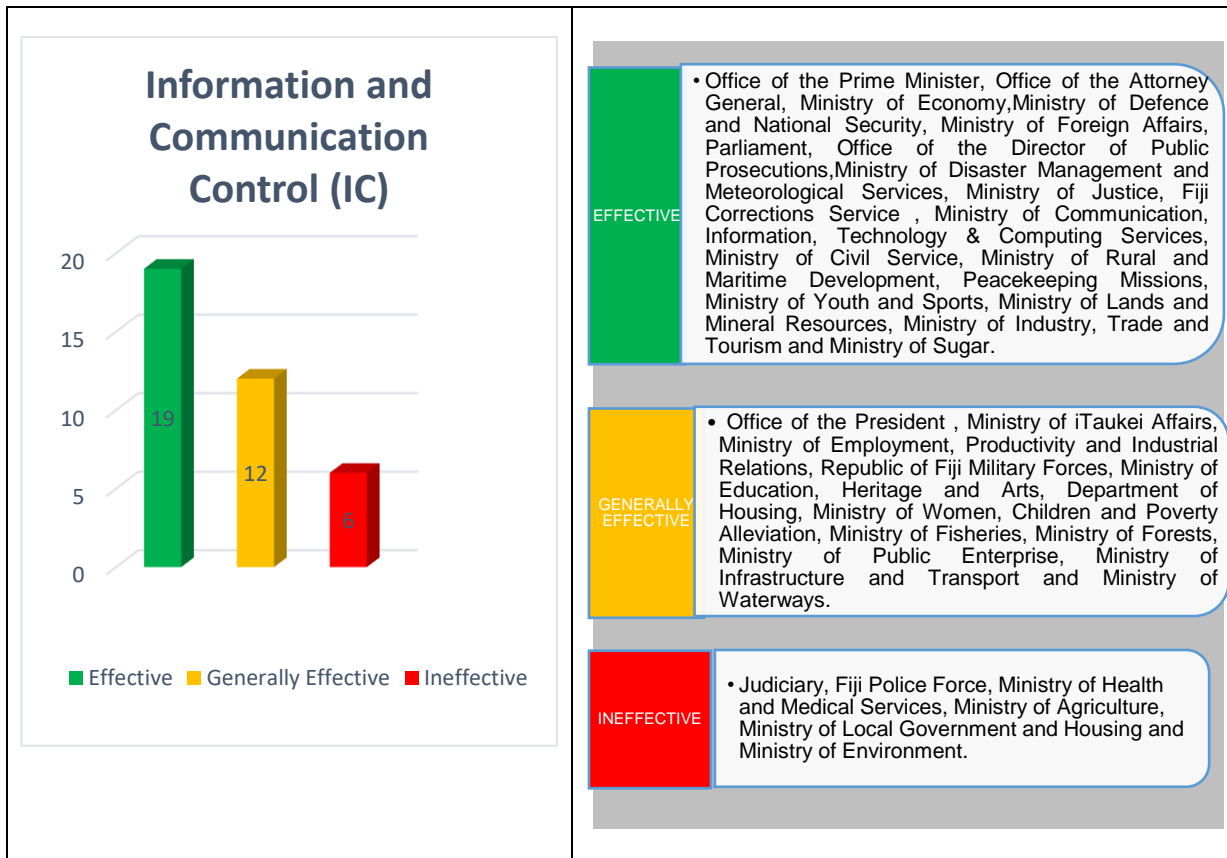
**Information and Communication Control (IC)**

Information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reporting to boards and line Ministries of entities on matters relating to internal controls.



Figure 6.4: Categories of information and communication control



Of the 37 Ministries and Departments reported, the information and communication control for 31 or 84% of agencies were effective or generally effective. Six Ministries and Departments require improvement in the information and communication control to help ensure that management’s directives to mitigate risks to the achievement of objectives.

**Monitoring Activities (MA)**

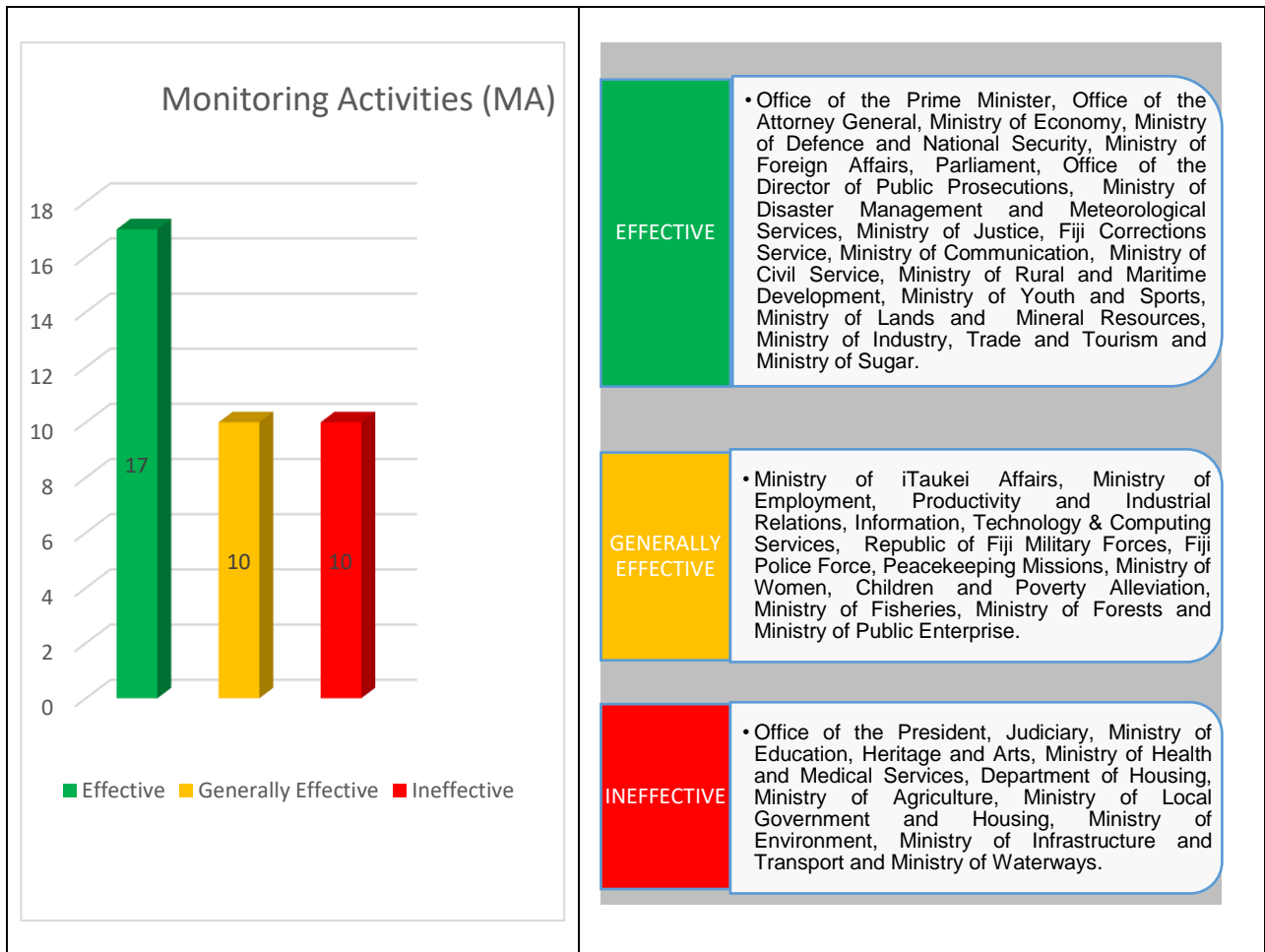
On-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and functioning. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

The monitoring activities of Ministries and Departments was assessed and categorized as effective, generally effective and ineffective in the graph below.



Figure 6.5: Categories of monitoring activities



Of the 37 Ministries and Departments reported, the monitoring activities for 27 or 73% of agencies were effective or generally effective. Ten Ministries and Departments require improvement in the on-going evaluations, separate evaluations to ascertain whether controls are present and functioning.

## 7.0 SIGNIFICANT AUDIT MATTERS

Significant audit matters highlighted in this report, include control weaknesses, which could cause or is causing severe disruption to the process or the ability of the agencies to achieve process objectives and comply with relevant legislations.

In this chapter, we discuss significant audit matters in the 2018 Financial Statements of Government. The significant audit matters in Ministries and Departments is reported in the other Sector Reports.

### 7.1 Key Findings

Other significant matters identified during the audit were communicated to the Ministry of Economy through our Management Letters and they relate to the following areas:

- **Annual Report on Whole of Government:** the Ministry of Economy has not tabled in Parliament the Whole of Government annual report for the financial years ended 31 July 2016 and 2017.

The Ministry of Economy stated that it has taken note of the comments and the audit recommendations made.

- **Ageing Reports not Maintained for VAT & Income Tax Refunds Outstanding:** that FRCS did not maintain the ageing reports for Income Tax and VAT refunds outstanding as at 31 July 2018. This limits the ability of Government to keep track of long outstanding dues.

The Ministry of Economy has indicated that it will liaise with the FRCS on maintaining and submitting ageing reports for VAT and income tax refunds outstanding.

- **Implementation of Activities proposed in the Pacific Financial Technical Assistance (PFTAC) Report:** technical assistance was provided by PFTAC to develop of a framework for identifying, assessing, and reporting of fiscal risks arising from public enterprises (PEs) and statutory authorities (SAs). The technical assistance also looked at institutional arrangements to strengthen fiscal oversight of these entities activities. Not all activities/recommendations in the PFTAC Report have been implemented by the Ministry.

The Ministry of Economy stated that it has taken note of the comments and the audit recommendations made. In addition, the Ministry has recently completed a Public Expenditure and Financial Accountability Assessment and is working on a Public Financial Management Improvement Plan which will include reform actions to strengthen fiscal management.

- **Delay in finalization of the Financial Statements of Government and Ministry of Economy:** the finalization of the 2018 financial statements of Government and the Ministry of Economy were significantly delayed due to the numerous amendment to the draft accounts submitted for audit.

The Ministry of Economy stated that it has taken note of the comments and the audit recommendations made and has been advising Ministries and Departments via the Closing of Accounts Circulars and through the monthly Permanent Secretaries dashboard.

- **Main Trust Fund Account:** certain Trust Fund Accounts do not operate as a trust and should be included in the budgetary process. When public money that fund operating and capital

expenditures of government are held in trust, the utilization of these funds do not go through the budget approval process. Detailed listings were not maintained for monies held in trust totalled \$78.3 million.

While the Office of the Auditor General had highlighted these matters directly with the agencies through the audit of agency financial statements, the Ministry of Economy has indicated that it will embark on a comprehensive review of all trust fund accounts to determine eligible trust accounts.

- **Reconciliations not prepared for Main Trust Fund Account:** there were significant delays in the preparation and submission to the Ministry of Economy of the accounts reconciliation statements for the Judiciary Trust which dates back to 2015.

The Ministry has put in measures to progress with the reconciliation.

- **Significant Outstanding Operating Trust Fund Balance:** the Operating Trust Fund account had a credit balance of \$36.4 million as at 31 July 2018 the accumulation of which also increased the liabilities of Government.

The Ministry of Economy through its Monitoring and Evaluation Unit is reviewing these trust fund accounts and aliasing with respective Ministries/Departments on the need to continue the operation of these trust fund accounts.

- **Debt Unit Internal Control Assessment:** control environment weaknesses need to be improved in the Debt Management Unit. The Debt Unit Standard Operating Procedures was still in draft form from 2014. In addition, the Ministry did not have a Debt Management Strategy in 2018.

The Ministry of Economy stated that formulation of a Medium Term Strategy is earmarked for completion by the end of 2020/2021 financial year which will be undertaken with the technical assistance from multilateral development partners. In relation to the Standards Operating Procedure (SOP), a comprehensive and updated SOP will also be formulated and finalized by the end of the 2020/2021 financial year.

- **Accounting for Green Bond:** the apportioning method used in allocating funds to relevant projects has not been appropriately approved or documented.

Details of the key findings with management comments are discussed Part C of this report.

## APPENDIX A: AUDIT OPINION RESULTS

The following Tables present the results of our audit of the 2017-2018 financial statements for Ministries and Departments. Consistent with presentation in this report, the results have been summarized by sectors.

The legislated timeframe for issuing of audit opinion for 2018 was 31 December 2018.

### General Administration

	Ministry/Department	Date audit report signed	Audit Opinion Type
1.	Office of the President	15 March 2019	Unmodified with Emphasis of Matter and Other Matter
2.	Office of the Prime Minister and Department of Immigration	8 July 2019	Modified
3.	Office of the Attorney General	29 March 2019	Unmodified
4.	Ministry of Economy	30 November 2020	Unmodified with Emphasis of Matter
5.	Ministry of iTaukei Affairs	17 May 2019	Unmodified
6.	Ministry of Defence and National Security	29 July 2019	Unmodified
7.	Ministry of Employment, Productivity and Industrial Relations	18 July 2019	Modified
8.	Ministry of Foreign Affairs	2 October 2019	Unmodified with Other Matters
9.	Judiciary	12 July 2019	Modified
10.	Parliament	6 February 2019	Unmodified
11.	Office of the Director of Public Prosecutions	18 March 2019	Unmodified
12.	Ministry of Disaster Management and Meteorological Services	16 November 2019	Unmodified with Emphasis of Matter and Other Matter
13.	Ministry of Justice	24 June 2019	Unmodified
14.	Fiji Corrections Service	21 October 2019	Unmodified with Other Matter
15.	Department of Information and Communication	20 June 2019	Unmodified
16.	Department of Information, Technology and Computing Services (ITC)	17 October 2019	Unmodified
17.	Ministry of Civil Service	2 August 2019	Unmodified
18.	Ministry of Rural and Maritime Development	9 April 2019	Modified
19.	Republic of Fiji Military Forces	2 October 2019	Unmodified
20.	Fiji Police Force	22 May 2019	Modified
21.	Peacekeeping Missions	31 October 2019	Unmodified with Emphasis of Matter

### Social Services

	Ministry/Department	Date audit report signed	Audit Opinion Type
22.	Ministry of Education, Heritage and Arts and Higher Education Institutions	1 June 2020	Modified

	Ministry/Department	Date audit report signed	Audit Opinion Type
23.	Ministry of Health and Medical Services	5 June 2020	Modified
24.	Department of Housing	13 August 2020	Unmodified with Emphasis of Matter and Other Matter
25.	Ministry of Women, Children and Poverty Alleviation	31 October 2019	Modified
26.	Ministry of Youth and Sports	3 June 2019	Unmodified

### Economic Services

	Ministry/Department	Date audit report signed	Audit Opinion Type
27.	Ministry of Agriculture	24 May 2019	Unmodified with Other Matter
28.	Ministry of Fisheries	27 April 2020	Modified
29.	Ministry of Forestry	6 February 2020	Modified
30.	Ministry of Lands and Mineral Resources	20 December 2019	Modified
31.	Ministry of Industry, Trade and Tourism	20 June 2019	Unmodified
32.	Ministry of Sugar	22 May 2019	Unmodified
33.	Ministry of Public Enterprise	3 July 2020	Unmodified with Other Matter
34.	Ministry of Local Government and Housing	20 April 2020	Unmodified with Other Matter
35.	Ministry of Environment	25 March 2020	Modified

### Infrastructure Services

	Ministry/Department	Date audit report signed	Audit Opinion Type
36.	Ministry of Infrastructure and Transport	30 October 2019	Modified
37.	Ministry of Waterways	13 June 2019	Unmodified Emphasis of Matter

## APPENDIX B: ANALYSIS OF FINANCIAL STATEMENTS OF GOVERNMENT

### Cash and Cash Equivalents

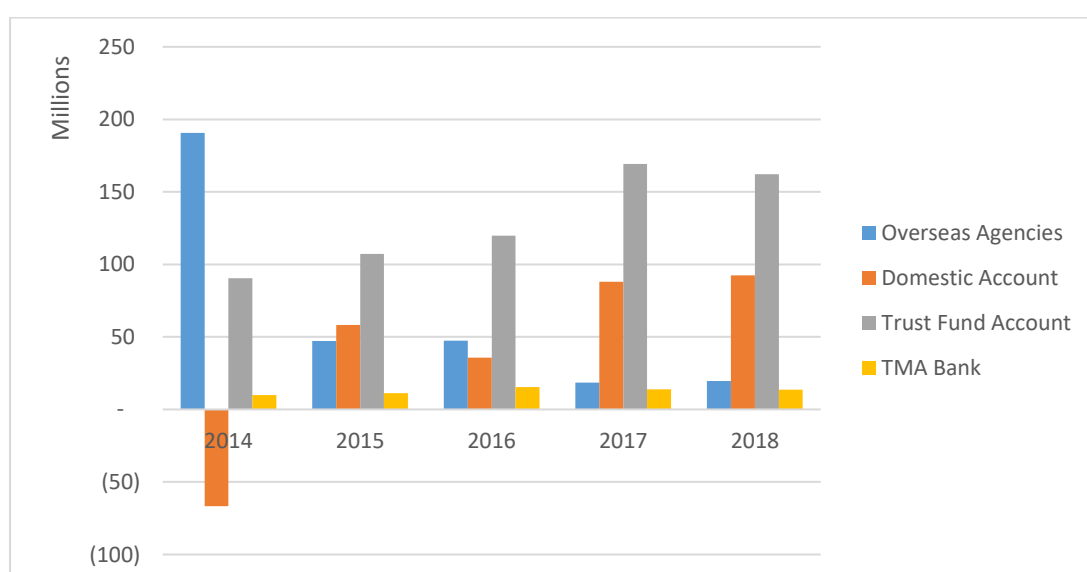
A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorised to operate on it. All agency bank accounts must be kept in the name of the agency or the official title of a unit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

The cash and cash equivalents balance decreased from \$289.8 million in 2017 to \$286.7 million in 2018. Major decreases were noted in Trust Fund Account and Domestic Fund Account bank balances by 5% and 10%, respectively. Overseas cash increased by 5% while unrepresented cheque decreased by 26%. The table below shows changes in net cash.

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>10</sup>

Account	2018 Balances (\$)	2017 Balances (\$)	Change (\$)	% Change
Overseas Agencies	19,537,799	18,546,563	991,236	5
Domestic Account	153,419,625	169,913,602	(16,493,977)	(10)
Trust Fund Account	161,050,199	169,295,442	(8,245,243)	(5)
Trading & Manufacturing Account (TMA)	13,630,893	13,944,586	(313,693)	(2)
Unpresented Cheques	(60,984,785)	(81,947,052)	20,962,267	26
<b>Net Cash</b>	<b>286,653,731</b>	<b>289,753,141</b>	<b>(3,099,410)</b>	<b>(1)</b>

A graphical presentation of the account balances for the past five years is provided below.



<sup>10</sup> Finance Instructions 2010 – Section 32(1) & (4)

Cash balances in Domestic and Trust Fund Accounts made up majority of the government's cash holdings at year end.

### Borrowing Fund Account

The government also receives short term advances from the Reserve Bank of Fiji (RBF) referred to as Ways and Means. These advances are raised to meet any immediate cash needs of government.

During the year, Government utilised \$26.8 million of this facility through the RBF.

### Borrowings over the 15 Year Period

Government borrowed a total of \$875.0 million in 2018 which increased by \$186.1 million or 27% from a total of \$688.9 million borrowed in 2017.

Of the total borrowing in 2018, 8% or \$74.2 million was borrowed from Overseas, 31% or \$269 million were from Treasury Bills and 61% or \$531.8 million was borrowed through domestic bonds.

Tabulated below are the total amounts borrowed by government from 2004 to 2018.

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
2004	449,218.2	54	9,267.7	(68)	189,256.7	(67)	647,742.6	(28)
2005	319,967.0	(29)	8,641.3	(7)	326,951.1	73	655,559.4	1
2006	356,778.6	12	283,258.7	3,178	528,715.4	62	1,168,752.7	78
2007	100,536.3	(72)	19,855.8	(93)	685,889.2	30	806,281.3	(31)
2008	341,266.9	239	20,802.8	5	391,725.9	(43)	753,795.6	(7)
2009	404,239.8	18	25,476.8	22	253,821.7	(35)	683,538.3	(9)
2010	452,734.1	12	61,949.5	143	687,313.1	171	1,201,996.7	76
2011	81,470.5	(82)	569,043.1	819	411,970.9	(40)	1,062,484.5	(12)
2012	192,102.0	136	136,428.7	(76)	306,664.5	(26)	635,195.2	(40)
2013	172,822.0	(10)	99,466.3	(27)	138,122.1	(55)	410,410.4	(35)
2014	233,405.8	35	120,241.3	21	306,883.4	122	660,530.5	61
2015	257,356.1	10	478,804.8	298	332,840.6	8	1,069,001.6	62
2016*	295,167.0	15	80,667.6	(83)	211,787.7	(36)	587,622.3	(45)
2017	224,223.0	(24)	223,042.4	176	241,600	14	688,865.4	17
<b>2018</b>	<b>531,796.0</b>	<b>137</b>	<b>74,178.4</b>	<b>(67)</b>	<b>269,000</b>	<b>11</b>	<b>874,974.4</b>	<b>27</b>

\* 7 months

Overseas borrowing decreased by 67% in 2018 from a total of \$223 million borrowed in 2017 while treasury bills raised in 2018 increased by 11% from \$241.6 million raised in 2017. Domestic borrowings increased by 137% from \$224.2 million in 2017.

### Trends in Government Borrowing by Category

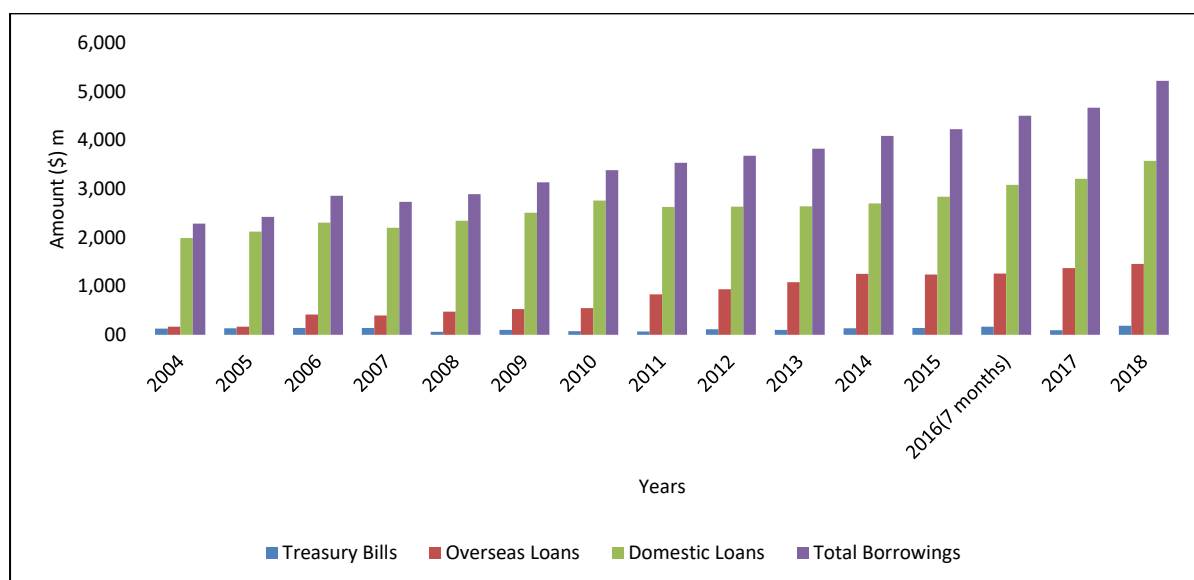
The total public debt at the end of each year from 2004 to 2018 and its composition for the last 15 years are summarised in the table below.

Year	Domestic Bond Amount \$'000	Percentage of Total Borrowing (%)	Treasury Bills Amount \$'000	Percentage of Total Borrowing (%)	Overseas Loan Amount \$'000	Percentage of Total Borrowing (%)	Total Amount \$'000
2004	1,986,515.7	87	126,987.8	6	168,665.4	7	2,282,168.9
2005	2,121,422.7	88	136,018.4	6	164,050.9	7	2,421,492.0
2006	2,300,672.6	80	141,311.7	5	416,729.2	15	2,858,713.5
2007	2,196,208.2	80	141,160.4	5	397,103.4	15	2,734,472.0
2008	2,346,258.2	81	64,553.0	2	475,994.4	16	2,886,805.6
2009	2,505,092.1	80	97,721.3	3	527,248.5	17	3,130,061.9
2010	2,759,292.1	82	74,969.8	2	548,461.8	16	3,382,723.7
2011	2,627,382.1	74	70,921.4	2	832,147.8	24	3,530,451.3
2012	2,631,565.6	72	111,733.0	3	935,530.6	25	3,678,829.2
2013	2,641,564.5	69	102,278.1	3	1,081,097.4	28	3,824,940.0
2014	2,698,317.5	66	130,600.0	3	1,254,277.3	31	4,083,194.8
2015	2,836,488.6	67	143,255.9	3	1,241,407.4	29	4,221,151.9
2016*	3,079,850.6	68	163,844.8	4	1,258,728.4	28	4,502,423.8
2017	3,204,762.3	69	94,884.3	2	1,367,960.9	29	4,667,607.5
2018	3,576,152.2	69	185,283.2	4	1,455,292.8	28	5,216,728.2

\* 7 months

Government bonds mature between 3 to 15 years. In contrast, the term of Treasury Bills which constitute 3% of the borrowings ranges between 14 to 245 days.

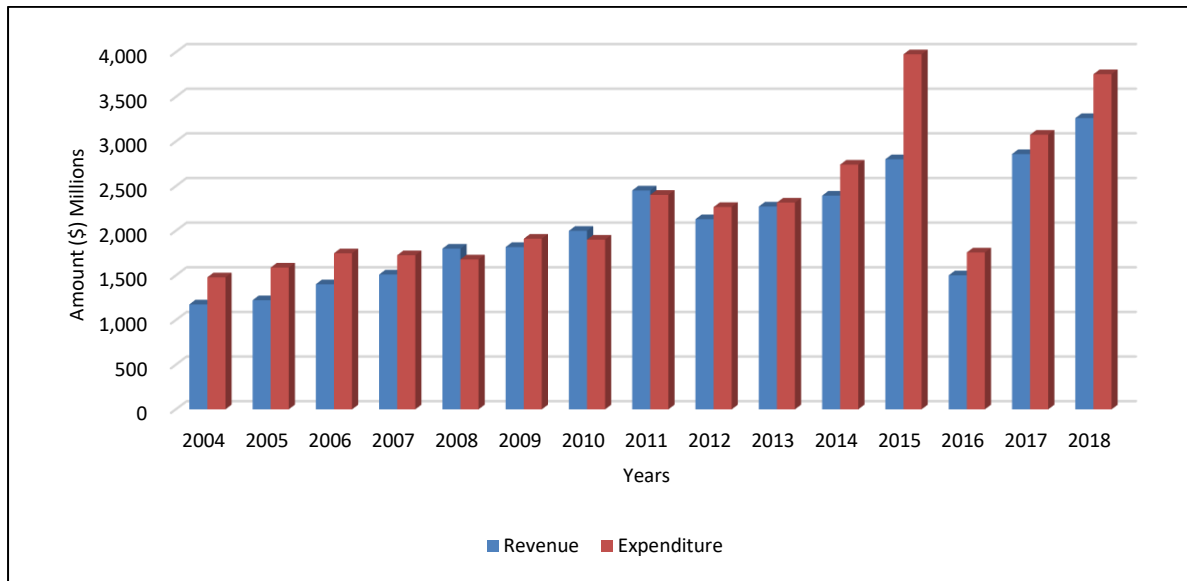
Over the last 15 years, the percentage of overseas borrowings constituted an average 21% of the borrowings. A graphical representation of the outstanding government borrowings position is provided below.



Public debt has been steadily increasing over the years and in 2018, a further increase of \$549 million or 12% was noted when compared to the debt of \$4.7 billion owed in 2017. The rise in the national debt level was due to increases in domestic debt by \$371.4 million, overseas debt by \$87.3 million and an increase in treasury bills by \$90.4 million.

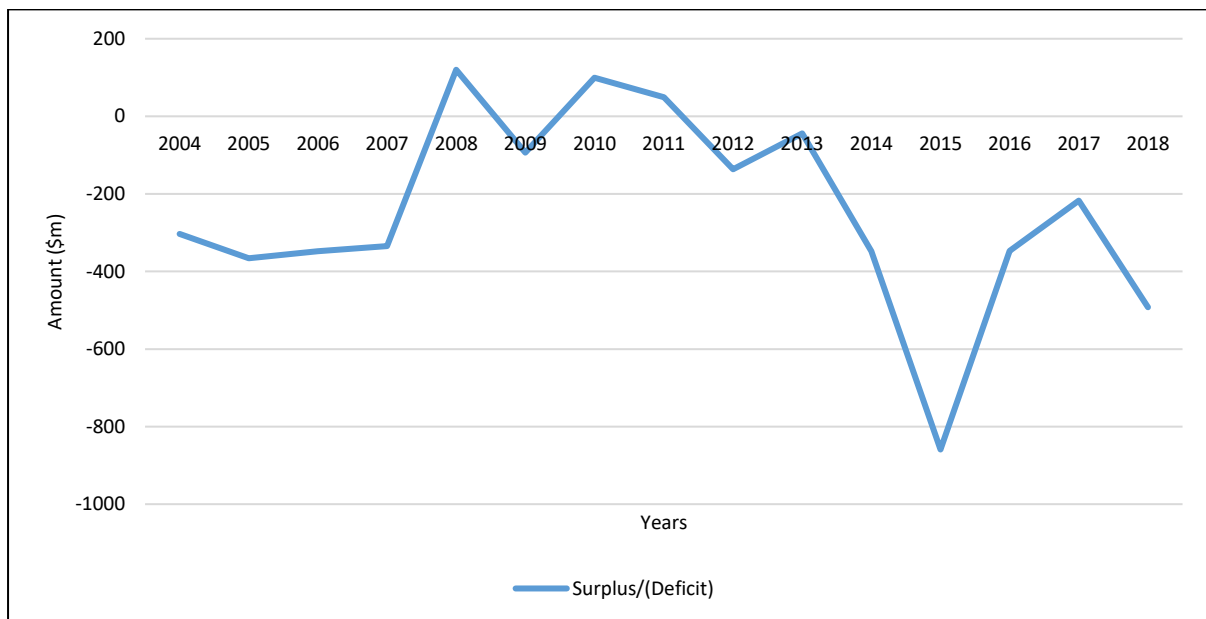
The figure below shows the relationship between actual revenues and expenditures over the last 15 years.





\*Year 2016 was for 7 months

The figure above indicated that government expenditure of \$3.8 billion exceeded revenue of \$3.3 billion in 2018 resulting in a gross deficit of \$492 million for the year.



\*Year 2016 was for 7 months

### Loan Repayments

There is an annual obligation for the Government 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 and the lending agencies.

The repayments of the borrowings of the Government over the past 15 years is represented in the table below.

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total Repayment & Interest Amount \$'000
	Principal	Interest	Principal	Interest	Principal	Interest	
	Amount \$'000	Amount \$'000	Amount \$'000	Amount \$'000	Amount \$'000	Amount \$'000	
2004	145,403.0	108,597.2	11,173.6	6,114.5	339,194.7	4,310.4	614,793.4
2005	185,058.0	120,220.5	12,721.4	5,473.5	317,920.6	2,392.8	643,786.8
2006	177,500.0	129,455.8	13,460.0	5,737.6	523,422.1	5,746.3	855,321.8
2007	204,992.0	148,023.0	17,126.5	22,201.8	686,040.5	10,514.0	1,088,897.8
2008	191,210.0	147,383.7	12,473.8	20,787.4	468,333.4	566.6	840,754.9
2009	245,405.0	165,287.0	21,211.6	24,410.4	220,653.3	1,971.7	678,939.0
2010	198,540.5	190,736.7	32,850.6	22,901.7	710,064.6	4,296.0	1,159,390.1
2011	213,380.0	213,248.5	291,113.6	43,104.8	416,019.3	2,081.2	1,178,947.4
2012	233,268.0	210,534.8	19,274.1	46,264.6	265,853.0	850.8	776,045.3
2013	159,668.0	207,506.4	19,652.2	51,976.7	147,577.1	967.6	587,348.0
2014	176,650.0	209,451.8	25,516.7	53,809.1	280,578.0	922.0	746,927.6
2015	119,185.0	210,353.6	558,076.7	77,498.0	318,168.2	2,831.8	1,286,113.3
2016*	51,805.0	125,058.2	39,445.8	22,612.5	191,198.8	2,417.9	432,538.2
2017	99,643.0	229,340.8	49,336.1	45,538.2	239,716.6	1,883.4	665,458.1
2018	160,729.0	240,702.8	44,811.3	48,864.4	176,100.6	1,799.4	673,007.5

\* 7 months

Principal repayments for domestic bonds increased by \$61 million or 61%, principal repayments for overseas borrowings decreased by \$4.5 million or 9% and principal repayments for treasury bills decreased by \$63.6 million or 27%. Overall the total principal debt repayments decreased by \$7 million or 2% in 2018.

Principal payments in 2018 for government borrowings totalled \$381.6 million whilst interest payments amounted to \$291.4 million. Refer to the table below for details.

Description	Principal Repayment Amount \$'000	Interest Repayment Amount \$'000
Domestic Bonds	160,729.0	240,702.8
Overseas Borrowings	44,811.3	48,864.4
Treasury Bills	176,100.6	1,799.4
<b>Total</b>	<b>381,640.9</b>	<b>291,366.6</b>

The Weighted Average interest rate on domestic borrowings is around 7% compared to 4% for overseas borrowings. Interest rate for domestic debt ranges from 1% to 14% and external ranges from 1% to 7%.

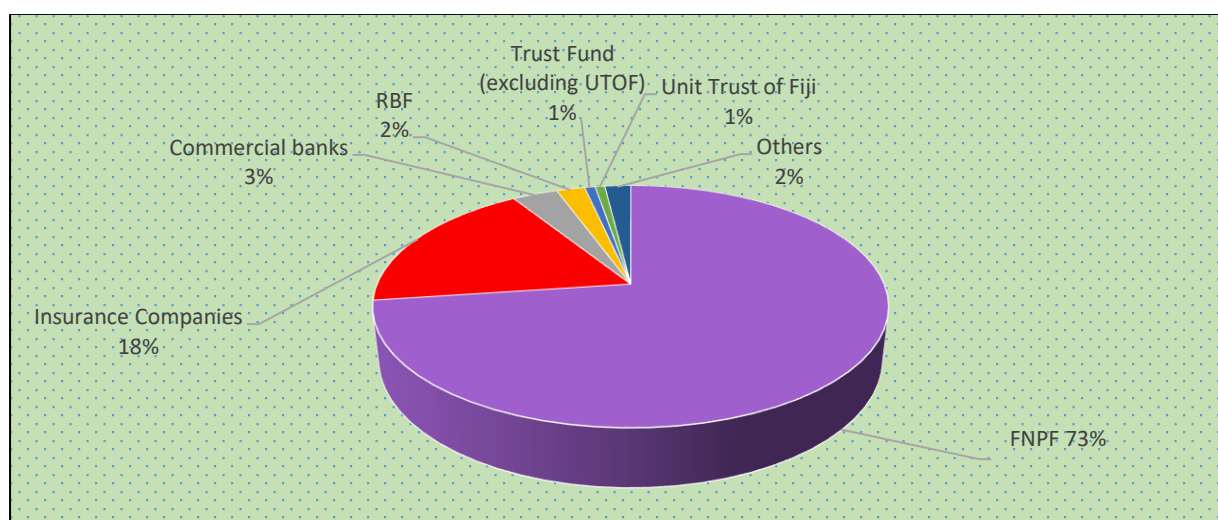
### Domestic Bonds

The total domestic bonds as at 31 July 2018 was \$3.6 billion which made up 69% of total Government borrowings. The table below shows the amounts that are owed by the Government to bond holders.

Bond Holder	Amount	Percentage of Outstanding Debt (%)
	Amount \$'000	
FNPF	2,604,776.5	73
Insurance Companies	650,293.0	18
Commercial Banks	121,145.0	3
RBF	75,742.0	2
Trust Fund (excluding UTOF)	28,442.0	1
Unit Trust of Fiji	25,667.0	1
Others	69,422.0	2
<b>Total</b>	<b>3,575,487.5</b>	
Add Accrued interest	648.9	
Add Unamortized premium	15.8	
<b>Total</b>	<b>3,576,152.2</b>	

The Fiji National Provident Fund (FNPF) held 73% of the bonds as at 31 July 2018 followed by Insurance Companies at 18%.

The composition of outstanding government bonds is shown below.



### Green Bond

Government offered its first Green Bond in October 2017 and became the first emerging economy to offer a sovereign green bond. Worth at \$100 million, the Fiji Sovereign Green Bond were offered in four tranches.

Month	Tranche	Proceeds
November 2017	1 <sup>st</sup> tranche	\$40 million
December 2017	2 <sup>nd</sup> tranche	\$20 million
June 2018	3 <sup>rd</sup> tranche	\$26.6 million
July 2018	4 <sup>th</sup> tranche	\$13.4 million

Proceeds from the issue of Fiji's Green Bond were used to fund identified eligible projects that have been approved in the budget. These projects fall under either of the following sectors in accordance with the Fiji Green Bond Framework:

1. Renewable Energy and Energy Efficiency;
2. Resilience to Climate Change for Highly Vulnerable Areas and Sectors;
3. Clean and Resilient Transport;
4. Reducing Pollution and Greenhouse Gas Emission;
5. Water Efficiency and Wastewater Management;
6. Sustainable Management of Natural Resources; and
7. Eco-efficiency.

Seven projects were identified by the Climate Change and International Cooperation Unit (CCIC) and were funded through proceeds from the Green Bond. These projects were budgeted for under various Ministries and Departments which included Water Authority of Fiji (\$10,069,259), Allocation under Head 50 (\$45,906,073), Fiji Roads Authority (\$34,583,500), Department of Energy (\$6,280,998), Ministry of Forestry (\$308,542) and the Ministry of Local Government, Housing and Environment (\$2,851,628)

### Borrowings & Interest Payments

Details of outstanding borrowings over the past 15 years with the total interest paid and its budgetary provision is shown in the table below. Interest are paid every six months.

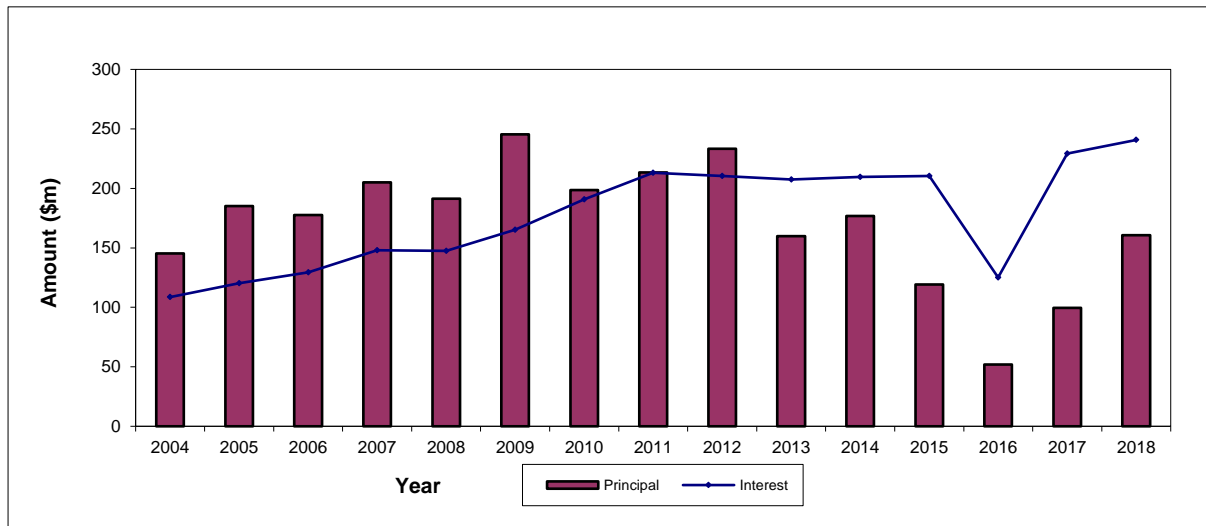
Year	Domestic Borrowings (\$m)	% Increase / (Decrease)	Interest Paid (\$m)	% Increase/ (Decrease)	Budgetary Provision (\$m)	% Change
2004	1,986.5	18	108.6	6	121.5	10
2005	2,121.4	7	120.2	11	124.0	2
2006	2,300.7	8	129.5	8	127.7	3
2007	2,196.2	(5)	148.0	14	148.2	16
2008	2,346.3	7	147.4	(0.4)	151.4	2
2009	2,505.1	7	165.3	12	156.7	4
2010	2,759.3	10	190.7	15	190.6	22
2011	2,627.4	(5)	213.2	12	225.4	18
2012	2,631.6	0.2	210.5	(1)	211.7	(6)
2013	2,641.6	0.4	207.5	(1)	208.3	(2)
2014	2,698.3	2	209.4	1	209.5	1
2015	2,836.5	5	210.3	0.4	210.5	1
2016*	3,079.9	9	125.1	(41)	219.3	(4)
2017	3,204.8	4	229.3	83	232.5	6
2018	3,576.1	12	240.7	5	243.5	5

\* 7 months

Total domestic borrowings outstanding increased by \$371.3 million or 12% in 2018 compared to 2017. Interest paid on domestic borrowings increased by \$11.4 million or 5%.

The Government had allocated \$243.5 million in the 2018 budget for interest payments of which \$240.7 million was paid during the year.

The interest expense and the principal repayments over the past 15 years are shown in the figure below.

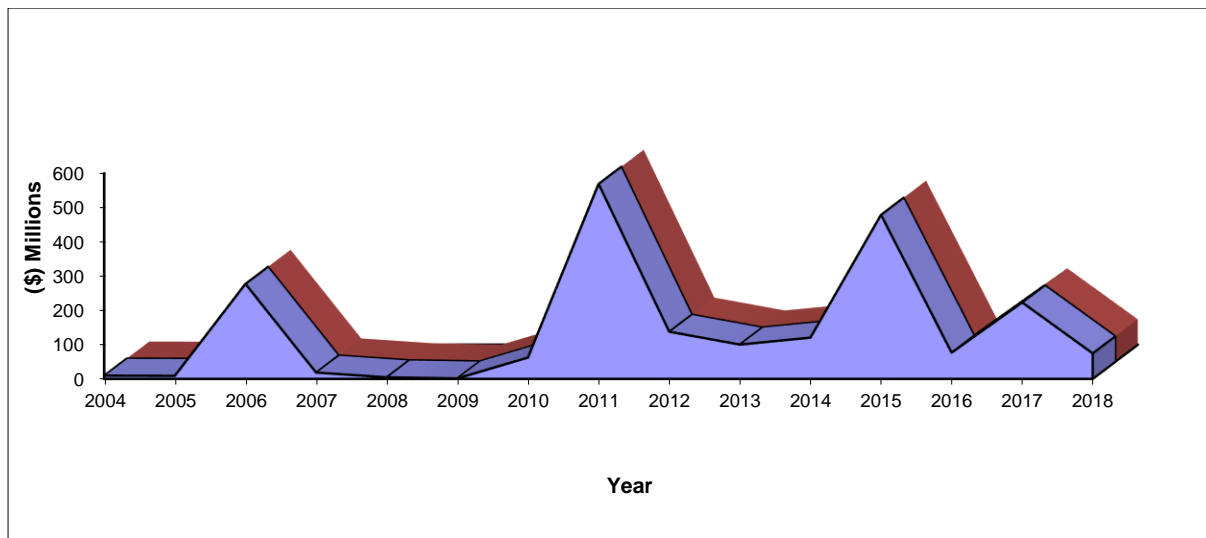


### Overseas Borrowings

The total outstanding overseas borrowing of Government as at 31 July 2018 was \$1.5 billion which represents 28% of the total outstanding borrowings. Majority of the overseas borrowings obtained were to finance capital projects.

### Yearly Overseas Borrowings

The figure below shows the trend of the yearly cash overseas borrowings over the past 15 years.



\*Year 2016 was for 7 months

There were marked increases in overseas borrowing in 2006, 2011 and 2015 as a result of the issuance of the US\$150 million, US\$250 million and US\$200 million global bonds.

In 2018, borrowing declined due to significant decrease in cash borrowings compared to 2017.

Government borrowed a total of \$74.1 million from overseas which consisted of cash disbursements of \$68.2 million and direct disbursements of \$5.9 million. Overseas loan repayments

totalling \$93.7 million were made in 2018, which comprises \$48.9 million in interest and \$44.1 million in principal repayment.

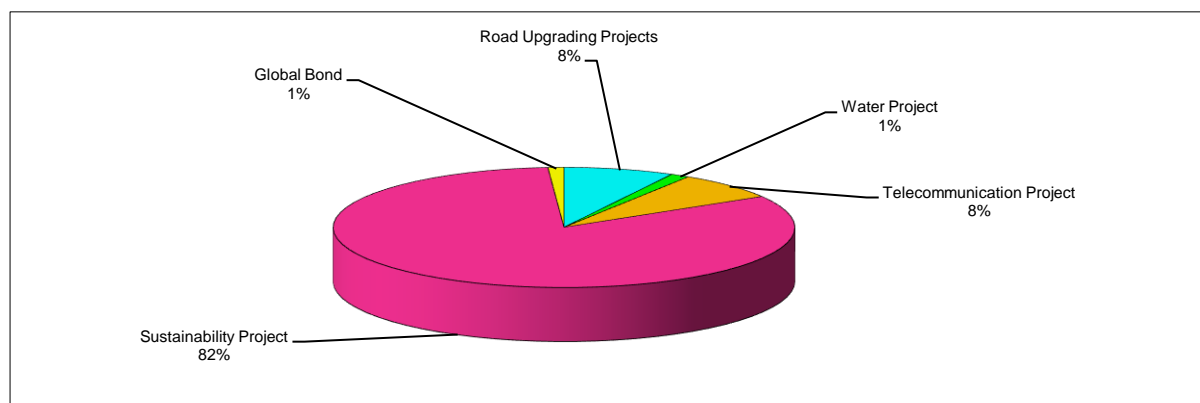
Refer to the table below for details of overseas borrowings made in 2018.

Loan	Cash (\$)	Capitalisation of Interest (\$)	Direct Disbursement (\$)	Front End Fee (\$)	Loan Amortisation (\$)	Total (\$)
<b>Road Upgrading Projects</b>						
ADB Transport Sector Infrastructure Project	---	448,890	4,496,159	---	---	4,945,049
World Bank Transport Infrastructure Investment Project	---	396,944	550,050	---	---	946,994
<b>Water Project</b>						
Urban Water Supply & Wastewater Management Program	---	97,275	908,798	---	---	1,006,073
<b>Telecommunication Project</b>						
Pacific Regional Connectivity Project: Fiji Connectivity Project	5,595,856	---	---	---	---	5,595,856
<b>Sustainability Project</b>						
Fiscal Sustainability Climate Resilience Development	31,061,864	---	---	77,592	---	31,139,456
Sustained Private Sector- LED Growth Reform Program	31,565,657	---	---	---	---	31,565,657
<b>Global Bond</b>						
2015 Global Bond Borrowing	---	---	---	---	850,649	850,649
<b>Total</b>	<b>68,223,377</b>	<b>943,109</b>	<b>5,955,007</b>	<b>77,592</b>	<b>850,649</b>	<b>76,049,734</b>

Borrowings in relation to the Sustainability Project comprised of 82% or \$62.7 million of the total overseas borrowings by Government. The funds obtained for this project were utilised in the following:

- Development of a new framework to guide the strengthening of fiscal oversight on State owned enterprises;
- Development of a framework governing international commercial arbitration;
- Development of a framework for issuing building permits to expedite the process of obtaining building permits for non-residential supposedly by businesses and individuals;
- Strengthening fiscal management, policy, legal and institutional framework for State owned enterprises and public private partnerships and business and investment climate.

The composition of the Overseas Borrowings is illustrated below.



### Overseas Borrowings Outstanding & Interest Paid

The table below provides the details of overseas borrowings outstanding over the past 15 years with the total interest paid each year.

Year	Overseas Borrowings (\$m)	% Increase/ (Decrease)	Interest Paid (\$m)	% Increase/ (Decrease)	Budgetary Provision (\$m)	Variance (\$m)
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)	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	51.4	5.1
2013	1,081.0	16	51.9	12	57.6	5.7
2014	1,254.3	16	53.8	4	63.4	9.6
2015	1,241.4	(1)	77.4	44	91.6	14.2
2016*	1,258.7	1	22.6	(71)	48.2	25.6
2017	1,367.9	9	45.5	94	52.5	7
2018	1,455.3	6	48.9	7	54.5	5.7

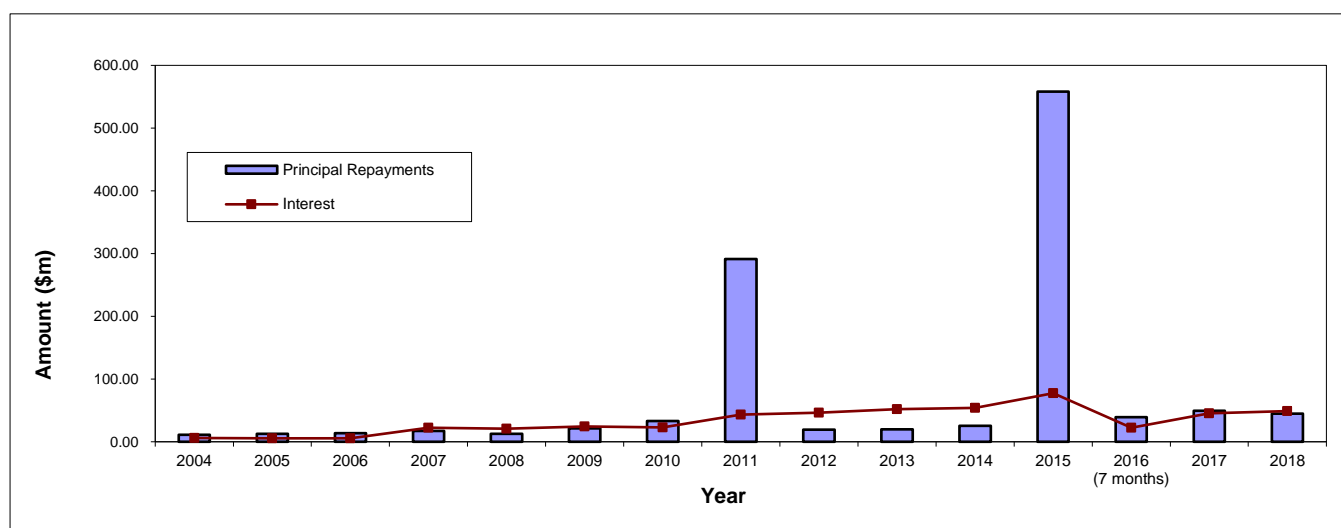
\* 7 months

In 2018, the outstanding overseas borrowings increased by 6% compared to 2017. A sum of \$54.5 million was provided in the 2018 Budget Estimates (revised) for interest expense of which \$48.9 million was actual interest payment made.

The principal and interest payments are illustrated in the figure below.

Principal repayment for overseas loans in 2018 amounted to \$44.8 million while interest payment totalled \$48.9 million. This was a decrease of \$1.2 million or 1.3% compared to 2017.

## Revaluation of Overseas Borrowings



Overseas borrowings are revalued at year end using the Reserve Bank Fiji (RBF exchange rate as at 31/07/18) which had an effect on the public debt balance at year end. Revaluation may result in increase or decrease in the public debt balance based on the exchange rate prevailing at the end of the year.

The table below outlines the amounts attributed to overseas borrowings due to revaluation over a 15-year period.

Overseas borrowings are revalued at year end using the Reserve Bank Fiji (RBF exchange rate as at 31/07/18) which has an effect on public debt balance outstanding at year end. Revaluation may result in increase or decrease in the public debt balance based on the exchange rate prevailing at the end of the year.

The table below outlines the amounts attributed to overseas borrowings due to revaluation over a 15-year period.

Year	Revaluation Increase/ (Decrease) Amount (\$'000)	Overseas Borrowings Due Amount \$'000	Unrealised Exchange (Gain)/Loss as a % of Overseas Borrowings
2004	(3,554.5)	168,665.4	(2)
2005	(534.3)	164,050.9	(0.3)
2006	(17,120.5)	416,729.2	(4)
2007	(21,844.9)	397,103.4	(6)
2008	70,352.3	475,994.4	15
2009	46,988.9	527,248.5	9
2010	22,885.6	548,461.8	4
2011	1,537.3	832,147.1	0.2
2012	14,895.7	935,530.6	2
2013	65,295.3	1,081,097.4	6
2014	65,340.8	1,254,277.3	5
2015	70,666.2	1,241,407.4	6
2016*	(24,319.2)	1,258,728.4	(2)
2017	(54,259.2)	1,367,960.9	(4)
2018	56,093.5	1,455,292.8	4

\* 7 months



The value of the overseas borrowings increased by \$56.1 million or 4 % due to fluctuations in the exchange rates<sup>11</sup> in 2018.

### Treasury Bills

The Government through the Reserve Bank of Fiji 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. The investor will receive face value upon maturity.

During the year, the government raised \$269 million in Treasury bills of which \$266.5 million constituted net borrowings whilst \$2.5 million represented discounts as summarised in the table below.

Bank	Face Value Amount \$'000	% of Total	Discount Amount \$'000	% of Total	Net Receipts Amount \$'000	% of Total
Commercial Banks	258,240.0	96	2,284.7	91	255,955.3	96
Others	10,760.0	4	215.8	9	10,544.2	4
<b>Total</b>	<b>269,000.0</b>	<b>100</b>	<b>2,500.5</b>	<b>100</b>	<b>266,499.5</b>	<b>100</b>

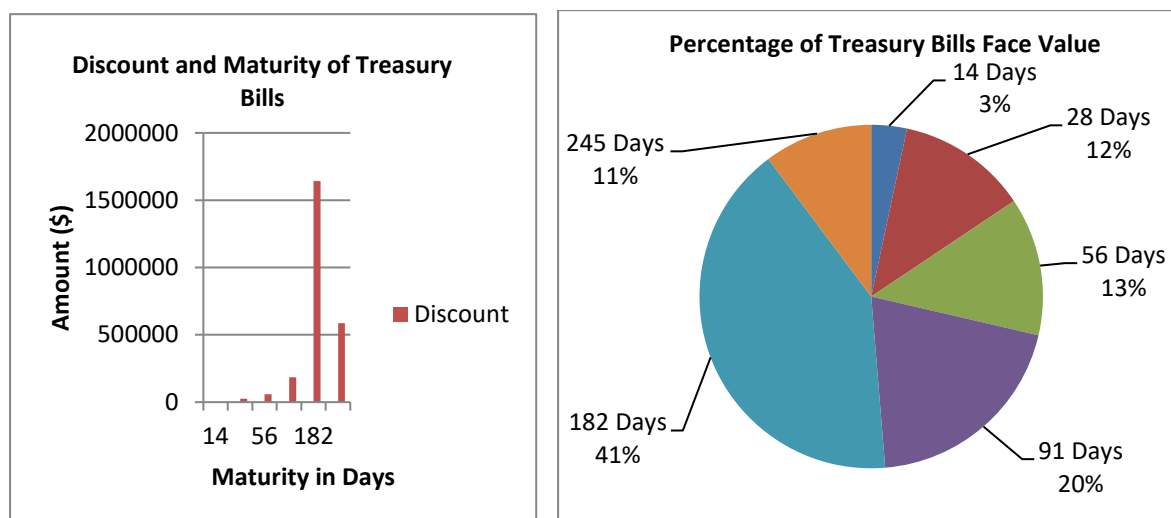
Of the total Treasury bills issued in 2018, 96% were purchased by commercial banks and the remaining 4% by other entities and individuals. This composition is shown in the graph below.

The table below details the total Treasury bills raised during the year together with their maturity dates and discount.

Maturity in Days	Face Value Amount \$'000	Discount Amount \$'000	Treasury Bill Amount \$'000
14	9,000.0	1.4	8,998.6
28	33,000.0	24.4	32,975.6
56	35,000.0	59.1	34,940.9
91	54,000.0	185.5	53,814.5
182	110,500.0	1,643.4	108,856.6
245	27,500.0	586.6	26,913.4
<b>Total</b>	<b>269,000.0</b>	<b>2,500.5</b>	<b>266,499.5</b>

<sup>11</sup> In a floating rate system, the exchange rate is determined directly by market forces, and is liable to fluctuate continually.

Refer to the figures below for these details:



### Treasury Bills Over a 15-year Period

Treasury bills issued and redeemed over the last 15 years is summarised in the table below.

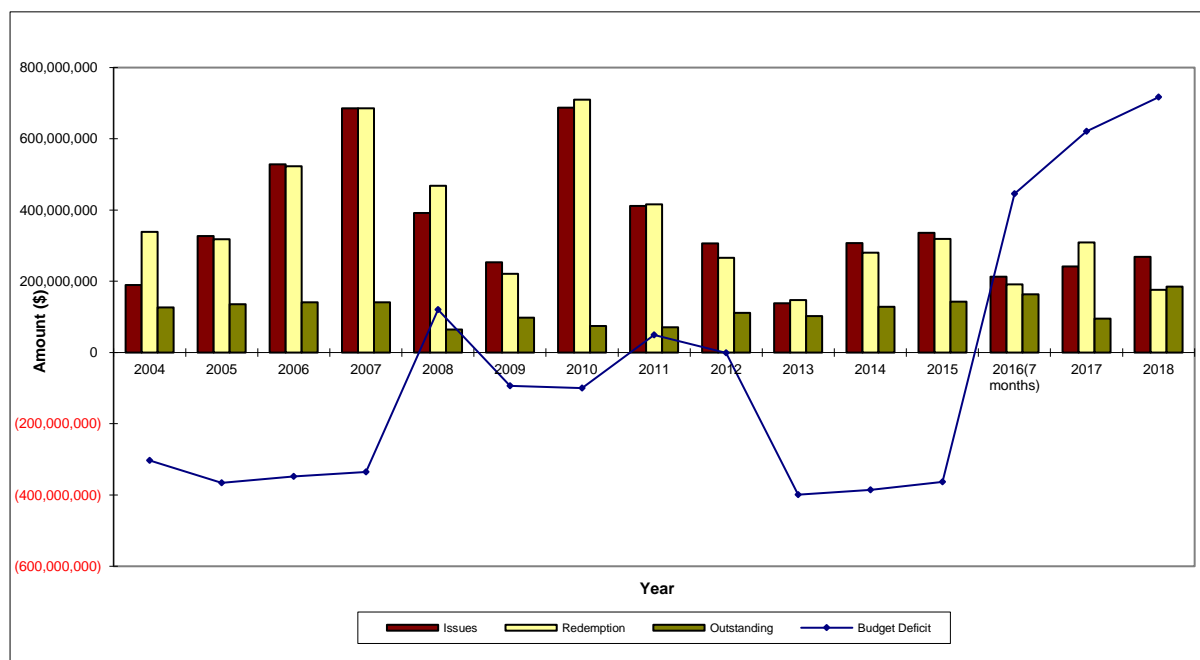
Year	Balance Brought Forward Amount \$'000	Issues Amount \$'000	Redemption Amount \$'000	Outstanding Amount \$'000
2004	276,925.8	189,256.7	339,194.7	126,987.8
2005	126,987.8	326,951.1	317,920.6	136,018.3
2006	136,018.4	528,715.4	523,422.1	141,311.7
2007	141,311.7	685,889.2	686,040.5	141,160.4
2008	141,160.5	391,725.9	468,333.4	64,553.0
2009	64,553.0	253,821.6	220,653.3	97,721.3
2010	97,721.3	687,313.1	710,064.6	74,969.8
2011	74,969.8	411,970.9	416,019.3	70,921.4
2012	70,921.4	306,664.5	265,853.0	111,732.9
2013	111,733.0	138,122.1	147,577.0	102,278.1
2014	102,278.1	306,883.4	280,578.0	128,583.5 <sup>12</sup>
2015	128,583.5	336,000.0	321,327.6	143,255.9
2016*	143,255.9	213,200.0	192,611.1	163,844.8
2017	163,844.8	241,600.0	310,560.5 <sup>13</sup>	94,884.3
2018	94,884.3	269,000.0	178,601.1	185,283.2

\* 7 months

Treasury bills raised by Government over the last 15 years have fluctuated significantly. Similarly, the Government deficits/surplus have also fluctuated. The trend for Treasury bills issued, redemptions, bills outstanding at the end of the financial year and the yearly deficit/surplus are shown in the figure below.

<sup>12</sup> Excludes discount of \$2,016,548.07

<sup>13</sup> Excludes unamortised interest of \$1,883,410



In 2018 a budgeted gross deficit of \$716.9 million was recorded, with treasury bills outstanding totalling \$185.3 million.

### Treasury Bills Management

Treasury bills are short-term financial instruments used by Ministry of Economy to cover shortfalls during the year. The analysis of budgeted revenue and expenditure as provided for in the Budget and the Treasury Bills raised for the year are as follows:

Revenue	2009 (\$m)	2010 (\$m)	2011 (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)	2015 (\$m)	2016 (7 months (\$m))	2017 (\$m)	2018 (\$m)
<b>Budgeted Revenue</b>										
Operating Receipts & Investing	1,522.40	1,496.50	1,745.70	1,942.80	2,108.40	2,721.80	3,122.40	3,128.7	3,175.3	3,857.3
Loan Receipts	522.50	497.50	734.50	338.40	398.90	385.40	891.90	445.4	620.6	716.9
<b>Total</b>	<b>2,044.90</b>	<b>1,994.00</b>	<b>2,480.20</b>	<b>2,281.20</b>	<b>2,507.30</b>	<b>3,107.20</b>	<b>4,014.30</b>	<b>3,574.1*</b>	<b>3,795.9</b>	<b>4,574.2</b>
<b>Actual Revenue</b>										
Operating Receipts & Investing	1,412.80	1,536.50	1,801.30	1,937.10	2,098.40	2,371.0	2,943.5	1,500.8	2,859.1	3,258.3
Loan Receipts	405.40	463.00	693.40	192.20	173.10	353.60	801.8	305.5	447.3	606.0
<b>Total</b>	<b>1,818.20</b>	<b>1,999.50</b>	<b>2,494.70</b>	<b>2,129.30</b>	<b>2,271.50</b>	<b>2,724.60</b>	<b>3,745.3</b>	<b>1,806.3</b>	<b>3,306.4</b>	<b>3,864.3</b>
Revenue Variance	(226.70)	5.50	14.50	(151.90)	(235.80)	(382.60)	(269.00)	(1,767.8)	(489.5)	(709.9)
Treasury Bills raised	253.82	687.31	411.97	306.66	138.12	306.88	336.00	213.2	241.6	269.0
<b>Excess/(shortfall)</b>	<b>27.12</b>	<b>692.81</b>	<b>426.47</b>	<b>154.76</b>	<b>(97.68)</b>	<b>(75.72)</b>	<b>67</b>	<b>(1,554.6)</b>	<b>(247.9)</b>	<b>(440.9)</b>

The operating and investment receipts should pay for operational costs of Government which include SEGs 1 – 7, 11 & 12 and capital development programs.

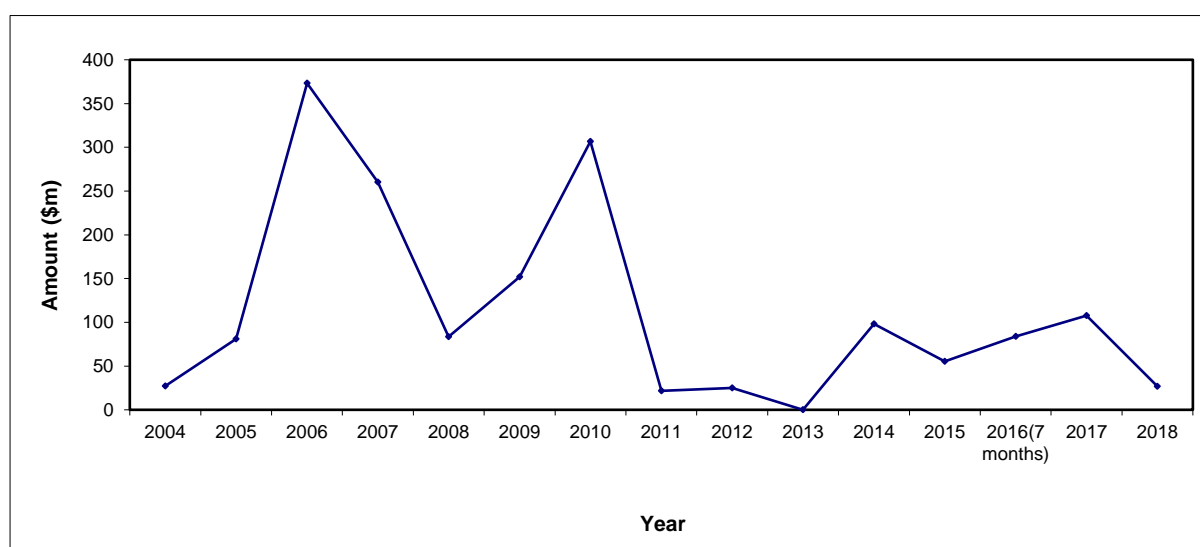
Treasury bills are raised to cover operational deficits provided that they are no more than the estimated operating and investing receipts to be collected during the year.

Government revenue and borrowings from domestic and overseas markets were not sufficient to meet the actual expenditure, hence a total of \$269.0 million were raised through Treasury bills in 2018.

### Ways and Means

Ways and Means is a short-term advance facility provided by the RBF for Government for a day to meet immediate cash deficits. 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 the figure below.



Government utilised \$26.8 million from this facility in 2018 compared to \$107.5 million in 2017.

### Financial Flexibility

Financial 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.

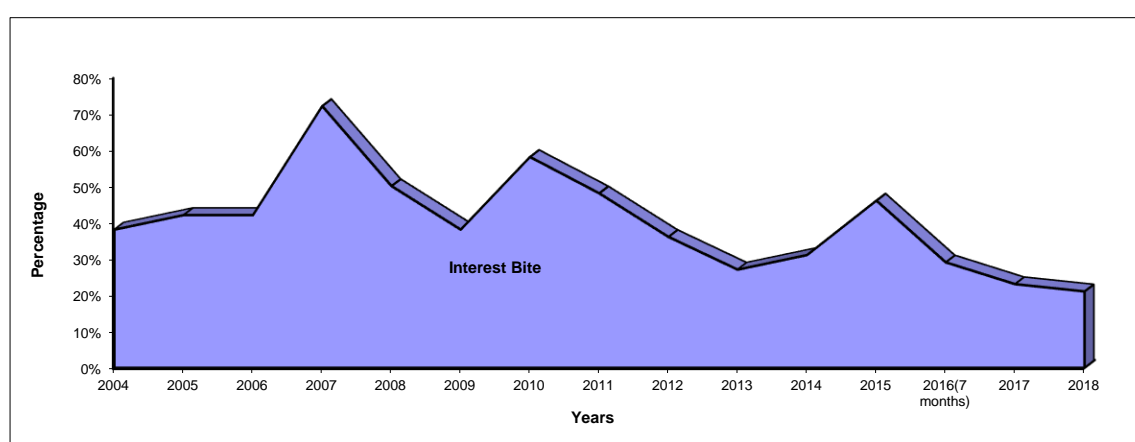
The table below contains data for total revenue and debt repayments of Government for a period of 15 years. The revenue of Government include a significant portion derived from borrowings. The flexibility analysis includes revenue data and loan components.

Year	Revenue Amount \$'000	Debt Repayments Amount \$'000	Interest Bite %
2004	1,634,663.3	617,152.9	38
2005	1,550,489.8	646,463.6	42
2006	2,035,207.8	857,682.6	42
2007	1,510,118.0	1,091,633.1	72
2008	1,800,583.8	896,317.5	50
2009	1,818,235.1	683,801.8	38
2010	1,999,480.4	1,155,094.1	58
2011	2,451,779.6	1,176,866.1	48

Year	Revenue Amount \$'000	Debt Repayments Amount \$'000	Interest Bite %
2012	2,129,335.0	775,194.5	36
2013	2,119,975.2	576,915.5	27
2014	2,393,392.5	746,927.6	31
2015	2,793,515.3	1,286,113.3	46
2016*	1,500,808.2	432,538.2	29
2017	2,837,441.7	663,730.6	23
<b>2018</b>	<b>3,244,439.6</b>	<b>673,143.9</b>	<b>21</b>

\* 7 months

Debt repayment comprises the principal and interest components of the domestic and overseas borrowings as well as the Treasury Bills redemption. The Interest Bite represents the percentage of Debt Repayments to Total Revenue.



In 2018, the financial flexibility measure was 21% indicating that the total debt repayment was equivalent to 21% of the revenue received by the Government during the year compared to 23% in 2017.

Hence, 79% of revenues collected were available for government programs compared to 77% in 2017.

### Financial Vulnerability

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

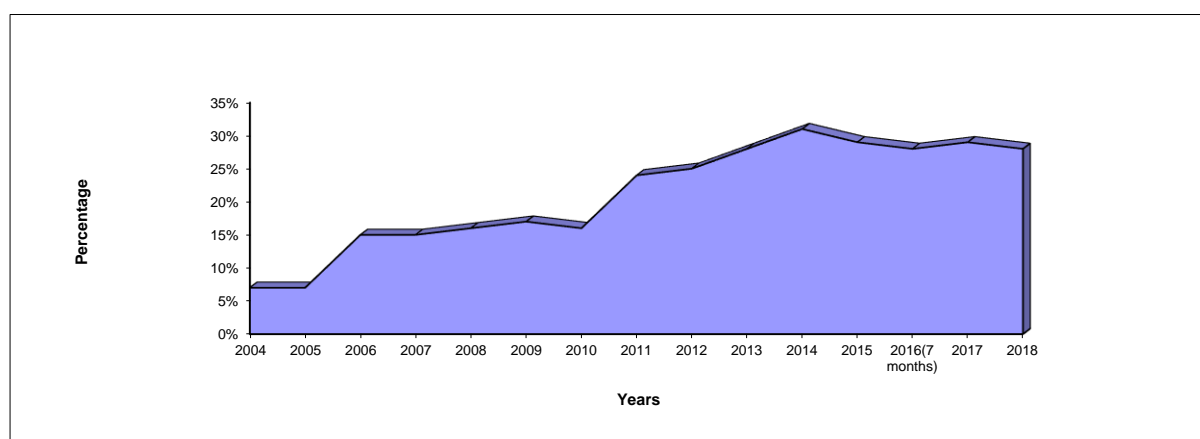
A measure of vulnerability is the comparison of Overseas Borrowings to the total Government debt. The table below compares Overseas Borrowings to total Government Debt for a period of 15 years.

Year	Outstanding Overseas Borrowings Amount \$'000	Government Debt Amount \$'000	%
2004	168,665.4	2,282,168.9	7
2005	164,050.9	2,421,492.0	7
2006	416,729.2	2,858,713.5	15

Year	Outstanding Overseas Borrowings Amount \$'000	Government Debt Amount \$'000	%
2007	397,103.4	2,734,472.0	15
2008	475,994.4	2,886,805.6	16
2009	527,248.5	3,130,061.9	17
2010	548,461.8	3,382,723.7	16
2011	832,147.1	3,530,451.3	24
2012	935,530.6	3,678,829.2	25
2013	1,081,097.4	3,824,940.0	28
2014	1,254,277.3	4,083,194.8	31
2015	1,241,407.4	4,221,151.9	29
2016*	1,258,728.4	4,502,423.8	28
2017	1,367,960.9	4,667,607.5	29
<b>2018</b>	<b>1,455,292.8</b>	<b>5,216,728.2</b>	<b>28</b>

\* 7 months

In 2018, overseas borrowings made up 28% of outstanding government borrowings which decreased by 1% when compared to 2017.



The overall trend indicates an increasing reliance by Government on overseas borrowings from 2006. There were sharp increases in 2006, 2011 and 2014 followed by a decreased reliance in 2016, an increase in 2017 and slight decrease in 2018.

Another measure of Financial Vulnerability is the comparison of overseas borrowings to Gross Domestic Product (GDP). The table below compares overseas borrowings to GDP over a period of 10 years.

Year	Overseas Borrowings Amount \$'000	Nominal GDP Amount \$'000	% of Overseas Borrowings/GDP
2009	527,248.5	5,614,100.0	9
2010	548,461.8	6,024,400.0	9
2011	832,147.1	6,768,500.0	12
2012	935,530.6	7,109,500.0[r]	13
2013	1,081,097.4	7,715,700.0[r]	14
2014	1,254,277.3	8,435,900.0[r]	15
2015	1,241,407.4	9,210,800.0[p]	13
2016*	1,258,728.4	9,852,704.1[p]	13

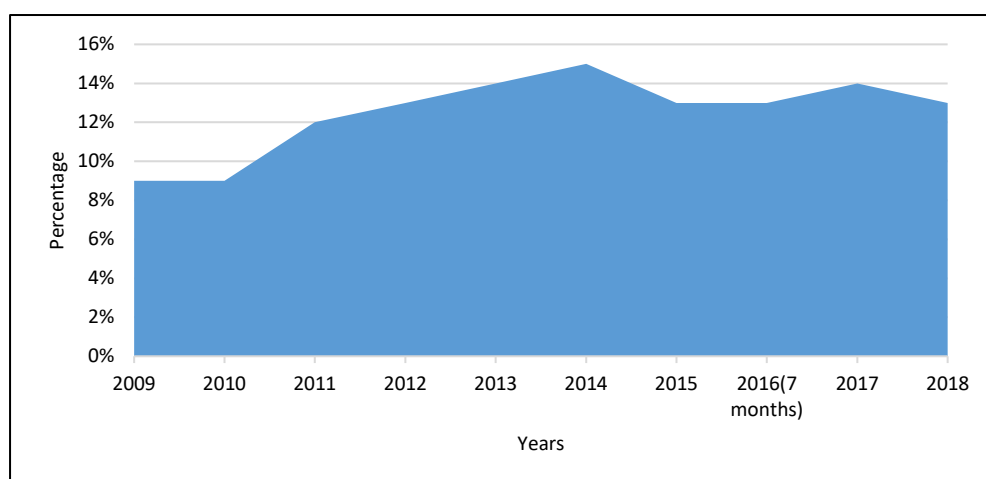
Year	Overseas Borrowings Amount \$'000	Nominal GDP		% of Overseas Borrowings/GDP
		Amount \$'000		
2017	1,367,960.9	9,865,489.8(p)		14
<b>2018</b>	<b>1,455,292.8</b>	<b>11,348,969.4[p]</b>		<b>13</b>

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

[\*]:\* 7 months

Source: Macroeconomic Committee



Moreover, the comparison of the domestic debt to GDP is another measure of Financial Vulnerability. The table below compares Domestic Borrowings to GDP for a period of 10 years.

Year	Domestic Borrowings Amount \$'000	Nominal GDP		% of Domestic Borrowings/GDP
		Amount \$'000		
2009	2,505,092.2	5,614,100.0		45
2010	2,759,292.2	6,024,400.0		46
2011	2,663,382.1	6,768,500.0		39
2012	2,631,565.7	7,109,500.0[r]		37
2013	2,641,564.5	7,715,700.0[r]		34
2014	2,698,317.5	8,435,900.0[r]		32
2015	2,836,488.6	9,210,800.0 <sup>14</sup> [p]		31
2016*	3,079,850.6	9,852,704.1		31
2017	3,204,762.3	9,865,489.8(p)		32
<b>2018</b>	<b>3,576,152.2</b>	<b>11,348,969.4(p)</b>		<b>32</b>

[r]: GDP Revised Figure

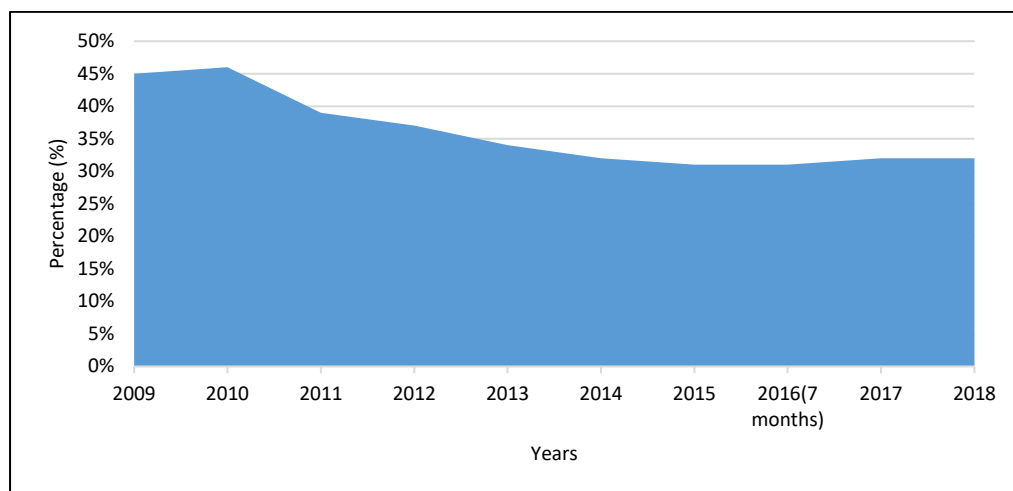
[p]: GDP Provisional Figure

[\*]: 7 months

Source: Macroeconomic Committee

Domestic borrowing as a percentage of GDP slightly increased to 32% in 2017 and remained stagnant at 32% in 2017 and 2018.

<sup>14</sup> Excludes Treasury Bills outstanding at year end



The figure above shows that the Domestic Borrowing as a percentage of the GDP has been decreasing over the years and indicates the nation’s capability to meet its internal debt obligations when due.

The table below shows the comparison between Tax Revenue and the GDP.

Year	Tax Revenue Amount \$'000	GDP Amount \$'000	% of Tax Revenue/GDP
2009	1,209,223.6	5,614,100.0	22
2010	1,302,130.6	6,024,400.0	22
2011	1,573,667.0	6,768,500.0	23
2012	1,722,147.5	7,109,500.0[r]	24
2013	1,879,295.2	7,715,700.0[r]	24
2014	2,117,742.4	8,435,900.0[r]	25
2015	2,359,863.2	9,210,800.0[p]	26
2016*	1,314,520.0	9,852,704.1	13
2017	2,579,175.4	9,865,489.8(p)	26
<b>2018</b>	<b>2,831,635.8</b>	<b>11,348,969.4</b>	<b>25</b>

[r]: GDP Revised Figure

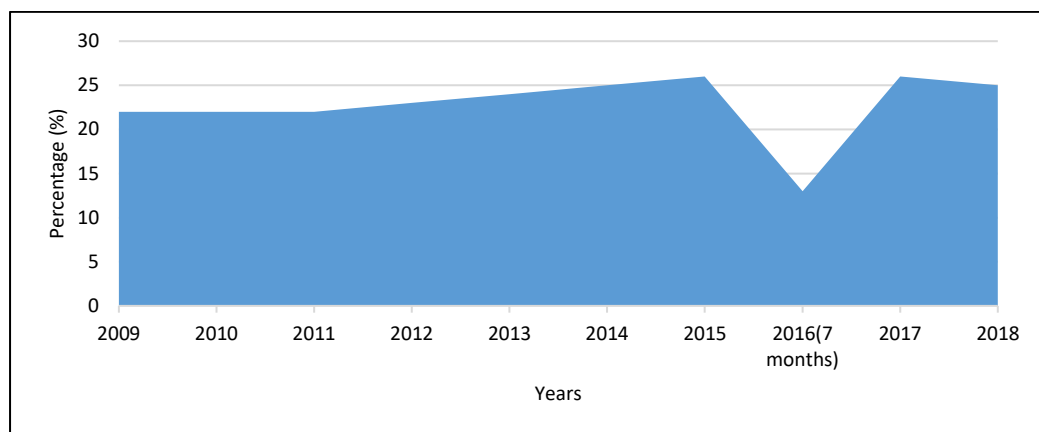
[p]: GDP Provisional Figure

[\*]: 7 months

Source: Macroeconomic Committee

The figure below shows that the Tax Revenue as a percentage of GDP in the last 10 years has been between 22% - 26%. In 2018, this percentage decreased from 26% to 25%.



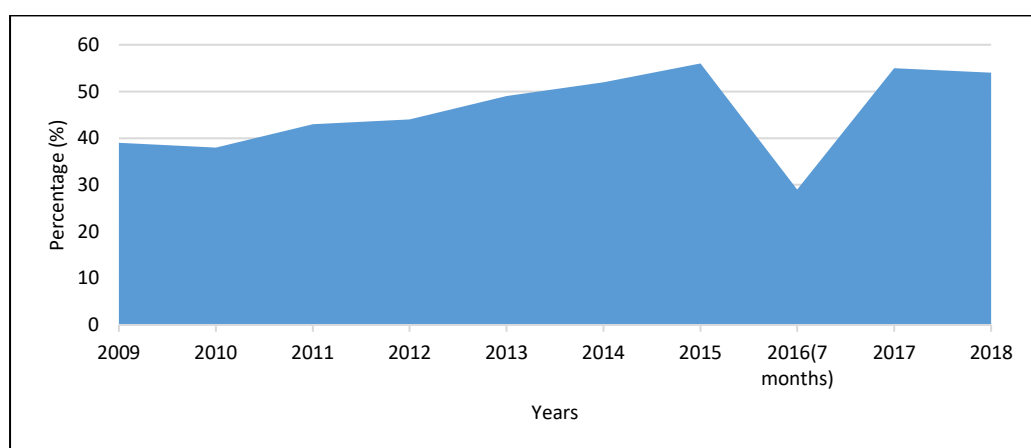


Another measure of Financial Vulnerability is the comparison of tax revenue to debt. The table below compares tax revenue to debt for a period of 10 years.

Year	Tax Revenue Amount \$'000	Debt Amount \$'000	% of Tax Revenue/Debt
2009	1,209,223.6	3,130,061.9	39
2010	1,302,130.6	3,382,723.7	38
2011	1,573,667.0	3,530,451.3	45
2012	1,722,147.5	3,678,829.2	47
2013	1,879,295.2	3,824,940.0	49
2014	2,117,742.4	4,083,194.8	52
2015	2,359,863.2	4,221,151.9	56
2016*	1,314,520.0	4,502,423.8	29
2017	2,579,175.4	4,667,607.5	55
<b>2018</b>	<b>2,831,635.8</b>	<b>5,216,728.2</b>	<b>54</b>

[\*]: 7 months

The tax revenue as a percentage of debt decreased from 55% in 2017 to 54% in 2018. This indicates that 54% of total government debt can be met from tax revenue in 2018.



The ability of tax revenue to meet the debt over the 10-year period was on a declining trend since 2008 and gradually increased from 2010 to 2015 due to increase in tax collections during these years. However, a sharp decrease in 2016 was due to the change in accounting period from 12 months in 2015 to 7 months in 2016. The revenue collected was only for 7 months. There was a

sharp increase in 2017 as tax collections increased for the 12 months ended 31 July 2017. In 2018 there was a slight decrease from 55% to 54%.

The table below shows the comparison of government surplus/ (deficit) to GDP.

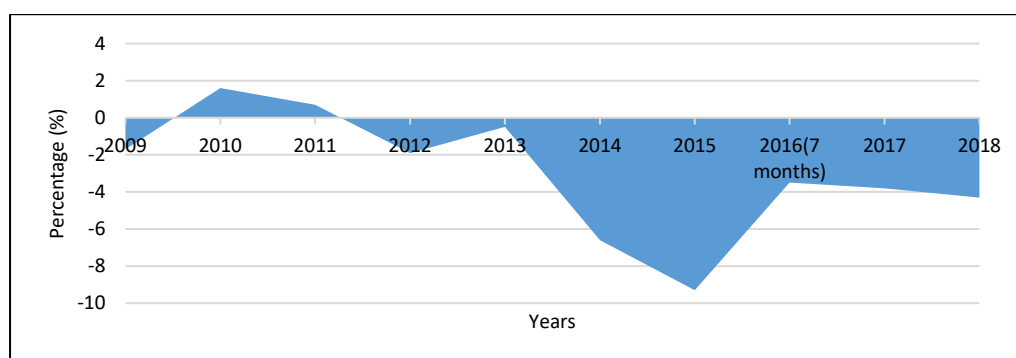
Year	Gross Surplus/ (Deficit) Amount \$'000	GDP Amount \$'000	% of Gross Surplus (Deficit) /GDP
2009	(93,167.4)	5,614,100.0	(1.7)
2010	99,398.8	6,024,400.0	1.6
2011	49,027.1	6,768,500.0	0.7
2012	(136,880.6)	7,109,500.0[r]	(1.9)
2013	(37,583.7)	7,715,700.0[r]	(0.5)
2014	(554,256.8)	8,435,900.0[r]	(6.6)
2015	(859,086.2)	9,210,800.0[p]	(9.3)
2016*	(347,125.0)	9,852,704.1	(3.5)
2017	(371,812.0)	9,865,489.8(p)	(3.8)
<b>2018</b>	<b>(492,092.8)</b>	<b>11,348,969.4</b>	<b>(4.3)</b>

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

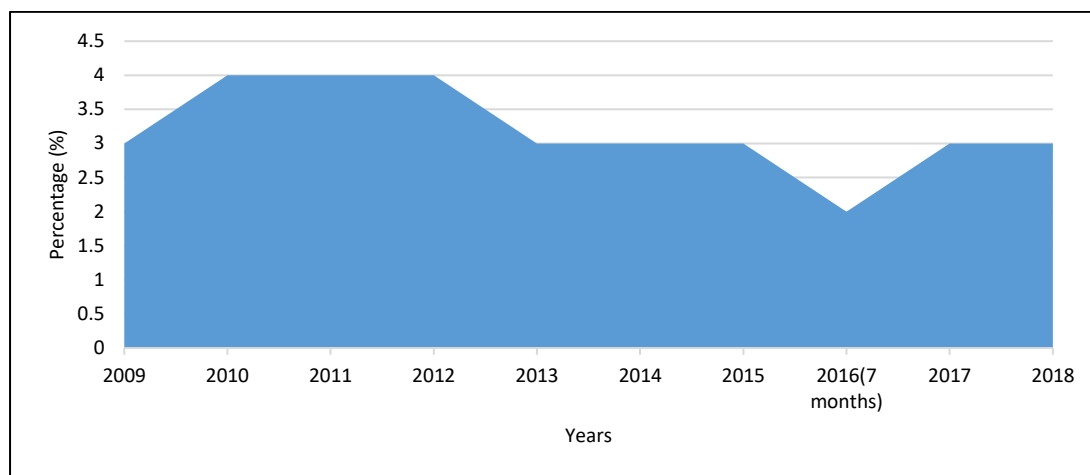
[\*]: 7 months

Source: Macroeconomic Committee



In 2018, the gross deficit as a percentage of GDP deteriorated to 4.3% when compared to 2017.

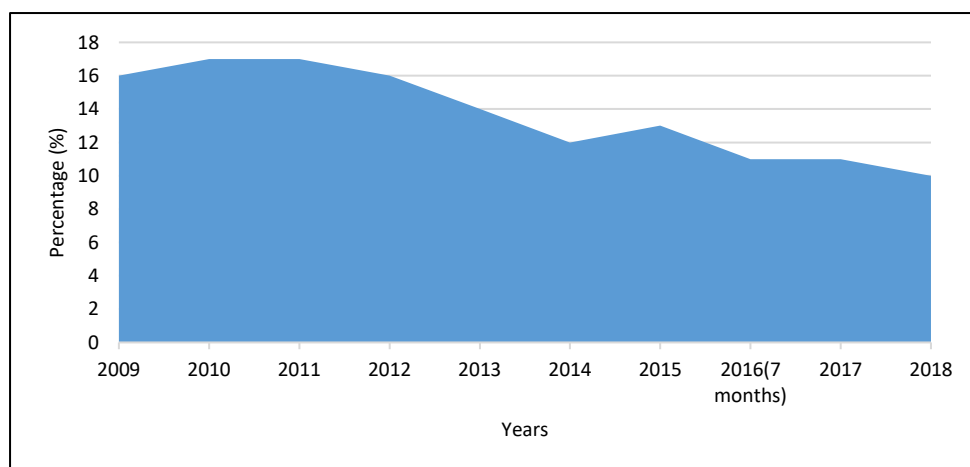
Year	Interest Payments Amount \$'000	GDP Amount \$'000	% of Interest Payments /GDP
2009	191,617.4	5,614,100.0	3
2010	217,934.4	6,024,400.0	4
2011	258,434.5	6,768,500.0	4
2012	260,860.9	7,109,500.0[r]	4
2013	260,450.7	7,715,700.0[r]	3
2014	264,309.2	8,435,900.0[r]	3
2015	295,416.3	9,210,800.0[p]	3
2016*	150,088.6	9,852,704.1	2
2017	276,746.1	9,865,489.8(p)	3
<b>2018</b>	<b>291,503.0</b>	<b>11,348,969.4</b>	<b>3</b>



The ability of the country’s total income to meet the interest payments on public debt over the 10 year period, gradually increased from 2009 to 2010 to 4%. From 2010 to 2012, it remained stagnant at 4% and later reduced to 3% in 2013. Again from 2013 to 2015, it remained stagnant at 3%, until it further reduced to 2% in 2016. This was due to the change in accounting period from 12 months in 2015 to 7 months in 2016. From 2017 it increased to 3% and remained till 2018.

Year	Interest Payments Amount \$'000	Tax Revenue Amount \$'000	% of Interest Payments /Tax Revenue
2009	191,617.4	1,209,223.6	16
2010	217,934.4	1,302,130.6	17
2011	258,434.5	1,573,667.0	16
2012	260,860.9	1,722,147.5	15
2013	260,450.7	1,879,295.2	14
2014	264,309.2	2,117,742.4	12
2015	295,416.3	2,359,863.2	13
2016*	150,088.6	1,314,520.0	11
2017	276,746.1	2,579,175.4	11
<b>2018</b>	<b>291,503.0</b>	<b>2,831,635.8</b>	<b>10</b>

[\*]: 7 months



The ability of tax revenue to meet interest payments on public debt over the 10-year period increased from 2009 to 2010 from 16% to 17% until 2011. This further reduced in 2010 to 2014 by 5% from 17% to 12%. From 2014 to 2015, it increased by 1% while from 2015 to 2018 it reduced from 13% to 10%. For 2018, 10% of tax revenue was used to pay interest payment on public debt.

### Principal Repayments for external loans commencing at end of Grace Period

Principal repayments for the external loans below will commence at the end of their grace periods. The loans were signed in 2014/2015 to 2016/2017 financial year with grace period ranging from 3 to 5 years from the signing date. Aside from the Global bonds that is due in October 2020, the principal repayments for other external loans will commence in financial year 2019 and 2021 respectively.

Lenders by Financial Institutions	Loan agreement signed	Commencement of principal repayment	No. of years lapsed	Loan balance 31/07/18 Amount \$'000
<b>Asian Development Bank (ADB):</b>				
Transport Infrastructure loan (Loan No. 3210)	12/12/2014	15/06/2020	6	10,024.0
Urban Water Supply and Wastewater Management Investment Program (Loan No. 3512)	16/10/2017	15/04/2023	5	3,293.2
Emergency Assistance for Recovery from Tropical Cyclone Winston (Loan No. 3403)	18/07/2016	15/11/2021	5	105,064.1
Sustained Private Sector-Led Growth Reform Program (Loan No. 3667)	24/06/2018	15/10/2021	3	31,519.2
<b>International Fund for Agricultural Development (IFAD) loans:</b>				
Fiji Agricultural Partnership Project (Loan No. 2000000602)	3/12/2015	2020 onwards	5	2,213.5
<b>World Bank/International Bank for Reconstruction and Development:</b>				
IBRD Post Cyclone Winston Emergency Development Policy Operation (Loan No. 8632)	18/07/2016	15/11/2022	6	105,064.1
Transport Infrastructure Investment Project (Loan No. 8482)	14/04/2016	15/05/2021	5	7,792.3
Fiji Connectivity Project (Loan No. 8666)	16/12/2016	15/01/2022	6	6,268.8
IBRD Fiscal Sustainability and Climate Resilience Development Policy Loan (Loan No. 8840)	18/04/2018	15/05/2023	5	31,519.2
<b>European Investment Bank</b>				
Fiji Water and Wastewater Project	10/11/2017	2022 onwards.	5	No drawdowns in FY 2017/2018
<b>Total</b>				<b>302,758.4</b>

## Global Bond Refinancing

Fiji's first international bond was raised in September 2006 by the Government with a sum of US\$150 million (FJ\$300 million) which matured in September 2011. This was issued at an interest rate of 6.875%.

In September 2011, the Government raised US\$250 million through the second issue of Global Bond, to repay the first Global Bond. The second issue was at a higher interest rate of 9% for a term of five years. In 2015, US\$200 million was raised by way of a third issue of Global Bond at an interest rate of 6.625% to refinance the Global Bond issued in 2011. This 2015 issue of Global Bond will mature on 2 October 2020.

Refer to the table below for details of the issuing of Global Bond.

Year	Bond Amount US(\$)	Borrowing Revenue for year end at FJD Amount \$'000	Principal Repayments FJD Amount \$'000	Interest Rate (%)	Comments
2006	150m	260,460.0	---	6.875	<ul style="list-style-type: none"> <li>1<sup>st</sup> issue was in 2006 at an interest rate of 6.875%.</li> <li>\$260,460,000 was raised in 2006 as borrowing revenue.</li> </ul>
2011	250m	452,305.2	266,051.8	9	<ul style="list-style-type: none"> <li>2<sup>nd</sup> issue of bonds was to refinance the 1<sup>st</sup> global funds issued in 2006 and the remainder to finance priority capital investments in the 2011 budget.</li> <li>\$452,305,199 worth of global bonds raised in 2011 as borrowing revenue.</li> </ul>
2015	200m	434,593.7	528,357.2	6.625	<ul style="list-style-type: none"> <li>3<sup>rd</sup> issue of global bonds to assist in the repayment of the US\$250m global bond issued in 2011.</li> <li>\$425,440,000 was the outstanding global bond balance as at 31/12/2015.</li> <li>\$434,593,655 worth of bonds were raised in 2015 as borrowing revenue from the issue of the US\$200m worth of bonds</li> <li>\$528,357,236 was the total principal repayment made to pay off the 2011 global bonds</li> <li>\$63,563,241 was the total interest payments made to pay off the 2011 global bonds</li> </ul>
2018	200m	---	---	6.625	<ul style="list-style-type: none"> <li>As at 31/07/2018, total interest payments made was \$27,866,702</li> <li>No principal repayments made in 2018</li> <li>As per the 2015 Global Bond Terms and Conditions, the 2015 global bonds will mature on 2 October 2020</li> </ul>

## Investments

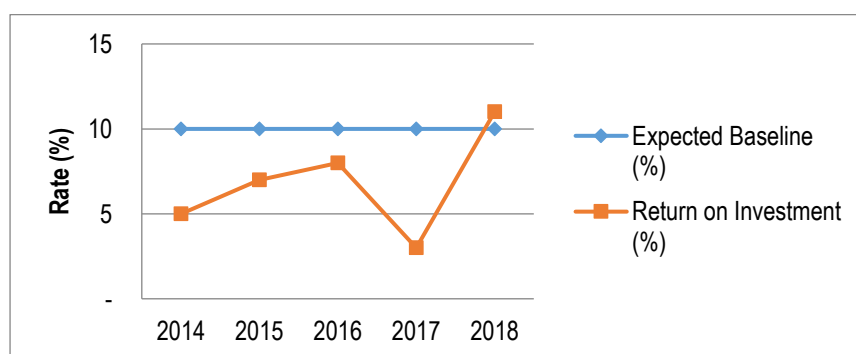
### Return on Investments

Return on investment is a performance measure used to evaluate the efficiency of Government investments.

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>15</sup>

Government's return on investment over the past five years from Government Commercial Companies and Commercial Statutory Authorities is highlighted in the table below and figure below.

Year	Total Government Shareholding Amount \$'000	Dividends from Investment Amount \$'000	Return on Investments (%)
2014	548,888.8	24,816.1	5
2015	456,439.9	33,243.2	7
2016	445,303.3	36,230.8	8
2017	440,342.4	11,210.8	3
2018	1,335,906.1	149,766.9	11



Our analysis of governments return on investments indicates that the overall average rate of return on investment has steadily increased from 5% in 2014 to 8% in 2016 and decreased to 3% in 2017 before increasing again to 11% in 2018. Over the five years period, an overall average rate of return on investments of 6.4% has been recorded with the highest overall average of 9% attained in 2018. Collectively, the 10% baseline has not been achieved.

### Analysis of Dividends and Investments

The forecast for dividend revenue in 2018 was \$148 million while actual dividend revenue received for the year totalled \$149.7 million resulting in a favourable variance of \$1.7 million or 1.1%. The movement of dividend received over the past five years is shown in the table below.

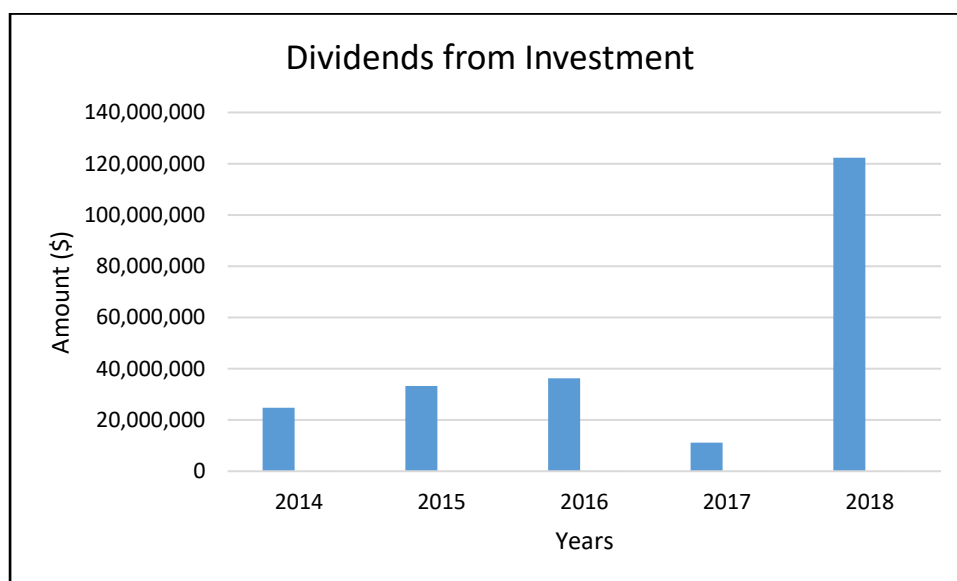
Year	Total Government Shareholding Amount \$'000	Dividends from Investment Amount \$'000	Percentage Change in Dividend (%)	No. of Dividend Paying Entities	No. of Entities Holding Government Investments	Percentage of Dividend Paying Entities (%)
2014	548,888.8	24,816.1	107	6	24	25
2015	456,439.9	33,243.2	34	5	24	21

<sup>15</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 22

Year	Total Government Shareholding Amount \$'000	Dividends from Investment Amount \$'000	Percentage Change in Dividend (%)	No. of Dividend Paying Entities	No. of Entities Holding Government Investments	Percentage of Dividend Paying Entities (%)
2016	445,303.3	36,230.8	9	4	25	16
2017	440,342.4	11,210.8	(69)	5	22	23
2018	1,335,906.0	149,767.0	1,236	4	22	18

[\*]: 7 months

Refer to the figure below for the graphical analysis of dividends collected over the 5-year period:



Over the past 5 years, the number of entities paying dividends to Government averaged 5 compared to the average of 22 companies in which investments have been made. The low average number of entities remitting dividends to Government indicates the high number of non-performing portfolios and thus warrants stringent review of the investments, in order to receive maximum returns.

### 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>16</sup>

A total of \$149.8 million was received by government as dividends in 2018 from two<sup>17</sup> government commercial companies and two<sup>18</sup> minority owned companies. In addition to dividends received from the above companies, the government also received a sum of \$27.4 million as dividend from Reserve Bank of Fiji and JP Morgan. For details of dividends remitted to government in the past five years refer to the table below.

<sup>16</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 22

<sup>17</sup> Airports Fiji Limited and Energy Fiji Limited

<sup>18</sup> Amalgamated Telecom Holdings Limited and Fiji Ports Corporation Limited

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 Economy, and relevant Minister.<sup>19</sup>

A total of \$11.2 million was received by government as dividends in 2017 from three<sup>20</sup> government commercial companies and two<sup>21</sup> minority owned company. In addition to dividends received from the above companies, the government also received a sum of \$14 million as dividend from Reserve Bank of Fiji and JP Morgan. For details of dividends remitted to government in the past five years refer to the table below.

Description	Value of Investments as at 31/07/2018 (\$)	Percentage of Dividend to total Investments value	Dividend for 2018 (\$)	Dividend for 2017 (\$)	Dividend for 2016 (\$)	Dividend for 2015 (\$)	Dividend for 2014 (\$)
Post Fiji Limited	5,600,000	---	---	---	---	1,249,574	---
UTOF (Management) Limited	50,000	---	---	367,383	---	---	119,256
Dividend from JP Morgan			173,899	184,923			
Dividend from RBF			27,284,175	13,912,912			
Air Terminal Services	765,000	---	---	---	---	528,768	401,006
Yaqara Pastoral Company Ltd	1,191,846	---	---	1,900,000	1,424,941	---	3,300,000
Fiji Ports Corporation Limited	29,993,490	25%	7,566,057	2,335,796	2,616,854	3,719,191	3,698,979
Airports (Fiji) Limited	92,300,180	97.5%	90,000,000	---	30,000,000	17,528,344	10,000,000
ATH Limited	219,627,977	2%	4,742,797	5,107,627	2,188,983	10,217,338	7,296,610
Public Trustee	2	---	---	1,500,000	---	---	---
Energy Fiji Limited	749,952,450	3	20,000,000	---	---	---	---
<b>Dividends from Investments</b>	<b>1,099,480,945</b>	<b>11%</b>	<b>149,766,928</b>	<b>25,308,640</b>	<b>36,230,778</b>	<b>33,243,215</b>	<b>24,816,121</b>

The above table shows that Fiji Ports Corporation Limited and Airports Fiji Limited have met the 10% required dividend remittance in accordance with Public Enterprises Corporate Governance Policy Framework. Airports Fiji Ltd paid to Government a total of \$90 million dividend in 2018 which also included a \$45 million dividend declared for 2017.

A graphical representation of budgeted and actual dividend revenue remitted by Government entities over the five-year period is outlined in the table and figure below.

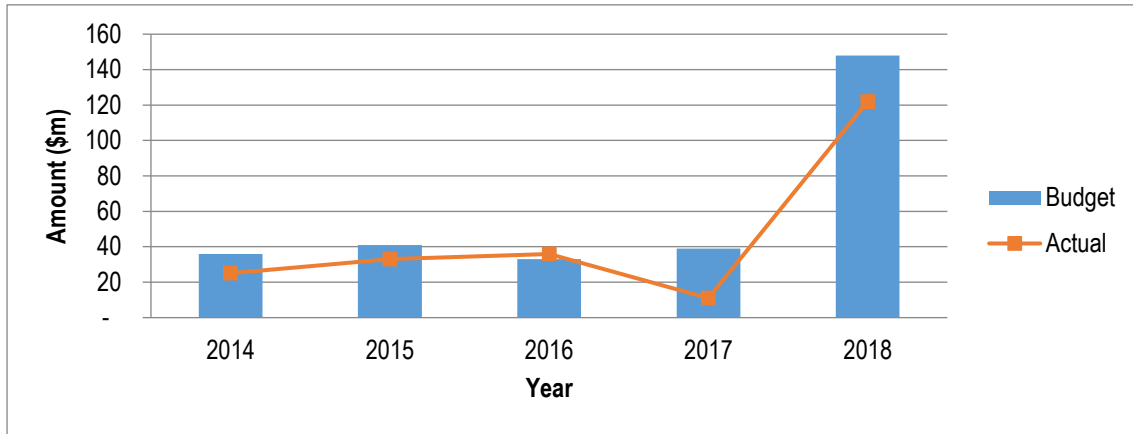
Descriptions	2018 (\$)	2017 (\$)	2016 (\$)	2015 (\$)	2014 (\$)
Actual Dividends	149,766,928	25,308,640	36,230,778	33,243,215	24,816,121
Budgeted Dividends	148,015,527	39,000,000	32,860,165	41,290,000	36,121,700
% of Budgeted Dividends collected	101%	65%	110%	81%	69%

<sup>19</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 26

<sup>20</sup> Fiji Public Trustee Corporation Limited, Unit Trust of Fiji (Management) Limited and Yaqara Pastoral Company Limited

<sup>21</sup> Amalgamated Telecom Holdings Limited and Fiji Ports Corporation Limited





## APPENDIX C: ASSESSMENT OF FINANCIAL GOVERNANCE

The following table summarizes our assessment of controls and the 2017-2018 financial statement preparing processes across Ministries and Departments which were audited.

Ministry or Department	Internal Controls					Financial Statements Preparation			Responses to OAG	Signing of Financial Statements
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
<b>General Administration Sector</b>										
1. Office of the President	●	●	●	●	●	●	●	●	●	●
2. Office of the Prime Minister	●	●	●	●	●	●	●	●	●	●
Department of Immigration	●	●	●	●	●	●	●	●	●	●
3. Office of the Attorney General	●	●	●	●	●	●	●	●	●	●
4. Ministry of Economy	●	●	●	●	●	●	●	●	●	●
5. Ministry of iTaukei Affairs	●	●	●	●	●	●	●	●	●	●
6. Ministry Defence and National Security	●	●	●	●	●	●	●	●	●	●
7. Ministry of Employment, Productivity and Industrial Relations	●	●	●	●	●	●	●	●	●	●
8. Ministry of Foreign Affairs	●	●	●	●	●	●	●	●	●	●
9. Independent Bodies Judiciary	●	●	●	●	●	●	●	●	●	●
10. Parliament	●	●	●	●	●	●	●	●	●	●
11. Office of the Director of Public Prosecutions	●	●	●	●	●	●	●	●	●	●
12. Ministry of Disaster Management and Meteorological Services	●	●	●	●	●	●	●	●	●	●
13. Ministry of Justice	●	●	●	●	●	●	●	●	●	●
14. Fiji Corrections Service	●	●	●	●	●	●	●	●	●	●
15. Ministry of Communication	●	●	●	●	●	●	●	●	●	●
16. Information, Technology & Computing Services	●	●	●	●	●	●	●	●	●	●
17. Ministry of Civil Service	●	●	●	●	●	●	●	●	●	●
18. Ministry of Rural and Maritime Development	●	●	●	●	●	●	●	●	●	●
19. Republic of Fiji Military Forces	●	●	●	●	●	●	●	●	●	●
20. Fiji Police Force	●	●	●	●	●	●	●	●	●	●
21. Peacekeeping Missions	●	●	●	●	●	●	●	●	●	●
<b>Social Services Sector</b>										

Ministry or Department	Internal Controls					Financial Statements Preparation			Responses to OAG	Signing of Financial Statements
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
22. Ministry of Education, Heritage and Arts and Higher Education Institutions	✖	✖	⚠	⚠	✖	⚠	⚠	⚠	✖	✖
23. Ministry of Health and Medical Services	✖	✖	✖	✖	✖	⚠	⚠	⚠	✖	✖
24. Department of Housing	✖	✖	⚠	⚠	✖	⚠	⚠	⚠	✖	✖
25. Ministry of Women, Children and Poverty Alleviation	⚠	⚠	✖	⚠	⚠	⚠	⚠	⚠	✖	⚠
26. Ministry of Youth and Sports	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠
<b>Economic Services Sector</b>										
27. Ministry of Agriculture	✖	✖	✖	✖	✖	✖	⚠	✖	✖	⚠
28. Ministry of Fisheries	✖	⚠	✖	⚠	⚠	✖	⚠	✖	✖	✖
29. Ministry of Forests	✖	✖	✖	⚠	⚠	✖	✖	✖	⚠	⚠
30. Ministry of Lands and Mineral Resources	⚠	⚠	✖	⚠	⚠	✖	⚠	✖	⚠	⚠
31. Ministry of Industry, Trade and Tourism	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠
32. Ministry of Sugar	⚠	⚠	⚠	⚠	⚠	⚠	⚠	⚠	✖	✖
33. Ministry of Public Enterprise	⚠	⚠	⚠	⚠	⚠	⚠	⚠	✖	⚠	✖
34. Ministry of Local Government and Housing	✖	✖	✖	✖	✖	✖	✖	⚠	✖	✖
35. Ministry of Environment	✖	✖	✖	✖	✖	✖	✖	✖	✖	✖
<b>Infrastructure Sector</b>										
36. Ministry of Infrastructure and Transport	⚠	✖	⚠	⚠	✖	✖	⚠	✖	✖	✖
37. Ministry of Waterways	⚠	✖	⚠	⚠	✖	✖	⚠	⚠	⚠	✖

CE=Control Environment

RA=Risk Assessment

Q=Quality of draft financial statement

C=Information and Communication Control

CA=Control Activities

YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC=Management Comments Provided

SFS=Signed Audited financial statements returned

### Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date the agency financial statement draft management letter (DML) was issued and the date management comments were received.

Rating	Timeliness of management comments
Effective	Management comments received within 14 days
Generally effective	Management comments received within 21 days
Ineffective	Management comments received after 21 days

### Timeliness of Signed Accounts Received

To assess the timeliness of signed accounts received, we have compared the date the financial statements were sent to Ministries/Departments for signing and the date the signed financial statements were received.

Rating	Timeliness of signed accounts received
Effective	Received signed accounts within 5 days
Generally effective	Received signed accounts within 15 days
Ineffective	Received signed accounts after 15 days

## APPENDIX D: MODIFIED AUDIT OPINION - QUALIFICATION

The qualification issues for modified audit opinions of Ministries and Departments is shown in Table below:

Ministries/Departments	Modified Audit Opinion
Office of the Prime Minister and Department of Immigration	<p><b><u>Department of Immigration</u></b></p> <ol style="list-style-type: none"> <li>1. A variance of \$515,175 exists between the Integrated Border Control Management System (IBMS) which records the Department of Immigration’s operating revenue and the FMIS general ledger. As a result, audit was unable to substantiate the correctness of the operating revenue balance of \$12.7 million recorded in the consolidated financial statements for the financial year ended 31 July 2018.</li> <li>2. Detailed listings of work permit holders for whom security bond totaling \$28.7 million was held in trust as at 31 July 2018 were not substantiated by the Department of Immigration. As a result, audit was unable to establish the completeness of the amount of security bond reflected in the Immigration Bond Trust Fund Account.</li> <li>3. An unreconciled variance of \$125,618 exists between the Immigration Bond Trust Fund Account cash at bank balance and the General Ledger (FMIS) balance. As a result, audit was not able to ascertain that all receipts and payments had been accurately accounted and disclosed in the Immigration Bond Trust Fund cash account.</li> <li>4. The Department of Immigration was unable to provide appropriate supporting documents including payment vouchers to substantiate payments totaling \$272,985 for Operating Account. As such, the Audit was unable to satisfy if these payments were properly processed and recorded in the consolidated Statement of Receipts and Expenditure.</li> </ol>
Ministry of Employment, Productivity and Industrial Relations	<ol style="list-style-type: none"> <li>1. The Ministry received \$60,000 from the Ministry of Civil Service under the Shared Services Agreement. The Ministry received the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money. Consequently, including the amount received and accumulated over the years, the OHS Consultancy Trust Fund Account is overstated by \$130,000 and Ministry’s operating revenue is understated by the same amount.</li> </ol>

Ministries/Departments	Modified Audit Opinion
	<p>2. The reconciliation of the main trust bank balances is not effective for the National Employment Centre, Employment Relations Tribunal, Occupational Health and Safety, Workmen Compensation, Wages Dispute and OHS Consultancy Trust Fund Accounts. Proper cash books were not maintained for each trust account, unaccounted variances totaling \$119,783 were not properly explained, stale cheques were not cleared and the receipts and payments were not posted in the general ledger on a timely basis. As a result, audit was not able to ascertain the completeness of the respective trust fund receipts and payments and whether it has been accurately accounted and disclosed in the trust fund cash balance of \$9.2 million as at 31 July 2018.</p>
Judiciary	<p>Judicial Trust Accounts provides the status of the Department's reconciliations for Suitors, Maintenance and Sundries Trust Fund accounts. Significant lapse in the years of reconciliation and absence of detailed breakdown listings of beneficiaries and their current balances still exists. As such audit was unable to determine the accuracy of the closing balance of \$31.7 million disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2018</p>
Ministry of Rural and Maritime Development	<p>Included in the Provincial Trust Fund Accounts are funds received for Rural Housing Scheme 1 (\$1.2 million) and one third self-help project (\$553,611). However, the Ministry did not maintain the detailed breakdown listing of these funds held. Hence, audit was unable to establish the status and accuracy of the balance stated.</p>
Fiji Police Force	<p>The Force did not include as part of the Financial Statements the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account with receipts \$84,542 and payment amounting \$66,485 for the year ended 31 July 2018. The Force Band account transactions were not recorded in the FMIS General Ledger.</p>
Ministry of Education, Heritage and Arts and Higher Education Institutions	<p>1. Expenditures amounting to \$42.1 million and \$1.4 million for Established Staff and Government Wage Earners respectively have not been included in the Ministry's Statement of Receipts and Expenditure. These expenditures are included in Head 50 - Miscellaneous Services Appropriation financial statements. As a result, the Established Staff amount of \$315 million and Government Wage Earners expenditures of \$5 million for the Ministry are understated by the same amounts.</p>

Ministries/Departments	Modified Audit Opinion
	<ol style="list-style-type: none"> <li>2. There is an unreconciled variance of \$5.7 million between the FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, audit was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.</li> <li>3. Included in Operating Grants and Transfers account balance of \$107 million is bus fare assistance program amounting to \$27.6 million. The Ministry was not able to provide me with detailed breakdown of payments made to the supplier amounting to \$3.8 million. As such, audit could not confirm the accuracy and completeness of the Operating Grants and Transfers account balance reflected in the Statement of Receipts and Expenditure.</li> </ol>
Ministry of Health and Medical Services	<ol style="list-style-type: none"> <li>1. The Ministry recorded Purchase of Goods and Services of \$62.6 million and Capital Construction of \$17.3 million in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide audit with payment and journal vouchers totalling \$2 million to support the above balances. As a result, audit was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of Purchase of Goods and Services and Capital Construction at the end of the financial year.</li> <li>2. The Ministry recorded total receipts of \$6.2 million in the Statements of Receipts and Payments. The Ministry was unable to provide me with revenue receipts to support revenue amounting to \$143,286. In addition, internal controls over receipting were generally found to be weak. This relates to the submission of incomplete revenue report from Divisional and Subdivision. As a result, audit was not able to substantiate the accuracy and completeness of total revenue of \$6.2 million reflected in the Statement of Receipts and Expenditure.</li> <li>3. An unreconciled variance of \$928,833 and \$340,521 exists between Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earner respectively. Consequently, audit was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.</li> </ol>



Ministries/Departments	Modified Audit Opinion
	<p>4. The Ministry recorded a closing balance of \$20,609 in the Sahyadri Trust Fund Account Statements of Receipts and Payments. The Ministry was unable to provide me with payment and journal vouchers and revenue receipts to support total receipts and payments of \$1.2 million and \$1.5 million respectively. In addition, internal controls over account reconciliations were generally found to be weak. This relates to delay in preparation of reconciliations of the main trust fund accounts. As a result, audit was unable to substantiate the accuracy and completeness of total receipts of \$1.2 million and total payments of \$1.5 million reflected in the Sahyadri Trust Fund Account Statements of Receipts and Payments.</p> <p>5. Purchases in the Bulk Purchase Trading and Manufacturing Account is overstated by \$6,064. As a result, the Trading and Manufacturing Account net profit for the year ended 31 July 2018 is understated by \$6,064.</p> <p>6. In addition, internal controls over receipting and payments were generally found to be weak. This relates to price charged not in accordance with the price list and the understatement of utility costs which is not paid by the Bulk Purchase Trading and Manufacturing Account</p>
Ministry of Women, Children and Poverty Alleviation	<p>1. Statement of Receipts and Expenditure includes Operating Grants and Transfers balance of \$89.6 million which includes payments made for Social Pension Scheme of \$37.1 million, Poverty Benefit Scheme of \$40.1 million, Food Vouchers for Rural Pregnant Mothers of \$966,152 and Child Protection Allowance payments of \$7.1 million. An unreconciled variance of \$8 million exists between the General Ledger balance of \$85.2 million and the amount released to bank of \$76.4 million for the year ended 31 July 2018.</p> <p>2. Mispostings in Travel and Communication expenditure by \$204,579 and Purchase of Goods and Services expenditure by \$735,010 resulted in overstatement of the respective operating expenditure. Moreover, mispostings in Operating Grants and Transfers expenditure resulted in understatement of the account by \$944,262 for the year ended 31 July 2018. The Ministry was unable to process the adjustment due to insufficient funds in the respective Standard Expenditure Groups.</p>
Ministry of Fisheries	<p><b>Operating Fund Account</b></p>



**Ministries/Departments****Modified Audit Opinion**

1. The Ministry recorded Capital Construction of \$4.7 million and Capital Purchase of \$653,185 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide audit with payment and journal vouchers totalling \$954,252 to support the above balances. As a result, I was unable to verify the completeness and accuracy of the balance.
2. An unreconciled variance of \$1 7 million exists between FMIS general ledger and Ministry's payroll report for both Established Staff and Government Wage Earners. In addition, internal controls over payroll were generally found to be weak. This relates to the incorrect preparation of salary reconciliations. Consequently, audit was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.

**Trust Fund Account**

3. The Ministry did not maintain a detailed listing of beneficiaries of the Trust Fund Account. Consequently, audit was not able to substantiate the completeness of the closing balance of \$261,684 reflected in the Statement of Receipts and Payments of the Trust Fund Account

**Ministry of Forestry****Operating Fund Account**

1. Expenditures amounting to \$351,097 were not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018. This amount relates to unrecorded expenditures which were paid as accountable advance but were not cleared from the Revolving Fund Account as at 31 July 2018. Consequently, the expenditure balance of \$13.3 million for the year ended 31 July 2018 is understated by \$351,097.
2. There is an unreconciled variance of \$850,831 between the FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, audit was unable to establish the accuracy of the Established Staff Government and Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.

Ministries/Departments	Modified Audit Opinion
	<p><b>Trading and Manufacturing Account</b></p> <ol style="list-style-type: none"> <li>1. There is an unreconciled variance of \$105,769 between the TMA bank reconciliation and the Cash at Bank general ledger balance. Consequently, audit was not able to confirm the accuracy and completeness of the Cash at Bank balance of \$1.5 million recorded in the TMA Balance Sheet as at 31 July 2018.</li> <li>2. The Ministry with the approval of the Ministry of Economy transferred a sum of \$2.5 million in 2016 to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Although an amount of \$569,014 was utilised for this purpose in 2018, deferred income account was not adjusted accordingly. Deferred income balance for 2017 of \$2.2 million remained the same in 2018.</li> </ol> <p>In addition, the cash at bank balance of \$1.5 million recorded in the TMA Balance Sheet was not sufficient to support the remaining Deferred Income balance of \$2.2 million.</p>
Ministry of Lands and Mineral Resources	Trust Fund Account balance for Lands Department of \$6.6 million was not supported with detailed listing of claimants of the monies held in the trust. Hence, audit was unable to confirm the accuracy and completeness of the Trust Fund Account balance as at 31 July 2018.
Ministry of Environment	<ol style="list-style-type: none"> <li>1. An unreconciled variance of \$2.4 million exists for cash at bank of the Trust between the general ledger and bank reconciliation balance as at 31 July 2018. In addition, the closing balance of \$7 million is also not supported with detailed listings. Consequently, audit could not confirm the accuracy and completeness of the Trust Fund balance of \$7million stated in the Environment Trust Fund Statement of Receipts and Payments as at 31 July 2018.</li> <li>2. An unreconciled variance of \$469,718 exists between the Established staff payroll report balance of \$631,121 and Established staff general ledger balance of \$1.1 million as at 31 July 2018. Consequently, audit could not confirm the accuracy and completeness of the Established staff expenditure balance of \$1.2 million stated in the Statement of Revenue and Expenditure as at 31 July 2018.</li> </ol>

Ministries/Departments	Modified Audit Opinion
	<p>3. An unreconciled variance of \$353,890 exists between the Government wage earners payroll report balance of \$402,266 and Government Wage Earners general ledger balance of \$48,376 as at 31 July 2018. Consequently, audit was unable to confirm the accuracy and completeness of the Government Wage Earners expenditure balance of \$48,376 stated in the Statement of Revenue and Expenditure as at 31 July 2018.</p>
<p>Ministry of Infrastructure and Transport</p>	<p>1. An unreconciled variance of \$1.4 million exists between the Consolidated TMA Balance sheet cash at bank balance of \$3.3 million and consolidated bank reconciliation balance of \$1.9 million as at 31/07/18. Consequently, audit was unable to confirm the accuracy and completeness of the Cash at bank balance of \$3.3 million stated in the Consolidated TMA balance sheet as at 31 July 2018.</p> <p>2. Energy Trust Account closing balance of \$2.4 million was not supported with appropriate details listings.</p>
<p><b>Emphasis of Matter</b></p>	
<p>Ministry of Forestry</p>	<p>1. The TMA continues to operate at loss since 2010.                  2. There was an overall excess of liabilities over assets of \$338,272 in the TMA Balance Sheet as at 31 July 2018.                  3. The Ministry was using one Drawings account with Ministry of Fisheries for the year ended 31 July 2018.</p>
<p>Ministry of Infrastructure and Transport</p>	<p>1. The Ministry has disclosed its 17 Trading and Manufacturing Accounts in the Note 5 to the financial statements by consolidating it according to the divisions. The change in the format of the presentation has resulted in the limited information disclosed in the financial statements for each type of TMA in terms of its performance and cash flows.</p>
<p><b>Other Matter</b></p>	
<p>Office of the Prime Minister and Department of Immigration</p>	<p><b>Department of Immigration</b>                  Internal controls over revenue, payroll expenses, procurement and payments and Bond Trust Fund Account for the Department of Immigration were generally found to be weak. This relates to lack of supervisory checks, reconciliations not properly carried out, improper record keeping and lack of proper planning and budget</p>

Ministries/Departments	Modified Audit Opinion
	<p>management. These internal controls weaknesses if not addressed promptly may result in material misstatements and possible financial losses in the future.</p>
<p>Ministry of Employment, Productivity and Industrial Relations</p>	<p>Internal controls over payroll were generally found to be weak. This relates to payroll reconciliations not prepared or delayed in its preparation, overpayment of salary and lack of due diligence in recruitment. These internal controls weakness if not addressed promptly may result in material misstatements and possible financial losses in the future.</p>
<p>Ministry of Education, Heritage and Arts and Higher Education Institutions</p>	<p>Internal controls over payroll, revenue and Free Education Grant were generally found to be weak. This relates to overpayments in payroll, maintenance of recruitment documents, misallocation of revenue and the utilisation of Free Education Grant in accordance with prescribed allocation. If not addressed promptly these weak controls may result in material misstatements and financial implications in future.</p>
<p>Ministry of Women, Children and Poverty Alleviation</p>	<p>Internal Controls over procurement and account reconciliations were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in future.</p>
<p>Ministry of Fisheries</p>	<p>Internal controls in revenue, underline accounts and expenditure were generally found to be weak and if not addressed promptly may result in material misstatements and financial implications in the near future. These relate to delay in banking revenue receipts and delay in preparation of underline accounts reconciliations. Payments were also made without local purchase orders being raised, three competitive quotations not obtained, misallocation of expenditures and payments were made without payment vouchers being certified.</p>
<p>Ministry of Environment</p>	<p>Necessary internal controls including timely reconciliations were not performed for Drawings Account, SLG 84 Account, Operating Trust Fund, Advances and Salaries Account during the year. These are critical areas of the Ministry operation and if not addressed promptly may result in financial losses of financial irregularities in the near future.</p>

## APPENDIX E: GLOSSARY

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws.
Accounting estimates	An approximation of a monetary amount in the absence of a precise mean of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation.
Appropriation	A sum of total budget for the ordinary services of government for the financial year ending 31 July 2018.
Audit evidence	All the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.
Audit Memorandum	Management Letter highlighting areas where improvements can be made by an entity following an audit.
Audit strategy	The strategy that sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan.
Consolidated fund account	The main bank account of the government where public monies are paid into for the operations of government. Trust money is not paid into this account.
Deferred income	Deferred income refers to money received by an entity before it provides the related goods or services to the customer.
Deficiencies	Failings, weaknesses or shortcomings.
Express an opinion	A written expression of the auditor's overall conclusion on the financial report based on audit evidence obtained.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
Governance	The control arrangements in place at an entity that are used to govern and monitor its activities to achieve its strategic and operational goals.
International Public Sector Accounting Standards (IPSAS) under cash basis of accounting	Standards adopted by Government of Fiji for financial reporting of Financial Statements of Government.
Management	Those with the executive responsibility for conducting an operation.
Material misstatement	A significant difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Misstatement	A difference between the amounts, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.
Other significant matter	Include control weaknesses which <i>could cause</i> or <i>is causing</i> severe disruption of the process or severe adverse effect on the ability of an auditee to achieve process objectives and comply with relevant legislation. It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.
Reasonable assurance	A high but not absolute level of assurance.
Re-deployment	Transfer of budgeted funds from one appropriation head to another which is approved by Cabinet.
Revaluation	An adjustment made to the recorded value of an asset to accurately reflect its current market value.

Term	Definition
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.
Standards on auditing	International Standards on Auditing adopted by Fiji Institute of Accountants and applied by Office of the Auditor-General for audits carried out.
Trading and Manufacturing activities	Are operated on semi-commercial basis to increase the returns which are derived from them and to provide goods, services or works more cost-effectively.
Value-adding	Financial or non-financial gains arising from improved compliance or mitigation of risks.
Virements	Permanent Secretaries of Ministries and Departments may authorise the transfer of budgeted funds between Standard Expenditure Groups as per section 10(1) of the Finance Instructions 2010.

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**Part C: 2017-2018 Agency Financial Statement of  
Ministry of Economy**



## HEAD 4 MINISTRY OF ECONOMY

### Role and Responsibilities

The Ministry of Economy is responsible for managing public finances in accordance with the Fijian Constitution and the Finance Management Act 2004.

The Ministry formulates Government's national budget and coordinates with other ministries and departments to ensure effective implementation. The Ministry through its various functional units promotes sound management of the Fijian economy via economic analysis, efficient budgeting and pro-active planning, including prudent management of financial assets and debts and the administration of fiscal policy and tax collection through the Fiji Revenue and Customs Service ('FRCS').

Other major roles include: coordination and management of Government's capital construction projects including its offices and accommodation; formulation of national development plans, including climate change policy and financing and monitoring of programmes and projects under the national budget; and ensuring effective operation of the Fiji Bureau of Statistics ('FBOS') in collating, storing and publishing statistical information in a timely and coherent manner.

### TABLE OF CONTENTS

HEAD 4 MINISTRY OF ECONOMY .....	109
PART A: FINANCIAL STATEMENTS .....	111
4.1 Audit Opinion.....	111
4.2 Statement of Receipts and Expenditure – Head 4 .....	111
4.3 Statement of Receipts and Expenditure – Head 50 .....	112
4.4 Statement of Receipts and Expenditure – Head 51 .....	113
4.5 Statement of Receipts and Expenditure – Head 52 .....	113
4.6 Statement of Receipts and Expenditure – Head 13 .....	113
4.7 Appropriation Statement – Head 4 .....	114
4.8 Appropriation Statement – Head 50 .....	114
4.9 Appropriation Statement – Head 51 .....	115
4.10 Appropriation Statement – Head 52 .....	116
4.11 Appropriation Statement – Head 13 .....	116
4.12 Statement of Losses .....	117
4.13 Fiji Procurement Office TMA – Profit & Loss Statement.....	117
4.14 Fiji Procurement Office TMA – Balance Sheet .....	117
4.15 Office Accommodation TMA – Profit & Loss Statement.....	118
4.16 Office Accommodation TMA – Balance Sheet .....	119
4.17 Consolidated Trust Fund Account Statement .....	119
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE .....	122
4.18 Internal Control .....	122
4.19 Submission of 2017 - 2018 Draft Agency Financial Statements .....	124

4.20	Quality of Draft Financial Statements .....	124
4.21	Timeliness of Draft Financial Statements.....	125
4.22	Timeliness of Provision of Management Comments and Signing of Financial Statements.....	125
<b>PART C: OTHER SIGNIFICANT MATTERS .....</b>		<b>127</b>
4.23	Trading and Manufacturing Account - Receivables Not Recorded.....	127
4.24	Variance in LTA Revenue.....	128
4.25	Absence of Risk Management Policy, Strategic Plan and Operational Plan.....	129
4.26	Arrears of Revenue Not Recorded .....	130
4.27	Administration of Environmental and Climate Adaption Levy .....	130
4.28	Presentation of Main Trust Fund Account - Recurring Issue .....	131
4.29	Delay in Finalisation of Financial Statements - Recurring Issue .....	132
<b>FINANCIAL STATEMENTS OF GOVERNMENT .....</b>		<b>134</b>
4.30	Internal Control Weaknesses for Ministries and Departments .....	134
4.31	Variance in Payroll.....	135
4.32	Annual Report on Whole of Government.....	136
4.33	Ageing Reports not maintained for VAT & Income Tax Refunds Outstanding .....	137
4.34	Implementation of Activities proposed in the PFTAC Report .....	138
4.35	Delay in finalization of the Financial Statements of Government.....	138
4.36	Main Trust Fund Account.....	140
4.37	Detailed Listing not maintained for Main Trust Fund Account .....	141
4.38	Variances in Main Trust Accounts .....	142
4.39	Reconciliations not prepared for Main Trust Fund Account – Judicial .....	143
4.40	Significant Outstanding Operating Trust Fund Balance.....	144
4.41	Variances between FMIS General Ledger and Bank Reconciliations .....	146
4.42	Overseas bank accounts not reported at Closing Rate .....	148
4.43	Debt Unit Internal Control Assessment.....	149
4.44	Undrawn Borrowing Facilities.....	149
4.45	Accounting for Green Bond Fund.....	151
<b>APPENDIX 1: MINISTRY OF ECONOMY FINANCIAL STATEMENT AMENDMENTS .....</b>		<b>153</b>
<b>APPENDIX 2: INTERNAL CONTROL WEAKNESSES ACROSS MINISTRIES .....</b>		<b>154</b>
<b>APPENDIX 3: PFTAC ACTIVITIES YET TO BE IMPLEMENTED.....</b>		<b>156</b>
<b>APPENDIX 4: CAUSE OF DELAY IN FINALISATION OF FINANCIAL STATEMENTS .....</b>		<b>157</b>
<b>APPENDIX 5: AUDIT ADJUSTMENTS FOR FINANCIAL YEAR 2017/2018 .....</b>		<b>161</b>

## PART A: FINANCIAL STATEMENTS

### 4.1 Audit Opinion

The main outcome of an audit is an independent auditor's report on the agency financial statements that were produced and submitted to the Auditor-General. The audit of the 2018 accounts of the Ministry of Economy resulted in an unqualified audit opinion with an emphasis of matter.

#### Emphasis of matter

The Office Accommodation Trading Manufacturing Account (TMA) on Schedules 14 & 15 is a semi-commercial arm of the Ministry that caters for the commercial rent out of government quarters. The detailed Quarters Rental Listing has not been correctly updated and maintained resulting in Accounts Receivables of \$1.4 million not reflected in the Balance Sheet as at 31 July 2018. The Ministry has agreed to resolve the matter in the 2018-2019 Agency Financial Statements.

My opinion was not modified in respect of this matter.

### 4.2 Statement of Receipts and Expenditure – Head 4

The Ministry of Economy budget which was appropriated under Head 4 in the 2017 – 2018 Budget Appropriation Act, also included the Fiji Bureau of Statistics (FBOS).

The Ministry recorded revenue totalling \$3.8 billion and incurred expenditures totalling \$92.9 million for the year ended 31 July 2018. Details are provided in Table 4.1.

**Table 4.1: Head 4 – Consolidated Statement of Receipts and Expenditure in 2018**

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue		
Operating Revenue	3,009,325,970	2,720,192,966
Investment Revenue	164,950,829	34,131,769
Borrowing Revenue	603,836,967	435,996,544
<b>Total State Revenue</b>	<b>3,778,113,766</b>	<b>3,190,321,279</b>
Agency Revenue		
Board Member Fee	196,699	85,411
Miscellaneous Revenue	6,315,106	18,769,432
Sales of Publications	735	1,118
Total Agency Revenue	<b>6,512,540</b>	<b>18,855,961</b>
<b>TOTAL REVENUE</b>	<b>3,784,626,306</b>	<b>3,209,177,240</b>
Operating Expenditure		
Established Staff	11,169,702	10,286,158
Government Wage Earners	689,684	531,772
Travel & Communications	939,826	752,012
Maintenance & Operations	1,328,859	1,293,354
Purchase of Goods & Services	1,772,110	1,590,294
Operating Grants & Transfers	54,246,153	51,743,773
Special Expenditure	13,561,068	5,319,864
<b>Total Operating Expenditure</b>	<b>83,707,402</b>	<b>71,517,227</b>

Description	31 July 2018 (\$)	31 July 2017 (\$)
Capital Purchase	---	131,564
Capital Grants and Transfers	8,812,500	11,750,000
<b>Total Capital Expenditure</b>	<b>8,812,500</b>	<b>11,881,564</b>
Value Added Tax	441,869	670,805
<b>TOTAL EXPENDITURE</b>	<b>92,961,771</b>	<b>84,069,596</b>

Operating revenue consisted of taxes, fees, fines & charges, commission, reimbursement & recoveries and grant-in-aid. Investing revenue comprised dividends from investments, mainly from Airports Fiji Limited of \$90 million<sup>22</sup>, Energy Fiji Limited of \$20 million, Fiji Ports Corporation Limited of \$7.6 million and Amalgamated Telecom Holdings Limited of \$4.7 million, repayments from term loan receivables, interest income, and return of investment surplus and disposal of investment of \$1.4 million. Borrowing revenue was made up of proceeds from issue of Domestic Bonds and through overseas borrowings.

The increase in operating revenue by \$289.1 million or 11% in 2018 compared to 2017, was driven largely by the increase in the collection of tax revenue. Investing revenue increased by \$130.81 million or 383% in 2018, which was due mainly to a \$90 million dividend received from Airports Fiji Ltd. Borrowing revenue also increased by \$167.84 million or 38% from the previous year, which resulted largely from the increase in Domestic Bonds from \$224.5 million to \$535.6 million in 2018.

#### 4.3 Statement of Receipts and Expenditure – Head 50

The Ministry incurred expenditures totalling \$535.8 million under Head 50 in 2018. Refer to Table 4.2 for details.

Table 4.2: Head 50 - Statement of Receipts and Expenditure in 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Established Staff	43,712,492	2,962,036
Travel & Communications	3,557,810	4,729,246
Purchase of Goods & Services	29,846,654	30,392,595
Operating Grants & Transfers	18,064,475	16,267,753
Special Expenditures	12,352,746	7,936,547
<b>Total Operating Expenditure</b>	<b>107,534,177</b>	<b>62,288,177</b>
Capital Construction	10,063,855	1,109,060
Capital Purchases	28,220,981	17,664,495
Capital Grants and Transfers	383,451,355	295,806,195
<b>Total Capital Expenditure</b>	<b>421,736,191</b>	<b>314,579,750</b>
Value Added Tax	6,627,773	4,832,382
<b>TOTAL EXPENDITURE</b>	<b>535,898,141</b>	<b>381,700,309</b>

Total expenditure increased by \$154.2 million or 40% in 2018 compared to 2017.

<sup>22</sup> AFL dividend of \$90 million was for FY 2017 & 2018

Established Staff costs increased by \$40.7 million and was due to the regularisation of the over-spending by the Ministry of Education, Heritage and Arts. Capital Grants and Transfer increased by \$87,645,160 in 2018 compared to 2017. This was due to the inclusion of expenditures for Ongoing Rehabilitation and Construction of Schools during the year.

#### 4.4 Statement of Receipts and Expenditure – Head 51

The Ministry incurred expenditures amounting to \$36.9 million from Head 51 during the financial year ending 31 July 2018. Refer to Table 4.3 for details.

Table 4.3: Head 51 - Statement of Receipts and Expenditure in 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Pensions	36,337,679	26,981,472
Gratuities	619,009	1,844,669
Cost of Living Adjustment	---	6,054,272
<b>TOTAL EXPENDITURE</b>	<b>36,956,688</b>	<b>34,880,413</b>

#### 4.5 Statement of Receipts and Expenditure – Head 52

Finance charges on public debt totalled \$498.6 million in 2018, an increase of \$74.7 million or 18% compared to \$423.9 million in 2017 due to increases in interest and loan payments. Details are shown in Table 4.4.

Table 4.4: Head 52 - Statement of Receipts and Expenditure in 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Finance Charges on Public Debt		
Miscellaneous Payment	1,935,831	1,867,169
Interest and Principal Payments		
Overseas Loan	91,804,309	93,145,304
Domestic Loan	404,926,636	328,985,301
<b>TOTAL EXPENDITURE</b>	<b>498,666,776</b>	<b>423,997,774</b>

#### 4.6 Statement of Receipts and Expenditure – Head 13

Operating grants and transfers totalling \$8.4 million was paid to the Fiji Independent Commission Against Corruption (FICAC) to finance its operations. Refer to Table 4.5 for details.

Table 4.5: Head 13 - Statement of Receipts and Expenditure in 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Operating Grants & Transfers	8,480,987	8,480,987
<b>TOTAL EXPENDITURE</b>	<b>8,480,987</b>	<b>8,480,987</b>

#### 4.7 Appropriation Statement – Head 4

The Ministry incurred expenditures totalling \$92.9 million in 2018 against a revised budget of \$117.2 million, resulting in a saving of \$24.3 million or 21%. Details of expenditures against the revised budget are provided in Table 4.6. Savings against the revised budget were due to the following:

- (i) Delays in filling of vacant positions which resulted in low utilisation of funds.
- (ii) Special expenditures, namely:
  - Technical assistance was received resulting in the budget for National Asset Management Framework, Climate Change Policy and training for climate financing being unutilised.
  - Economic Intelligence Unit – certain existing staff and resources were used together with the support from FCCC and FRCS. This was also the first year of establishment for the Unit.
  - Population and Housing Census - Delay in appointment of Area Coordinators, lower rates noted on Government shipping vessels as budget projection was based on private hire rates for these shipping vessels. Moreover, the server to store Census data was not purchased.
- (iii) Grants for FRCS was released on need for funding basis.

Table 4.6: Head 4 - Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)	Savings (%)
1	Established Staff	16,652,866	(374,300)	16,278,566	11,169,702	5,108,864	31
2	Government Wage Earners	594,667	344,300	938,967	689,684	249,283	27
3	Travel & Communications	1,418,258	138,000	1,556,258	939,826	616,432	40
4	Maintenance & Operations	1,886,500	79,000	1,965,500	1,328,859	636,641	32
5	Purchase of Goods & Services	2,402,850	(127,000)	2,275,850	1,772,110	503,740	22
6	Operating Grants & Transfers	64,658,097	1,200	64,659,297	54,246,153	10,413,144	16
7	Special Expenditures	15,961,738	(61,200)	15,900,538	13,561,068	2,339,470	15
	<b>Total Operating Expenditure</b>	<b>103,574,976</b>	<b>-</b>	<b>103,574,976</b>	<b>83,707,402</b>	<b>19,867,574</b>	<b>19</b>
10	Capital Grants & Transfers	11,750,000	-	11,750,000	8,812,500	2,937,500	25
	<b>Total Capital Expenditure</b>	<b>11,750,000</b>	<b>-</b>	<b>11,750,000</b>	<b>8,812,500</b>	<b>2,937,500</b>	<b>25</b>
13	Value Added Tax	1,950,400	-	1,950,400	441,869	1,508,531	77
	<b>TOTAL</b>	<b>117,275,376</b>	<b>-</b>	<b>117,275,376</b>	<b>92,961,771</b>	<b>24,313,605</b>	<b>21</b>

#### 4.8 Appropriation Statement – Head 50

Miscellaneous Services is administered by the Ministry of Economy. The funding provided under Head 50 include the contingency funding and other common central pools of funds that are available to the Whole of Government (WoG). It also includes funding for activities that require scrutiny and monitoring by the Ministry of Economy.

The Ministry incurred expenditures totalling \$535.9 million in Head 50 in 2018 against a revised budget of \$704.2 million resulting in a saving of \$168.3 million or 24%. Funds were mainly released on need for funding basis, thus the savings recorded. Details of expenditures against the revised budget are provided in Table 4.7.

**Table 4.7: Head 50 - Appropriation Statement for 2018**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)	Savings (%)
1	Established Staff	10,482,394	33,230,098	43,712,492	43,712,492	---	---
3	Travel & Communications	5,438,292	200,000	5,638,292	3,557,810	2,080,482	37
5	Purchase of Goods & Services	44,702,800	(10,116,147)	34,586,653	29,846,654	4,739,999	14
6	Operating Grants & Transfers	18,742,986	285,628	19,028,614	18,064,475	964,139	5
7	Special Expenditures	30,132,368	(4,195,628)	25,936,740	12,352,746	13,583,994	52
	<b>Total Operating Expenditure</b>	<b>109,498,840</b>	<b>19,403,951</b>	<b>128,902,791</b>	<b>107,534,177</b>	<b>21,368,614</b>	<b>17</b>
8	Capital Construction	19,291,580	(917,432)	18,374,148	10,063,855	8,310,293	45
9	Capital Purchases	44,721,373	(9,263,894)	35,457,479	28,220,981	7,236,498	20
10	Capital Grants & Transfers	442,060,335	68,088,174	510,148,509	383,451,355	126,697,154	25
	<b>Total Capital Expenditure</b>	<b>506,073,288</b>	<b>57,906,848</b>	<b>563,980,136</b>	<b>421,736,191</b>	<b>142,243,945</b>	<b>25</b>
13	Value Added Tax	12,544,673	(1,220,172)	11,324,501	6,627,773	4,696,728	41
	<b>TOTAL</b>	<b>628,116,801</b>	<b>76,090,627</b>	<b>704,207,428</b>	<b>535,898,141</b>	<b>168,309,287</b>	<b>24</b>

#### 4.9 Appropriation Statement – Head 51

The Pensions Section manages the computation and payment of various pensions in accordance with existing pension legislation. The Section also processes re-engagement benefits for prisons, military officers and forest guards. The section oversees the payment of pensions to Government Pensioners, Ex-Parliamentarians, Ex-Prime Ministers and Presidents, Ex-Chief Justices and Retired Judges, Service Pensioners and the widows and orphans of deceased public officers.

The Ministry incurred expenditures totalling \$36.9 million under Head 51 against a revised budget of \$46.2 million, resulting in a saving of \$9.3 million or 20% for 2018. The savings resulted from the decrease in the number of pensioners due to high mortality rate and temporary ceasing of pension payments due to non-submission of Life Certificates, which is required to be submitted by pensioners on a six monthly basis. Details of expenditure against the revised budget are provided in Table 4.8.

**Table 4.8: Head 51 - Appropriation Statement for 2018**



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
11	Pensions	45,315,100	(20,576)	45,294,524	36,337,679	8,956,845
	Gratuities	906,000	20,576	926,576	619,009	307,567
	<b>Total</b>	<b>46,221,100</b>	<b>---</b>	<b>46,221,100</b>	<b>36,956,688</b>	<b>9,264,412</b>

#### 4.10 Appropriation Statement – Head 52

Appropriation Head 52 – Charges on Account of Public Debt was allocated for the repayment of domestic and overseas loans.

The Ministry incurred expenditures totalling \$498.6 million in Head 52 in 2018 against a revised budget of \$525.4 million, resulting in a saving of \$26.8 million or 5%. Details of expenditure against the revised budget are provided in Table 4.9.

Savings against the revised budget were due to the following:

- Provision of \$3.5m that had been allocated for any “call on Government” for guaranteed loans. At the close of the fiscal year, there was no “call on Government” for guaranteed loans for which a provision of \$3.5 million was allocated.
- Lower than anticipated depreciation of the Fijian dollar against currencies in which overseas loans are dominated; namely the Euro, Chinese Yuan, Japanese Yen and the United States dollar.
- Lower average cost of borrowings via the issuance of bonds (6.5% to 7%) than what was anticipated (7%).

Table 4.9: Head 52 - Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
<b>Finance Charges on Public Debt</b>						
12	Miscellaneous Payment	10,093,132	---	10,093,132	1,935,831	8,157,301
14	Overseas Loans	111,111,064	---	111,111,064	91,804,309	19,306,755
15	Domestic Loans	404,225,900	---	404,225,900	404,926,636	(700,736)
	<b>TOTAL</b>	<b>525,430,096</b>	<b>---</b>	<b>525,430,096</b>	<b>498,666,776</b>	<b>26,763,320</b>

#### 4.11 Appropriation Statement – Head 13

The Ministry incurred expenditures totalling \$8.4 million in Head 13 in 2018 against a revised budget of \$8.4 million. The expenditure relates to grants paid to the FICAC. Details of expenditure against the revised budget are provided in Table 4.10.

Table 4.10: Head 13 - Appropriation Statement for 2018



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	8,480,987	---	8,480,987	8,480,987	---
	<b>TOTAL</b>	8,480,987	---	8,480,987	8,480,987	---

#### 4.12 Statement of Losses

The Ministry of Economy did not record any loss of money or revenue in 2018. However, assets worth \$322,714 were written off following the Board of Survey conducted for the Ministry of Economy, Fiji Procurement Office (FPO) and the FBOS during the year.

Table 4.11: Assets Written Off for 2018

Assets	Amount (\$)
Furniture, Fixtures & Fittings	198,280
Office Equipment	124,434
<b>Total</b>	<b>322,714</b>

#### 4.13 Fiji Procurement Office TMA – Profit & Loss Statement

The FPO operates a TMA selling Fiji flags. The TMA was transferred from the former Government Supplies Department, a retail arm of Government.

The Profit & Loss Statement – TMA showed a net profit of just over \$1 million for the year ended 31 July 2018 compared to \$1.1 million in 2017. Refer to Table 4.12 for details.

Table 4.12: Profit & Loss Statement – FPO

Description	31 July 2018 (\$)	31 July 2017 (\$)
<b>Income</b>		
Sales	1,119,372	1,221,436
Cost of Finished Goods Sold	(11,137)	(50,229)
Gross Profit	<b>1,108,235</b>	<b>1,171,207</b>
<b>Expenses</b>		
Office Upkeep & Supplies	59,147	1,991
Other Expenses	---	15,431
<b>Total Expenses</b>	<b>59,147</b>	<b>17,422</b>
<b>Net Profit</b>	<b>1,049,088</b>	<b>1,153,785</b>

Sales decreased by \$102,064 or 8% in 2018 compared to 2017. This was due to the reduction in the sale of flags and collection of administration (indent fees) charges levied on Ministries.

#### 4.14 Fiji Procurement Office TMA – Balance Sheet

In 2018, net assets totalled \$1.5 million, which decreased by \$227,339 or 13% compared to 2017. This was due to the reduction in the sale of flags. Refer to Table 4.13 for details.

Table 4.13: Balance Sheet

Description	31 July 2018 (\$)	31 July 2017 (\$)
<b>Current Assets</b>		
Cash at Bank	1,412,058	1,776,427
Finished Goods	176,749	24,915
<b>Total Assets</b>	<b>1,588,807</b>	<b>1,801,342</b>
<b>Liabilities</b>		
Deposits & Deductions	39,661	24,857
<b>Total Liabilities</b>	<b>39,661</b>	<b>24,857</b>
<b>Net Assets</b>	<b>1,549,146</b>	<b>1,776,485</b>
<b>Equity</b>		
TMA Surplus Transferred to Consolidated Fund	(6,558,242)	(5,281,815)
TMA Accumulated Surplus	7,058,300	5,904,515
Net Profit	1,049,088	1,153,785
<b>Total Equity</b>	<b>1,549,146</b>	<b>1,776,485</b>

#### 4.15 Office Accommodation TMA – Profit & Loss Statement

The Office Accommodation TMA provides housing for eligible civil servants. In 2009, the responsibility of the function was extended to commercial rental to interested members of the public resulting in the establishment of the TMA in 2011. The TMA is solely responsible for the semi-commercial nature that caters for commercially renting out of quarters.<sup>23</sup>

The Profit & Loss Statement – TMA showed a net profit of \$3,483,527 as at 31 July 2018 compared to \$2,968,328 in 2017. Refer to Table 4.14 for details.

Table 4.14: Profit & Loss Statement – Office Accommodation

Description	31 July 2018 (\$)	31 July 2017 (\$)
<b>Income</b>		
Rental from Quarters	4,082,550	3,857,870

<sup>23</sup> Office Accommodation & Government Housing, Construction Implementation Unit, Ministry of Economy  
TMA Business Plan 2016

Description	31 July 2018 (\$)	31 July 2017 (\$)
<b>Expenses</b>		
Other Expenses	599,023	889,542
<b>Total Expenses</b>	<b>599,023</b>	<b>889,542</b>
<b>Net Profit</b>	<b>3,483,527</b>	<b>2,968,328</b>

Other expense decreased by \$290,519 in 2018 compared to 2017. This was due to reduction in refurbishment of quarters during the financial year.

#### 4.16 Office Accommodation TMA – Balance Sheet

In 2018, the net assets of the activity totalled \$4,007,937 which increased by \$538,647 or 16% compared to 2017, due to increase in Cash at Bank by \$503,003 or 14% and decrease in total liabilities by \$35,644 or 19%. Refer to Table 4.15 for details.

Table 4.15: Balance Sheet

Description	31 July 2018 (\$)	31 July 2017 (\$)
<b>Current Assets</b>		
Cash at Bank	4,164,518	3,661,515
<b>Total Assets</b>	<b>4,164,518</b>	<b>3,661,515</b>
<b>Liabilities</b>		
Accounts Payable	210	45,875
Deposits & Deductions	23,341	13,020
VAT Liability	133,030	133,330
<b>Total Liabilities</b>	<b>156,581</b>	<b>192,225</b>
<b>Net Assets</b>	<b>4,007,937</b>	<b>3,469,290</b>
<b>Equities</b>		
TMA Surplus Transferred to Consolidated Fund	(6,680,546)	(3,735,666)
TMA Accumulated Surplus	7,204,956	4,236,628
Net Profit	3,483,527	2,968,328
<b>Total Equity</b>	<b>4,007,937</b>	<b>3,469,290</b>

#### 4.17 Consolidated Trust Fund Account Statement

The Ministry maintained 10 main trust fund accounts, details of which are provided below.

1. Performance Bond - These are performance bonds for tenders awarded by the Fiji Procurement Office for which payments are made according to the tender contracts.
2. Tuna Stabilization Fund - To facilitate the Tuna Stabilization Fund (TSF) Policy. The underlying purpose of the TSF policy is to transfer a portion of fuel subsidies received by foreign fishing companies and vessels from their states and distribute it to locally owned fishing companies as a form of subsidy.
3. Prime Minister's National Disaster Relief and Rehabilitation - Cyclone Winston Trust - This account is used for donations received for Cyclone Winston relief from various donors. Donors

either directly deposit funds into the bank accounts, or issued cheques which are received and receipted at the Treasury section in Ministry of Economy.

4. Group Insurance Trust Account - This trust account receives insurance payment and after assessment pay-out is made to the nominees of the insurance policy holders upon their death.
5. Miscellaneous Fund v Others - This account was opened following Cabinet decision on "Effective management of trust monies - FIN 60/16" CP (09)72 of 16/06/09. Surplus funds in Agency trust bank accounts was transferred into the Consolidated Trust Fund account.
6. ODA Performance and Tenancy Bond - Tenancy bonds are paid by tenants for occupation of quarters on rent.
7. Adopt a School Trust Fund – This was established specifically to record funds received from donors who were willing to carry out the rehabilitation of schools.
8. COP 23 Trust Fund - Conference of Parties 23 (COP 23) Trust - A trust fund account related to "COP 23 Presidency - Fiji" established via the COP 23 Presidency Trust Fund that receipt and disburse funds related to COP 23 activities.
9. Accident Compensation Fund - Compensation of victims are paid out from the Accident Compensation Fund managed and administered by the Permanent Secretary responsible for Ministry of Economy as per section 30(4) of the Accident Compensation Act. The Land Transport Authority receives the Motor Vehicle Accident Levies on behalf of Accident Compensation Commission Fiji (ACCF) and remits these funds into the Accident Compensation Fund (Trust Account) established under section 30 (1) of the Accident Compensation Act. LTA charges ACCF in return LTA fees for these work carried out.
10. European Union Grant Assistance Trust Fund – This was set up specifically for the budget support funding given by the Commission Des Communautés (European Union) to assist post TC Winston for the cyclone recovery programme.

The closing trust fund balance decreased by \$11.9 million or 20% in 2018 compared to 2017 due to closure of trust fund accounts for European Union Grant Assistance. Refer to Table 4.16 for details.

**Table 4.16: Trust Fund Accounts**

Description	31 July 2018 (\$)	31 July 2017 (\$)
<b>Opening Balance</b>	<b>60,861,135</b>	<b>18,878,719</b>
<b>Receipts</b>		
Performance Bond, Tender Deposit, Retention Monies & Interest	2,471,437	2,864,863
Government Tuna Stabilisation Fund - Bunker levy (FRCS) & Interest	3,283,403	35,997
Prime Minister's National Disaster Relief and Rehabilitation: Cyclone Winston - Donation, Interest & Bank Reversal	9,302	856,594
Group Insurance Trust - Insurance proceeds	255,000	195,000
Miscellaneous Fund v Others - Bank Interest	152,240	107,047
ODA Performance and Tenancy Bond - Funds received from Performance, Tenancy Bond, Bank Reversal & Interest	5,628	1,217
Adopt A School – Donation, Interest and Bank Reversal	5,980,565	8,814,249
COP 23 Trust Fund – Donation and Interest	19,224,665	17,919,991
Accident Compensation Fund	7,840,134	---
EU Grant Assistance – Grant Fund and Interest	409,138	22,553,548
<b>Total Receipts</b>	<b>39,631,512</b>	<b>53,348,506</b>
<b>Payments</b>		
Performance Bond	2,129,881	1,305,978
Refund of Tender Deposit, Performance Bond, Retention Fund & Bank Fees		
IHRDP Trust Account - Payment to Ministry of Agriculture for the purchase of Fertilizer for the Waimalua Ginger Project	---	84,799
Government Tuna Stabilization Fund - Bank Charges & Reversal	6,545,966	3,658

Description	31 July 2018 (\$)	31 July 2017 (\$)
Prime Minister's National Disaster Relief and Rehabilitation: Cyclone Winston - Payment to Help for Home Initiative, Bank Charges	682	329
Group Insurance Trust – Beneficiary payments & bank charges	267,131	344,062
Miscellaneous Fund v Others - Bank Reversal	---	---
ODA Performance and Tenancy Bond - Bank Charges	9,816	24,434
Adopt A School – Construction and Interest Charges	1,489,104	3,520,291
COP 23 Trust Fund – COP 23 Secretariat Payment and Interest Charges	17,474,172	6,082,539
Accident Compensation Fund	674,412	---
EU Grant Assistance – Grant Fund and interest	22,962,686	---
<b>Total Payments</b>	<b>51,553,850</b>	<b>11,366,090</b>
<b>Closing Balance</b>	<b>48,938,797</b>	<b>60,861,135</b>

## PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

### 4.18 Internal Control

This section evaluates the effectiveness of the internal controls maintained by the Ministry of Economy.

Internal controls are processes designed and implemented by Permanent Secretaries, Heads of Departments and other personnel of Ministries and Departments to provide reasonable assurance about the achievement of a ministry or department's objectives with regard to reliability of financial reporting effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "control" refers to any aspects of one or more components of internal control.

Permanent Secretaries, Heads of Departments and other personnel of Ministries and Departments are responsible for the preparation of the financial statements in accordance with the FMA 2004 and Finance Instructions 2010, and for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Internal control issues noted during our audit are reported to the Permanent Secretary or Head of Department of Ministries and Departments.

During our audit, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either or alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorised against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technology environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorisation, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reporting to boards and line ministries of entities on matters relating to internal controls*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

The following table outlines the rating we have used to assess internal controls:

Rating	Internal control assessment
🟢 Effective	No deficiencies identified in internal controls
🟡 Generally effective	Deficiencies identified in internal controls
🔴 Ineffective	Significant deficiencies identified in internal controls

A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
🟢	🟡	🟡	🟢	🟡

In view of the above, we have assessed the overall internal controls of the Ministry as:

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

#### 4.19 Submission of 2017 - 2018 Draft Agency Financial Statements

On 12 June 2018, the Permanent Secretary for Economy issued *Circular No. 03/2018 –Closing of Accounts Processes & Procedures* to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 29 August 2018.

The key focus areas in the circular were:

- Retirement of annual imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Submission of arrears of revenue return by 3 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Closing date for journal adjustments by 10 August 2018
- Processing of payments and virements by 20 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Completion of reconciliations by 29 August 2018

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Rating	Year-end close process assessment
🟢 Effective	All 9 key processes completed by due date
☀ Generally effective	Five of 9 key processes completed within two weeks of due date
🔴 Ineffective	Less than five of 9 key processes completed within two weeks of due date

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
☀ Generally effective	6 of 9 key processes completed within two weeks of due date

The Ministry was able to complete six (6) out of the nine (9) processes within two weeks of the due date.

#### 4.20 Quality of Draft Financial Statements

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the total expenditures, operating results or net assets of the entity subject to our audit.



Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required
● Generally effective	Adjustments on total expenditure, operating results/net assets were less than 1% (<1%)
● Ineffective	Adjustments on total expenditure, operating results/net assets were more than 1% (>1%)

Our assessment of the Ministry of Economy was:

Rating	Quality of draft financial statements assessment
● Ineffective	Adjustments on operating results/net assets were more than one percent (>1%)

Material adjustments were made for the 2018 draft financial statements the Ministry for Economy. Refer to **Appendix 1** for details.

#### 4.21 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date received.

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received on or before 15 October 2018
● Generally effective	Acceptable draft financial statements received on or before 31 October 2018
● Ineffective	Acceptable draft financial statements received after 31 October 2018

Accordingly, we have assessed timeliness of the draft financials statements submitted by the Ministry of Economy as:

Rating	Timeliness of draft financial statements assessment
● Ineffective	Various draft financial statements received between 1 November 2018 and on 25 August 2020

To be useful to users, financial statements should be completed and made available as soon as possible after close of financial year. Information in financial statements becomes less relevant to users as the time passes from close of financial year. The deadline set by Ministry of Economy for submission of draft financial statements was 31 October 2018.

#### 4.22 Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness in providing management comments and signing of financial statements, we have compared the dates the draft management letter and audited financial statements were issued to the Ministry and the dates management comments and signed accounts were received.

Rating	Timeliness of Management Comments Received
• Effective	Within 14 days from issue of Draft Management Letter
Rating	Timeliness of Signed Financial Statements Received
• Ineffective	After 15 days from issue of financial statements for signing

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
• Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
• Effective	Signed financial statements received within 15 days

## PART C: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause or is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2018.

### 4.23 Trading and Manufacturing Account - Receivables Not Recorded

The credit officer must maintain a debtors' register and adhere to the debt recovery procedures in accordance with Part 9 of the Manual.<sup>24</sup>

It was noted that rent receivable totalling \$1.4 million, relating to rental of government quarters I, was not recorded as receivables in the Office Accommodation TMA Balance Sheet as at 31 July 2018.

The Ministry has agreed to resolve the matter in the 2018 – 2019 agency financial statements.

#### **Root Cause/Implication**

The detailed Quarters Rental Listing has not been correctly updated and maintained by the Ministry resulting in Accounts Receivables not reflected in the Balance Sheet. Net assets for TMA – Office Accommodation was also understated by the same amount

#### **Recommendation**

**The Ministry should ensure that the debtors' register and listing are maintained and reconciled with the FMIS general ledger on a monthly basis.**

#### **Agreed Management Action**

*The Ministry agrees with the comment and would like to highlight that current records are captured under the new database implemented in early 2019 under Asset Management module which captures accruals and prepayments for updated records on a timely and efficient manner. The Unit has also discussed with FMIS team to update and reconcile the records monthly to ensure correct representation of TMA accounts.*

*The changes in the recording of Account Receivables for TMA operation through FMIS will be reflected from 2019 -2020 FY in the Agency FS.*

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<sup>24</sup> Ministry of Economy Finance Manual 2015 Section 6.4.8

**Officer Responsible**

Manager Financial Reporting

**4.24 Variance in LTA Revenue**

Reconciliation is an internal control activity established to ensure the accuracy of financial reports being produced not only at division level and/but most importantly at ministry level.<sup>25</sup> The Accounts Officer must reconcile all accounts to be submitted to Chief Accountant within two weeks after the closing of each monthly account.<sup>26</sup>

The review of the Land Transport Authority (LTA) revenue noted a variance between the amount recorded in the FMIS general ledger (SRG 23) and the amount received through independent confirmation for the year ended 31 July 2018. Refer to Table 4.17 for details.

**Table 4.17: LTA Revenue vs FMIS General Ledger**

Particulars	LTA Fees, Fines & Road User Levy Amount (\$)
Balance - FMIS general ledger	50,025,652
Balance - Confirmation from LTA	53,365,063
<b>Variance</b>	<b>3,339,411</b>

The Ministry of Economy had provided a reconciliation to explain the variance. However, details of the LTA gross revenue of \$37.6 million provided in the reconciliation could not be traced to the LTA Revenue confirmation received. In addition, details of the variance identified as reversals, dishonoured cheques VAT and refunds were not provided for verification.

**Root Cause/Implication**

The reconciliation process was not effectively performed to properly determine the component of the variance between the relevant records.

**Recommendation**

**The Ministry should perform monthly reconciliation for revenue with collecting agencies' records and ensure that any variance identified are rectified.**

**Agreed Management Action**

Management noted the comments and recommendations. Reconciliation on LTA revenue was submitted to OAG on 25/10/2019. OAG to note that there will be variances between the LTA figures and FMIS due to the following:

- LTA revenue figures provided are VIP in nature. MoE pays VAT on behalf of LTA and is accounted in FMIS; and
- LTA provides gross revenue figures whilst FMIS figures are inclusive of reversals, dishonoured cheques, and refunds.

<sup>25</sup> Ministry of Economy Finance Manual 2015 Section 17.3.3.2.1

<sup>26</sup> Ministry of Economy Finance Manual 2015 Section 17.3.3.2.1(i)

Ministry of Economy has put controls in place from 2019-2020FY whereby reconciliations for LTA revenue accounts are being performed on a monthly basis and quarterly revenue confirmation is being obtained from LTA to ensure the figures are aligned between LTA and MoE books.

#### **Officer Responsible**

Manager Financial Reporting

#### **4.25 Absence of Risk Management Policy, Strategic Plan and Operational Plan**

Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes. A strong system of financial management is essential for the implementation of public sector policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.<sup>27</sup>

The audit noted that there was no risk management framework in place. As a result, the Ministry does not have approved written policies, procedures and guidelines to manage the risks associated with the following:

- Fraud control and anti-corruption;
- Disaster recovery and business continuity; and
- Assessment of potential conflict of interest

#### **Root Cause/Implication**

The Ministry's plans are still in draft form and awaiting approval.

#### **Recommendation**

**The Ministry should ensure that the Risk Management Policy is developed and Strategic Plan and Costed Operational Plans are properly approved.**

#### **Agreed Management Action**

Management notes the comments and recommendations. The existing policies and guidelines for the Ministry and the overall civil service is adequate to mitigate and manage the risks identified above. However, the Ministry will give due consideration on the recommendation for the Risk Management Policy.

The Strategic Plan and the Costed Operational Plan has been drafted and was submitted for final endorsement.

#### **Officer Responsible**

Manager Financial Reporting

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<sup>27</sup> International Framework: Good Governance in Public Sector IFAC & CIPFA 2014 section F pg27 (<https://www.ifac.org/system/files/publications/files/International-Framework-Good-Governance-in-the-Public-Sector-IFAC-CIPFA.pdf>)

#### 4.26 Arrears of Revenue Not Recorded

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>28</sup>

A former employee of the Ministry owed Government a sum of \$10,415 upon retirement. According to the Recovery of Debt Agreement, the obligor acknowledged the debt of overpayment of salary and agreed to repay the sum fully upon receiving FNPF pension.

It was noted that the amount of \$10,415 was not recorded in the Arrears of Revenue Report for 2018. The Officer retired under medical grounds on 18 June 2018.

##### **Root Cause/Implication**

The failure to record the arrears of revenue has led to the understatement of the arrears of revenue for the year ended 31 July 2018.

##### **Recommendation**

**The Ministry should ensure that unrecorded arrears of revenue is included in the Ministry's Arrears of Revenue Report and recover the revenue in accordance with the measures specified in Finance Manual.**

##### **Agreed Management Action**

*Management noted comments and recommendation.*

##### **Officer Responsible**

*Manager Financial Reporting*

#### 4.27 Administration of Environmental and Climate Adaption Levy

The Environmental Levy (Budget Amendment) Act 2017 establishes the Environment and Climate Adaptation Fund. The Fund shall consist of any money paid to the Fiji Revenue and Customs Service in relation to the Environment and Climate Levy imposed under this Act.<sup>29</sup> The purposes of the Fund are to promote conservation for the forests, flora, fauna, wildlife, ecosystems and biodiversity of Fiji; provide funding to assist programmes, projects and activities associated with climate change mitigation and adaptation activities; and engage in any environment or climate change related activity approved by the Minister.<sup>30</sup>

To allocate ECAL funds to the relevant programs and projects associated with climate change mitigation and adaptation, the Ministry apportioned the funds to the projects at a rate of 60% of the project costs. The audit noted that the method of apportioning costs to the projects have not been appropriately approved or documented.

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<sup>28</sup> Finance instruction 2010 Section 40

<sup>29</sup> Environmental Levy (Budget Amendment) Act 2017 Section 12 (i)(ii)

<sup>30</sup> Environmental Levy (Budget Amendment) Act 2017 Section 13 (a) (b) (c)

**Root Cause/Implication**

An approved documented procedure will ensure consistency in the assigning of project costs to the ECAL funds.

**Recommendation**

**The Ministry should expedite the finalisation of its Standard Operating Procedure for the International Cooperation and Climate Change Unit.**

**Agreed Management Action**

*In the absence, of any international set criteria for apportioning climate change costs to climate centric projects and the inherent cost tracking limitations of the current FMIS system, the Ministry used its judgement through technical experts based with the Climate Change and International Cooperation Division to apportion at a rate of 60% of the total project as climate relevant expenditure. With the introduction of the above mentioned Climate Budget Tagging, this can be easily resolved.*

**Officer Responsible**

Manager Financial Reporting

**4.28 Presentation of Main Trust Fund Account - Recurring Issue**

Each agency must include the following statements in its annual financial statements- a trust account statement of receipts and payments (where applicable).<sup>31</sup>

There were ten (10) Main Trust Fund accounts held by the Ministry in 2018. It was noted that the opening and closing balances of these ten (10) main trust fund accounts were consolidated into one statement. The receipts and payments during the year for the respective trust fund accounts were not shown separately but reflected in one statement of trust fund account.

**Table 4.18: Main Trust Fund Accounts**

No.	Main Trust Fund Account
1	Performance Bond
2	Government Tuna Stabilisation Fund
3	Prime Minister's National Disaster Relief and Rehabilitation Cyclone Winston
4	Group Insurance Trust
5	Miscellaneous Fund vs Others
6	ODA Performance and Tenancy Bond
7	Adopt A School
8	COP 23 Trust Fund
9	Accident Compensation Fund
10	EU Grant Assistance

<sup>31</sup> Finance Instruction 2010 Section 71(1)

**Root Cause/Implication**

The current presentation limits the usefulness of financial statement as users will not be able to determine the opening and closing balances for each Main Trust Fund account and the movements during the year.

**Recommendation**

**The Ministry should prepare separate statements for each main trust fund account held and consider reflecting the nature or types of receipts and payments in the Trust Fund Account's Statement of Receipts and Payments.**

**Agreed Management Action**

*Ministry of Economy will provide separate presentation of statement of receipts and payments for Trust Fund Account as initially from 2019-2020FY*

**Officer Responsible**

*Manager Financial Reporting*

**4.29 Delay in Finalisation of Financial Statements - Recurring Issue**

Each agency must prepare an annual report for submission to its Minister by 31 December in the following year.<sup>32</sup> Each annual report must include financial statements which are prepared and signed in accordance with these instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.<sup>33</sup>

The delay in the finalisation of the audit for Ministry of Economy was due to the following:

- Amendments were made to the Agency Financial Statements on 18 December 2018. The 2<sup>nd</sup> draft was received on 12 June 2020 and the 3<sup>rd</sup> draft was received on 11 August 2020 and the final revised accounts was received on 25 August 2020.
- The Ministry continued to make adjustments with the posting of journals to the FMIS general ledger during the audit conduct.<sup>34</sup>
- Drawings account was finalised on 4 September 2018 after the due date of 29 August 2018
- Stale cheques were reflected in Drawings Account for Pension Section.
- Retirement of Imprest Account was completed on 6 August 2018 (Journal ID: 04F057) after the due date of 20 July 2018.
- Virements were processed until 14 September 2018 when the due date was 20 July.
- Balances in AFS submitted were not reconciled with FMIS general ledger and FRCS records.

Refer to **Appendix 1** for details of the amendments.

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<sup>32</sup> Finance (Amendment) Instruction 2016 Section 69

<sup>33</sup> Finance Instruction 2010 Section 70(2)

<sup>34</sup> Journal ID:04A087 on 22 October 2018 and journal ID FAM325 on 8 October amounting to \$1.8 million



### **Root Cause/Implication**

The continuous amendments in the draft financial statements after its submission to the Office of the Auditor-General is an indication of the quality of the financial statements submitted. This has resulted in the delay of the finalisation of the audit.

### **Recommendation**

**The Ministry should ensure that the draft financial statements prepared by the Ministry are verified by the Financial Reporting Section for accuracy before submission for audit and that the due dates for closing of accounts circular are complied with.**

### **Agreed Management Action**

*No agreed timeline was discussed between Office of Auditor General and Ministry of Economy regarding the conduct of MoE audit for 2017-2018FY. In addition, auditors were not present on a daily basis to conduct audit and OAG should have considered Government's closing of accounts period which is usually a busy period whereby Ministries / Departments send in their payment requests. Treasury comprises of 7 departments and auditors were working from Financial Operation section which usually has space constraints due to the nature of its operation.*

*We propose a clear timeline is agreed in the future with due consideration and understanding of each other's challenges.*

*Requesting OAG to provide a detail listing of the unprocessed PO's for Management comments. Virement Vo4007 was approved and processed late. FMIS is working very closely with Budget and Planning Division to ensure all virement applications are approved and processed in a timely manner.*

### **Officer Responsible**

*Manager Financial Reporting*

## FINANCIAL STATEMENTS OF GOVERNMENT

### 4.30 Internal Control Weaknesses for Ministries and Departments

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors and avoids unfavourable audit reports.<sup>35</sup>

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.<sup>36</sup>

The audit noted that internal controls were generally found to be weak in the following agencies:

- Department of Immigration;
- Ministry of Employment, Productivity and Industrial Relations;
- Fiji Police Force;
- Ministry of Foreign Affairs;
- Fiji Corrections Service;
- Ministry of Disaster Management and Meteorological Services;
- Ministry of Education, Heritage & Arts;
- Ministry of Health & Medical Services;
- Ministry of Women, Children and Poverty Alleviation;
- Ministry of Agriculture;
- Department of Housing;
- Ministry of Fisheries; and
- Ministry of Forestry.

Refer to **Appendix 2** for details.

In addition, the board of survey for the following agencies were not carried out for the financial year 31 July 2018:

- Peacekeeping Missions;
- Ministry of Waterways;
- Ministry of Disaster Management and Meteorological Services; and
- Department of Housing

#### **Implication**

Failure to strengthen internal controls may result in material misstatements and possible financial losses in the future. Material misstatements at Ministry level will impact on the audit report for the financial statements of Government.

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<sup>35</sup> Finance Instructions 2010, Section 59 (1)

<sup>36</sup> Finance Instructions 2010, Section 49 (1)

**Recommendations****Ministries and Departments should:**

- regularly evaluate its internal controls to determine its effectiveness and identification of weaknesses so that corrective action can be taken and;
- ensure that Board of Survey is carried out annually as required under the Finance Instructions section 49.

**Agreed Management Action**

*The Accounting Head of Agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency*

*Thus, the Permanent Secretaries for the Government Ministries/Departments are responsible for the audit matters related to their agencies and as enshrined in the 2013 Constitution of the Republic of Fiji, section 127. Hence, the audit matters of agencies is not proper to be placed on MoE.*

*MoE through the Monitoring & Evaluation department have been highlighting anomalies identified during the reconciliation review process to the respective Accounting Heads and Permanent Secretaries.*

*Further, in MoE roles and responsibilities, we are placing the behavior of highest accountability wherever we can but cannot look into the finer processing of transactional issues of respective agencies. These are responsibilities of the respective Head of Agencies and is fair to report with the line Ministries.*

**Officer Responsible**

*Accounting Head of respective agencies.*

**4.31 Variance in Payroll**

An unreconciled variance of \$9,619,471 exists between FMIS general ledger and the Ministry's Payroll Report for both Established Staff and Government Wage Earner. Refer to Table 4.19 below for variances in the respective Ministries.

**Table 4.19: Unreconciled variance - Payroll**

<b>Ministry</b>	<b>Unreconciled Amounts (\$)</b>
Environment – SEG 1	469,718
Environment – SEG 2	(353,890)
Fisheries	1,727,621
Forestry	850,831
Education	5,655,806
Health – SEG 1	928,833
Health – SEG 2	340,521
<b>TOTAL</b>	<b>9,619,440</b>

### **Root Cause/Implication**

Lack of reconciliation between the FMIS and payroll report has resulted in the variances. Variances between critical records may indicate the existence of errors and omissions and may result in ministries failing to detect possible irregularities in the payment of salaries in a timely manner.

### **Recommendation**

**Ministries and departments should regularly reconcile FMIS general ledger to the Payroll Report. Any variance noted should be investigated and adjusted accordingly.**

### **Agreed Management Action**

*Payroll and FMIS are two separate systems that do not communicate with each other and variance between the two systems are mainly due to the following:*

- *The manual payments and salary reversals are processed in FMIS and these payments are not reflected in payroll.*
- *Officers who are not on the payroll ([i.e. NEC volunteers) are directly paid via FMIS.*
- *Project Officers are paid from Seg 1 and later adjustments are made to Seg 7, 8, 9 and 10.*
- *Project Officers whose salary are funded by donor agencies are paid from payroll and later these charges are adjusted to correct GL in FMIS.*

*The line agencies are responsible to carry out its GL reconciliation and ensure that necessary adjustments are made to salary components of its staffs.*

### **Officer Responsible**

*Respective Ministries*

## **4.32 Annual Report on Whole of Government**

The Minister must table in Parliament a whole of Government annual report for the each financial year.<sup>37</sup> The annual report for the financial year must include:

- (a) The whole of government financial statements referred to in section 46;
- (b) The annual appropriation statement referred to in section 47; and
- (c) The annual budget statement referred to in section 48.<sup>38</sup>

The audit noted that Ministry of Economy has not tabled in Parliament the Whole of Government annual report for the financial years ended 31 July 2016 and 31 July 2017.

Comments provided by the Ministry in 2017 was that the annual financial statement are prepared by the Ministry of Economy and do not form part of the report of the Auditor-General.

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<sup>37</sup> Financial Management Act 2004, Section 45 (1)

<sup>38</sup> Financial Management Act 2004, Section 45 (3)

### **Root Cause/Implication**

The Ministry has not complied with Section 45 of the Financial Management Act 2004 when the annual report is not tabled in Parliament.

### **Recommendations**

**The Ministry of Economy must ensure to table in Parliament the whole of Government annual report in a timely manner.**

**The Auditor-General's report to Parliament should not be taken as the whole of Government annual report.**

### **Agreed Management Action**

*Management noted comments and recommendations.*

### **Officer Responsible**

*Manager Financial Reporting*

## **4.33 Ageing Reports not maintained for VAT & Income Tax Refunds Outstanding**

Accounts payable balance of \$164,938,055 include VAT & Income Tax Refunds Outstanding of \$164,249,266, which is 99.5% of the balance.

The audit noted that FRCS did not maintain the ageing reports for Income Tax and VAT refunds outstanding as at 31 July 2018.

The FRCS explained that there is no systematic way currently in place where the age of refunds is extracted and recorded. The Fiji Integrated Tax Systems (FITS) maintain timelines for each refund case, which is compiled manually.

### **Root Cause/Implication**

The absence of ageing reports for accounts payable limits the ability of government to keep track of long outstanding dues.

### **Recommendation**

**The Ministry should require that the FRCS maintains and submits aging reports for Income Tax and VAT Refund outstanding to assist in identifying long outstanding payables of Government.**

### **Agreed Management Action**

*Ministry of Economy will liaise with FRCS as per the recommendation. This will be implemented during FY 2020-2021 as the audit has lapsed by 2 years*

**Officer Responsible**

Manager Financial Reporting

**4.34 Implementation of Activities proposed in the PFTAC Report**

The Ministry of Economy requested technical assistance from PFTAC to develop of a framework for identifying, assessing, and reporting of fiscal risks arising from public enterprises (PEs) and statutory authorities (SAs). The technical assistance also looked at institutional arrangements to strengthen fiscal oversight of these entities.<sup>39</sup>

The PFTAC report published in June 2017 proposed the following: i) a framework for identifying, estimating, and reporting of fiscal risks arising from PEs/SAs (Section III); and (ii) strategies to strengthen institutional frameworks for fiscal oversight of PEs/SAs (Section IV).

Audit noted that the following activities in the PFTAC report have not been implemented by the Ministry. Please refer to **Appendix 3** for details:

**Root Cause/Implication**

Government would not have fully gained value from the taken technical assistance offered when it fails to implement the proposals.

**Recommendation**

**The Ministry of Economy should ensure that proposed plans outlined in the report are implemented.**

**Agreed Management Action**

*Management noted comments and recommendations. The Ministry has recently completed a Public Expenditure and Financial Accountability Assessment (PEFA) and is working on a Public Financial Management Improvement Plan (PFMIP) which will include reform actions to strengthen fiscal management. This will guide overall public finance management reforms.*

**Officer Responsible**

Manager Financial Reporting

**4.35 Delay in finalization of the Financial Statements of Government**

The Minister must table in Parliament a whole of Government annual report for the each financial year.<sup>40</sup> The annual report for the financial year must include:

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<sup>39</sup> IMF PFTAC Report – Fiji: Strengthening Fiscal Oversight of Public Enterprises (PEs) and Statutory Authorities(SAs) June 2017

<sup>40</sup> Financial Management Act 2004, Section 45 (1)

- (a) The whole of government financial statements referred to in section 46;
- (b) The annual appropriation statement referred to in section 47; and
- (c) The annual budget statement referred to in section 48.<sup>41</sup>

The delay in finalization of the financial statements of Government were due to the following:

- 1) Delay in receiving the initial draft financial statements of Government. The first draft financial statements was received on 29 November 2019.
- 2) There was also the delays in provision of records. Refer to **Appendix 4** for details.
- 3) Amendments to the draft financial statements due to errors identified during the audit:
  - 2<sup>nd</sup> draft accounts was received on 26 June 2020.
  - 3<sup>rd</sup> draft accounts was received on 07 August 2020. Other amendments were also made via email after 07 August 2020. Refer to **Appendix 4** for details.
  - Significant audit adjustments were processed due to material anomalies noted during the audit of the financial statements for 2017/2018 financial year. The last audit adjustment was processed by the Ministry (FMIS) on 03 June 2020. Refer to **Appendix 5** for the details of the audit adjustments processed.
  - Additional audit work carried out as a result of the Ministry's decision to resolve issues raised in the draft Auditor's Report in relation to Accident Compensation Fund adjustment of \$1,029,528 (**Appendix 1**) and TMA Office Accommodation.

#### **Root Cause/Implication**

Delay in finalizing the FSG will Auditor General's report to Parliament.

#### **Recommendations**

**Ministry of Economy should ensure that correct set of financial statements are submitted for audit purposes.**

**Ministry of Economy must emphasize to respective heads of Ministries and Department to be mindful of the significant audit issues and take corrective action to avoid any delays in finalizing the audit.**

#### **Agreed Management Action**

*Noted. MoE has been advising the same to the Ministries and Department via Closing of Account Circular and monthly Permanent Secretaries dashboard.*

*Further, MoE and OAG will need to work together as 'way forward' to enhance the audit process.*

#### **Officer Responsible**

*Manager Financial Reporting*

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<sup>41</sup> Financial Management Act 2004, Section 45 (3)

## TRUST FUND ACCOUNT

### 4.36 Main Trust Fund Account

Public money means revenue or money raised or received for the purposes of government. Trust money means money held by a budget sector agency on trust, other than public money.<sup>42</sup> Trust money is to be accounted for separately from public money and other money.<sup>43</sup> Trust monies are money held by one party on behalf of another.<sup>44</sup>

As at 31 July 2018, the Consolidated Trust Fund Account had a balance of \$161,241,215.

The audit noted that certain Trust Fund Accounts do not operate as a trust and should be included in the budgetary process. Refer to the list below for examples.

- Ministry of Health – Cardiology Services
- Ministry of Women, Children & Poverty Alleviation – Help for Home Trust
- Ministry of Communication - Telecommunication Trust Fund Account
- Ministry of Infrastructure and Transport - Rural Electrification Trust
- Office of the Attorney General - Solicitor General Trust Account – Transfer from SLG 84
- Ministry of Employment:
  - National OHS Education and Accident Prevention - OHS Trust Fund
  - OHS Consultancy Services, Workmen’s Compensation and Wages Dispute Trust Fund Account.

#### **Root Cause/Implication**

Lack of review on the Main Trust Fund Account can lead to funds being held up in Trust Accounts. When public money that fund operating and capital expenditures of government are held in trust, the utilization of these funds do not go through the budget approval process.

#### **Recommendation**

**The Ministry should:**

- **review all the Main Trust Fund Accounts to determine the ones that do not meet the Trust definition;**
- **consider including in the budgetary process the operations of these accounts.**
  
- **also review the Trust Fund Accounts to determine if the reasons for which the Trust Fund Accounts were opened are still applicable and fund deposited are for specific purposes.**

#### **Agreed Management Action**

*We again wish to bring to the attention of the Office of Auditor General (OAG) section 127 of the 2013 constitution of the Republic of Fiji, specifically, subsections 2, 3 and 7. We request that OAG address these*

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<sup>42</sup> Financial Management Act 2004, Section 2

<sup>43</sup> Financial Management Act 2004, Section 25 (1)

<sup>44</sup> Finance Circular No.2/2013



matters at Agency level with parties that are directly responsible as audit matters raised relates to their accounts.

Some of the trust fund accounts were opened in light of the regulations/act. For example; the Telecommunication Promulgation and the Telecommunications (Trust Fund) Regulations 2016 established the Trust Fund Account for the purpose of imposing a levy on the interconnections to fund national developments in telecommunication such as Telecentres and the Digital Television expenditures. Whilst, Help for Home Trust was opened in accordance with the HFH Trust Account Financial Policy guideline.

Further, MoE upon discussion with respective Ministry/Department have noted that Solicitor General Trust Account was opened in line with the recommendation provided by the OAG.

MoE will embark on a comprehensive review of all trust fund accounts to determine eligible trust accounts. MoE will also set up a list of criteria's to ensure better understanding of the current trust funds and its existence.

### **Officer Responsible**

Manager Financial Reporting

### **4.37 Detailed Listing not maintained for Main Trust Fund Account**

The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.<sup>45</sup>

The audit noted that there was no listing of claimants for monies held in trust totalling \$78,371,798 Refer to Table 4.20 below for details:

**Table 4.20: Monies Held in Trust – No Listing of Claimants Maintained**

<b>Ministries/Departments</b>	<b>Description</b>	<b>Amount (\$)</b>
Judiciary	Suitors Trust Fund Account	24,264,070
	Sundries Trust Fund Account	5,545,577
	Maintenance Fund Trust Account	1,739,890
Fisheries	Fisheries 1/3 Subsidy Scheme Trust Fund Account	261,684
Lands and Mineral Resources	Lands Trust Fund Account	6,614,870
Infrastructure and Transport	Energy Trust Account	2,445,195
Rural and Maritime Development	PM Relief & Rehab Committee	1,173,893
	1/3 <sup>rd</sup> Contribution - Self Help	553,611
Department of Immigration	Immigration Bond Trust Fund Account	28,724,628
Ministry of Environment	Environment Trust Fund Account	7,048,380
	<b>Total</b>	<b>78,371,798</b>

<sup>45</sup> Finance Instruction 2010, Section 58(3)

**Root Cause/Implication**

As such, the audit could not ascertain the accuracy and completeness of the Consolidated Trust Fund Account balance of \$197,701,126 as at 31 July 2018. This issue was also included as an Emphasis of Matter paragraph in the audit reports for the year ended 31 July 2017 and 31 July 2016.

The respective Ministries have agreed to the recommendations provided in their management letters.

**Recommendation**

**Ministries/Departments should ensure that detailed listings of claimants of the monies held in Main trust are maintained.**

**The FMIS Division should ensure that Ministries/Departments are submitting the detailed listing of claimants of the monies held in trust in its monthly reconciliation.**

**Agreed Management Action**

*Management noted comments and recommendations.*

*MoE will continue to remind and have meetings with the concerned Ministry/Department through training sessions and meetings held. Ministries/Departments are constantly advised to ensure that their processes are aligned to the Finance Manuals Financial Instructions 2010 and Finance Management Act 2004.*

**Officer Responsible**

*Manager Financial Reporting*

**4.38 Variances in Main Trust Accounts**

Each month, the trust account must be balanced and reconciled with the trust bank account. Unreconciled items must be investigated and resolved promptly.<sup>46</sup>

The audit noted a variance of \$191,016 between Trust Fund Cash and the Trust Fund Liability as at 31 July 2018. Refer to Table 4.22 for details.

**Table 4.22: Variance in Main Trust Account**

Account Name	Account No.	Amount (\$)
Trust Fund Cash	9-00000-00000-520000	161,050,199
Trust Fund Liability	9-00000-00000-890000	(161,241,215)
	<b>Variance</b>	<b>(191,016)</b>

<sup>46</sup> Finance Instructions 2010, Section 58 (3)

A variance of \$1.3 million was noted as at 31 July 2017.

### **Root Cause/Implication**

The above indicates the lack of adequate reviews by the FMIS Division on the reconciliations submitted by the Ministries/Departments.

### **Recommendation**

**The Ministry of Economy's FMIS Division should identify those variances and take corrective actions in consultation with the respective ministries/departments.**

### **Agreed Management Action**

*Management noted comments and recommendations.*

*OAG to note that the variances mentioned are legacy issues. We request that OAG address these matters at Agency level with parties that are directly responsible as audit matters raised relate to their accounts.*

*Further improvement has been made as the balance has reduced from prior year, Monitoring & Evaluation Unit at MoE consistently liaise with respective Accounting Heads in identifying these balances and taking corrective measures.*

### **Officer Responsible**

*Manager Financial Reporting*

## **4.39 Reconciliations not prepared for Main Trust Fund Account – Judicial**

Each month, the trust account must be balanced and reconciled with the trust bank account. Un-reconciled items must be investigated and resolved promptly.<sup>47</sup>

The Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts.

The audit of the Trust accounts noted that the trust liability reconciliations were significantly delayed.

- For Suitors Trust Fund account, Suva Suitors Trust reconciliation were prepared up to February 2017. Lautoka Suitors up to December 2007 while the Labasa reconciliation has been prepared up to September 2009.
- For Sundries trust reconciliations, the current Sundries Trust reconciliations were completed up to 2016 while the backlog Sundries Trust reconciliations were completed up to 1995 for stations.
- For Maintenance Trust, the current maintenance Trust reconciliations were prepared up to 2016, while the backlog reconciliations were completed p to 1995 for 11 stations.

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<sup>47</sup> Finance Instructions 2010, Section 58 (3)

In 2017, the Judicial Department's reconciliations for Suitors, Sundries and Maintenance Trust Fund were only prepared up to January 2015, January 2000 and December 1994 respectively.

### **Root Cause/Implication**

The backlog was mainly due to the lack of monitoring and controls in place and the lack of scrutiny from the Ministry of Economy. The unresolved variance also indicates the lack of coordination between the Department and the Ministry of Economy.

In the absence of proper reconciliations, the correctness of the balance reflected in the Judicial Trust Fund accounts cannot be ascertained.

### **Recommendation**

**The Ministry of Economy should liaise and assist the Judicial Department to ensure that reconciliation of the trust accounts are updated.**

### **Agreed Management Action**

*Management noted comments and recommendations.*

*This is a legacy issue and the Department has put in place measures to progress with the reconciliation. We suggest that OAG includes this update in the report in consultation with Judicial Department.*

### **Officer Responsible**

*Manager Financial Reporting*

## **4.40 Significant Outstanding Operating Trust Fund Balance**

Each agency must have in place a cost effective system of internal controls which avoids or detects accounting errors.<sup>48</sup>

The Operating Trust Fund account had a credit balance of \$36.4 million as at 31 July 2018.

The audit noted that this included significant outstanding balances amounting to \$4.6 million or 13% carried forward from prior years without any or minimal movements during the year.

Refer to the Table 4.23 below for details.

**Table 4.23: Significant Operating Trust Fund Balance**

Ministry	Head	31 July 2018 (\$)	31 July 2017 (\$)
1-08101-08101-861902	204 PD Deposit Account Recoverable	(23,920.00)	(24,901.70)
1-08101-08101-861910	383 PD Sundries	(212,072.61)	(212,072.61)

<sup>48</sup> Finance Instructions 2010, Section 59 (1)(b)

Ministry	Head	31 July 2018 (\$)	31 July 2017 (\$)
1-08101-08101-861920	501 PD Employees FNPF	(487,823.65)	(475,893.86)
1-08103-80101-863101	Administration Contributions Foreign Mission	(238,444.54)	(239,444.54)
1-08103-80102-863101	Administration Contributions Foreign Mission	(330,157.99)	(330,157.99)
1-08103-80201-863101	Administration Contributions Foreign Mission	(49,269.33)	(49,269.33)
1-08103-80401-863101	Administration Contributions Foreign Mission	(3,261.14)	(3,261.14)
1-08103-80701-863101	Administration Contributions Foreign Mission	(131,018.25)	(131,018.25)
1-08103-81001-863101	Administration Contributions Foreign Mission	(23,961.59)	(23,961.59)
1-08103-81102-863101	Administration Contributions Foreign Mission	8,100.51	(8,100.51)
1-08101-08101-864102	Sundries	(18,795.34)	(18,795.34)
108101-08101-864199	PSC Cuba Scholarship	(1,703.92)	(1,703.92)
1-19101-19999-861920	501 PD Employees FNPF	(801,703.42)	(763,696.99)
1-20101-20101-861210	Police Welfare Scheme	(212,241.43)	(67,598.04)
1-20101-20101-861517	Police Service Credit Union	(654,416.76)	(799,034.76)
1-20101-20101-861917	Improved Forestry	(285,440.60)	(97,755.08)
1-20101-20101-861920	Employees FNPF	(155,720.76)	(4,180.31)
1-20101-20101-863201	VAT from provision of goods and services	(995,680.09)	(1,000,753.80)
	<b>Total</b>	<b>(4,633,731.93)</b>	

### **Root Cause/Implication**

The anomaly indicates ineffective internal control and supervision which is a non-compliance issue with procedures in the Finance Instructions. This will result in the accumulation of liabilities of Government.

### **Recommendation**

**The Ministry of Economy's FMIS Division should identify those carried forward and dormant account balances from Ministry and Departments' reconciliations and take corrective actions in consultation with the respective ministries/department concerned.**

### **Agreed Management Action**

*Management noted comments and recommendation.*

OAG to note that these are legacy issues that the Ministries are committed to resolving. OAG should note and appreciate the progress respective Ministries have made to resolve those legacy matters and assess its conclusion on the audit results accordingly.

MoE through its Monitoring & Evaluation Unit is reviewing these trust accounts and liaising with respective Ministries/Departments on the need continue the operation of these trust fund accounts.

### **Officer Responsible**

Manager Financial Reporting

## **CASH**

### **4.41 Variances between FMIS General Ledger and Bank Reconciliations**

The review of Cash and cash equivalent held by the government revealed an unreconciled variance of \$1.1 million between the FMIS general ledger balance of \$61.3 million and the bank reconciliation statement of \$60.2 million.

The variance was the sum of the consolidated variances in cash accounts for TMA, Trust Fund accounts and overseas cash accounts. Refer to the Table 4.24 below for details.

**Table 4.24: Variance – FMIS GL and Bank Reconciliation Statement**

Description of Account	FMIS Balance (\$)	Bank Reconciliation (\$)	Variance (\$)
Overseas Accounts – Ministry of Foreign Affairs	7,208,398	3,725,421	3,482,977
Trading and Manufacturing Account	5,516,252	4,540,957	975,295
Trust Fund Accounts	48,687,447	51,635,536	(2,948,089)
Overseas Account - Ministry of Economy	(138,686)	249,151	(387,837)
<b>Total Variance</b>	<b>61,273,411</b>	<b>60,151,065</b>	<b>1,122,346</b>

In addition, the audit also noted that two (2) Term Deposit Accounts totalling \$3.6 million were recorded under Cash in the financial statements.

The audit noted that bank reconciliations statements were not provided for audit verification. Refer to the Table 4.25 below for details.

**Table 4.24: Bank Reconciliation Statements not Provided**

FMIS GL Allocation	Account Description	2018 (\$)	2017 (\$)	Movements (\$)
10410204202520103	RBF Special Account IBRD 3188	49,764.29	49,764.29	---
13010298765520301	FAPP Operating Account	503,421.82	39,243.31	464,178.51
13010130999520301	WBC Suva	(4.20)	(4.20)	---
10410404402526301	Fixed Term Deposit Westpac	2,500,000.00	2,500,000.00	---
10410404402526302	Fixed Term Deposit Westpac	1,059,669.66	1,059,669.66	---
10210102999520701	OPM -HFC Cash Account	881.25	5,818,901.40	(5,818,020.15)
10410204354520710	TELS Recovery HFC	2,956,661.76	---	2,956,661.76

FMIS GL Allocation	Account Description	2018 (\$)	2017 (\$)	Movements (\$)
10410204202525201	RBC General	626,550.92	626,550.92	---
10410204201520201	ANZ-Suva	44,841.12	20,604.35	24,236.77
		<b>7,741,786.62</b>	<b>10,114,729.73</b>	<b>(2,397,179.88)</b>

### **Root Cause/Implication**

The finding indicates the lack of monitoring of bank reconciliations carried out at by the respective Ministries responsible for the cash accounts. This has resulted in the misstatement of cash and cash equivalent by \$1,122,346.

A reason provided for bank reconciliations not prepared was that there were no movements in certain cash general ledger accounts. As a result, there is a risk that movement in the bank accounts may not be correctly reflected in the general ledgers and the financial statements.

### **Recommendations**

**The Ministries holding cash accounts should:**

- ensure that the FMIS general ledger is reconciled on a monthly basis and any variances are investigated and resolved; and
- ensure that Term Deposits Accounts are correctly recorded in FMIS general ledger.

**The Ministry should prepare bank reconciliations despite no movements in the ledger accounts as bank fees and interest are charged on monthly basis. Movements in the bank accounts will need to be accounted for in the general ledger.**

### **Agreed Management Action**

*Management noted comments and recommendation.*

*Ministry of Economy (MOE) through the Monitoring & Evaluation Unit reviews all reconciliations submitted by the respective Ministries/Departments. Further follows ups and meetings are convened to address such issues.*

*However, we also wish to bring to the attention of the Office of Auditor General (OAG) that under section 127 of the 2013 Constitution of the Republic of Fiji and as per section 7 of the Financial Management Act 2004, the respective Permanent Secretaries and Heads of Agencies are responsible for managing the financial affairs of their Ministries/Department. We request that OAG address these matters at Agency level with parties that are directly responsible as audit matters raised relates to their accounts.*

*Term Deposit Account was recorded under Cash as it did not fit the classification of the activate chart of accounts at the time. Moving forward, FMIS will ensure SAG 76 is activated to record such investment.*

*Management noted comments and recommendation.*

*However, we again wish to bring to the attention of the Office of Auditor General (OAG) that under section 127 of the 2013 constitution of the Republic of Fiji and as per section 7 of the Financial Management Act 2004, the respective Permanent Secretaries and Heads of Agencies are responsible for managing the financial affairs of their Ministry/Department. We request that OAG address these matters at Agency level with parties that are directly responsible as audit matters raised relates to their accounts.*

## **Officer Responsible**

*Manager Financial Reporting*

### **4.42 Overseas bank accounts not reported at Closing Rate**

Cash balances held in a foreign currency shall be translated using the closing rate.<sup>49</sup> Closing rate is the spot exchange rate at the reporting date.<sup>50</sup>

The audit noted that the overseas bank accounts balance of \$19.5 million was not translated using the spot rate at year end.

The closing balances were converted using the monthly exchanges rates released by Ministry of Economy.

## **Root Cause/Implication**

The above is a departure from the IPSAS Reporting under Cash Basis of Accounting standards.

As a result, the balance for overseas bank accounts are not correctly reflected in the financial statements and the effect of exchange rate changes on cash held in foreign currency are not correctly accounted for.

## **Recommendation**

**The Ministry should ensure that Overseas Bank Accounts are converted at 31 July on the spot rate as required by the standards.**

## **Agreed Management Action**

*Management noted comments and recommendation.*

*MoE has advised all Accounting Heads on the treatment of foreign currency as per section 1.6 of Cash Basis of International Public Sector Accounting Standards (IPSAS) 2017. This will be thoroughly monitored through the Monitoring & Evaluation Unit and any variance discrepancies will be highlighted to the respective Accounting Head of the line Ministry/Department.*

*However, we also wish to bring to the attention of the Office of Auditor-General (OAG) that under section 127 of the 2013 Constitution of the Republic of Fiji and as per section 7 of the Financial Management Act 2004, the respective Permanent Secretaries and Heads of Agencies are responsible for managing the financial affairs of their Ministries/Department. We request that OAG address these matters at Agency level with parties that are directly responsible as audit matters raised relates to their accounts.*

## **Officer Responsible**

*Manager Financial Reporting*

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<sup>49</sup> IPSAS 2017, Part 1.6.3

<sup>50</sup> IPSAS 2017, Part 2.1.1



## BORROWINGS

### 4.43 Debt Unit Internal Control Assessment

There should be a public debt management strategy in place that specifies the objectives of public debt management and takes account of inherent risks. This should be complemented by cost effective cash management policies to enable the authorities to meet with a high degree of certainty their financial obligations as they fall due.<sup>51</sup>

The audit noted the following control environment weaknesses in the Debt Management Unit:

- the Debt Unit Standard Operating Procedures from 2014 is still in draft stage and has not been approved; and
- the Ministry does not have a Debt Management Strategy.

#### **Root Cause/Implication**

The absence of a Debt Management Strategy and an approved SOP, indicate that proper guidelines are not in place to ensure that government effectively manages its debt levels and that costs and risks of borrowings are minimised in the long term.

#### **Recommendation**

**The Ministry should:**

- **consider establishing a formal debt management strategy; and**
- **ensure that its SOP is formalised.**

#### **Agreed Management Action**

*The Ministry has a broad debt policy which outlines the key objectives of debt management in the medium term. This is published annually as part of the Annual Budget Supplement with the latest outlined in the 2019/2020 budget supplement.*

*The formulation of a Medium Term Debt Strategy is earmarked for completion by the end of 2020/2021 financial year which will be undertaken with the technical assistance from multilateral development partners. In relation to the Standard Operating Procedure (SOP), a comprehensive and updated SOP will also be formulated and finalized by the end of the 2020/2021 financial year.*

#### **Officer Responsible**

*Manager Financial Reporting*

### 4.44 Undrawn Borrowing Facilities

Note 14 of the Financial Statements discloses details of undrawn borrowing facilities. Included in the undrawn loans are:

- ADB Loan No. 3210-FIJ

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<sup>51</sup> International Standards of Supreme Audit Institutions 5440, Part 1  
Ministry of Economy

- World Bank – WB Loan No. 8482-FIJ

The audit of the project that was to be funded by the two loans resulted in a qualified auditor's report. The basis for the qualified audit opinion was that the implementing agency did not comply with the ADB Procurement Guidelines for Contract Number FRA/TIISP/16-01 Suva Arterial Roads Upgrading Project (SARUP 1).

Refer below for the extract of the Audit Opinion for the Transport Infrastructure Investment project.

#### **Basis for Qualified Audit Opinion**

The Authority did not comply with the Implementation Arrangements set forth in the Project Administration Manual stated in the Loan Agreement. The Project Administration Manual required that the ADB Procurement Guidelines be followed for the procurement of goods and works. The Authority prepared the contract agreement for Contract Number FRA/TIISP/16-01 Suva Arterial Roads Upgrading Project (SARUP 1) under FRA general terms and conditions but ADB has determined a misprocurement as some amendments were made to the FIDIC clauses. As a result, SARUP 1 project will no longer be funded by ADB and World Bank, therefore the Government of Fiji will incur the full cost of the project totalling \$30,429,323 VIP. The funds that have been disbursed by ADB as at 31/07/18 totalling \$5,720,715 and World Bank totalling \$3,004,762 will be substituted with FRA/TIISP/16-03 Road Reseals Programme of Roads in Western, Central and Northern Division of Fiji. The Government of Fiji will pay the full remaining balance of \$20,413,451.

#### **Root Cause/Implication**

ADB and World Bank determined this as a misprocurement and did not agree to fund the project. As a result the Government of Fiji will incur the full cost of the project totalling \$30,429,323 VIP. The remaining balance of the project is \$20,413,451.

#### **Recommendation**

**Implementing agencies should ensure compliance with procurement guidelines in the loan agreements.**

#### **Agreed Management Action**

*Management noted comments and recommendation.*

*Ministry of Economy (MoE) will continue to emphasize to all implementing agencies the importance of compliance to the relevant legislations, guidelines and policies. We also bring to the attention of the Office of Auditor General (OAG) section 127 of the 2013 Constitution of the Republic of Fiji, specifically, subsections 2, 3 and 7. We request that OAG also address these matters at Agency level with parties that are directly responsible as audit matters raised relates to their accounts.*

#### **Officer Responsible**

*Manager Financial Reporting*

#### 4.45 Accounting for Green Bond Fund

From December 2017 to July 2018, a total of \$100 million in payments were made out of the Green Bond bank account to finance eligible green projects, which include:

- Reducing Emissions from Deforestation and Forest Degradation (REDD plus) (Ministry of Forestry)
- Construction of Naboro Landfill - Stage 2 (Ministry of Environment)
- SHS New Installations (Under Rural Electrification Programme) (Department of Energy)
- Emergency Works (Fiji Roads Authority)
- Rural Water Supply Programme (WAF)
- Rainwater Harvesting Systems – Government to Reimburse 70% for Residential Households (WAF)
- Ongoing Rehabilitation and Construction of Schools Damaged by TC Winston (R3 - R5)(Ministry of Economy)

The Ministry was apportioning the Green Bond funds to the projects at a rate of 77% to 100% of the costs incurred at the end of every month. The audit noted that the method of apportioning of costs was done without an approved documented procedure or basis. Furthermore, it was noted that the balances from FMIS GL balances were used to match the transfers from the Green Bond bank account, however, these balances contained misallocations and errors (negative expenditures).

##### **Root Cause/Implication**

The Green Bond fund was transferred from the bank account to the Consolidated Fund account on reimbursement basis. The process followed by the Ministry was that the Treasury Unit would make the transfers and the Climate Change and International Cooperation (CCIC) Unit would then match the transferred amounts to the expenditures already paid.

A contributing factor also to the issue above is the lack of a clear and approved procedure to determine how much of the eligible project is funded from Green Bond proceeds

##### **Recommendation**

**The Ministry should ensure that:**

- **a clear approved process is in place for the utilisation of Green Bond proceeds; and**
- **requests for transfer of cash from the Green Bond bank account is initiated by the CCIC Unit to the Treasury Department.**

##### **Agreed Management Action**

*With regards to the Ministry apportioning between 77% to 100% of the costs incurred, in the absence of any international set criteria for apportioning climate change costs to climate centric projects and the inherent cost tracking limitations of the current FMIS system, the Ministry used its judgement through technical experts based with the Climate Change and International Cooperation Division to apportion at these rates. The Green Bond Framework did not stipulate the need for any documented procedures and did not specify any set criteria to apportion such monies. Therefore the Ministry fully complied with the Green Bond Framework, utilised its in-house climate experts to assess the projects and assign apportion weightings and had fully communicated this to the independent auditors (KPMG) who saw no issues with this approach.*

*The GL figures used was reconciled with green bond proceeds used on a monthly basis and such errors are inherent in the current FMIS. However, they are not large to result in material mismatches. In the absences of a robust FMIS system, such minor mismatches and negative balances are inherent when carrying out monthly reconciliations. Furthermore, the negative balance mainly represents reversal entries that were carried out to correct anomalies identified during the monthly reconciliation process. However, this does not affect the total expenditure for the project at the end of the year.*

**Officer Responsible**

*Climate Finance Specialist through the Head of Climate Change & International Cooperation of the Ministry of Economy*

## APPENDIX 1: MINISTRY OF ECONOMY FINANCIAL STATEMENT AMENDMENTS

Date	Reference Financial Statements	to	Amendments
18/12/2018	Head 4 Schedule 8		<ul style="list-style-type: none"> <li>Amendment of the Cell Format to correct the Main Trust Figure</li> </ul>
	Head 50 Schedule 9 Schedule 10 Note 22		<ul style="list-style-type: none"> <li>Ministry of Agriculture Adjustment provided after finalisation of Draft Financial Statement for Economy, amendment to the Capital Grants and Transfer figure</li> </ul>
12/06/2020	Head 4 Schedule 1 Note 4(i) Note 4(ii)		<ul style="list-style-type: none"> <li>Audit Adjustment for Direct and Indirect Taxes \$1,961,346</li> <li>Audit Adjustment for Grant in Aid and Miscellaneous Revenue \$2,172,576</li> <li>Amendment of Operating Revenue and Miscellaneous Revenue</li> </ul>
	Head 50 Schedule 2 Schedule 7		<ul style="list-style-type: none"> <li>Audit Adjustment from SEG 6 to SEG 10 \$398,381</li> <li>Amendment to SEG 6 and SEG 10 figures</li> </ul>
	TMA FPO Schedule 11		<ul style="list-style-type: none"> <li>Audit Adjustment of Sales \$17,118 and Cost of Goods Sold \$178,880</li> <li>Amendment of Sales and Cost of Goods Sold Figure</li> </ul>
	TMA FPO Schedule 12		<ul style="list-style-type: none"> <li>Audit Adjustment of Office Upkeep &amp; Supplies \$145,854</li> </ul>
	TMA FPO Schedule 13		<ul style="list-style-type: none"> <li>Audit Adjustment of Inventory \$15,907</li> <li>Amendment to the Inventory figure \$15,907</li> </ul>
	TMA Accommodation Schedule 14		<ul style="list-style-type: none"> <li>Audit Adjustment Rental Quarters \$4,423 and Other Expense \$3,040</li> <li>Amendment of the Rental Quarters and Other Expense Figure</li> </ul>
	TMA Accommodation Schedule 15		<ul style="list-style-type: none"> <li>Audit Adjustment Cash at Bank and Net profit \$7,463</li> <li>Amendment of the Cash at Bank and Net Profit Figure</li> </ul>
	Schedule 16		<ul style="list-style-type: none"> <li>Amendment of the Asset written off figure and inclusion of a table format of assets approved to be written off</li> </ul>
	Schedule 17		<ul style="list-style-type: none"> <li>Audit Adjustment of Adopt a School Trust Fund</li> <li>Amendment of the Adopt a School Trust Receipts \$403,374</li> </ul>
	Note 31		<ul style="list-style-type: none"> <li>Inclusion of note for the Description of the TMA</li> </ul>
07/08/2020	Schedule 1 Note 6		<ul style="list-style-type: none"> <li>Amended borrowing revenue to \$603,836,968</li> </ul>

## Adjustment after Submission of Accounts

Journal	Entries
FAM 325 Amount \$1,825,399	Dr Grants in Aid- SRG 29 Cr Other Revenue & Surplus- SRG 27
ACF Adjustment \$1,029,528	Dr Accident Compensation Trust Fund Cr Trust Cash

**APPENDIX 2: INTERNAL CONTROL WEAKNESSES ACROSS MINISTRIES**

Ministries/Departments	Extracted from the Auditor's Report
Department of Immigration	The internal controls over revenue, payroll expenses, procurements and payments and Bond Trust Fund Account for the Department of Immigration were generally found to be weak. This was due to lack of supervisory checks and reconciliations not properly carried out, improper record keeping and lack of proper planning and budget management.
Ministry of Employment, Productivity and Industrial Relations	Internal controls over payroll were generally found to be weak. This was due to payroll reconciliations not being prepared on a timely basis, overpayments of salary and lack of due diligence in recruitment.
Ministry of Foreign Affairs	Internal controls over procurement of goods and services were generally found to be weak. This relates to Local Purchase Orders not attached to payment vouchers, competitive quotations not obtained, payments were not adequately supported and rental agreements for overseas missions were not provided for audit verification.
Ministry of Disaster and National Security	Statement of Losses - included in the financial statements which relates to loss of assets. The Ministry did not carry out the annual Board of Survey for assets other than money at the end of the Financial year. Therefore, any losses of assets other than money could not be determined.
Fiji Corrections Service	Internal controls over the preparation of TMA cash a bank reconciliations were generally found to be weak. Instances were noted where TMA cash at bank reconciliations were not adequately supported. Note 6 of the Fiji Correction financial statement provides a brief description for the purpose of the Prisoners Cash Trust Account. As at the date of audit report, the Fiji Correction Service was in the process of updating the beneficiaries listing which details the actual cash earned by the prisoners during incarceration.
Fiji Police Force	The Force did not include as part of the Financial Statements the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account with receipts \$84,542 and payment amounting of \$66,485 for the period ended 31 July 2018. In addition, the Force Band account transactions were not recorded in the FMIS General Ledger.
Peacekeeping Missions	The Peacekeeping Missions did not carry out a complete board of survey to verify the existence and condition of the assets under its authority except for Black Rock training camp contrary to Section 49(2) of the Finance Instructions 2010.
Ministry of Education, Heritage and Arts	Internal controls over payroll, revenue and Free Education Grant were generally found to be weak.
Department of Housing	Internal controls over payment process and payroll were generally found weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future. The weak payment controls resulted in the lump sum payment of grant contrary to the grant agreement.
Ministry of Forestry	Expenditures amounting to \$351,097 were not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018. This amount relates to unrecorded expenditures which were paid as accountable advance but were not cleared from the Revolving Fund Account as at 31 July 2018. Consequently, the expenditure for the year end 31 July 2018 is understated by \$351,097.

Ministries/Departments	Extracted from the Auditor's Report
Ministry of Waterways	<p>The Ministry did not carry out an annual board of survey to determine the existence and conditions of all assets under its authority contrary to section 49 of Finance Instruction 2010.</p>
Ministry of Health and Medical Services	<p>The Ministry recorded Purchase of Goods and Services of \$62,647,164 and Capital Constructions of \$17,335,118 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide audit with appropriate documents such as payment and journal vouchers to support expenditures totalling \$2,034,466.</p> <p>The Ministry recorded total receipts of \$6,233,916 in the Statement of Receipts and Expenditure. The Ministry was unable to provide audit with revenue receipts to support revenue amounting to \$143,286. In addition, internal controls over receipting were generally found to be weak.</p> <p>Purchases in the Bulk Purchase Trading and Manufacturing Account is overstated by \$6,064. As a result, the Trading and Manufacturing Account net profit for the year ended 31 July 2018 is understated by \$6,064. Internal controls over receipts and payments were generally found to be weak. This relates to price charged not in accordance with the price list and the understatement of utility costs which is not paid by the Bulk Purchase Trading and Manufacturing Account.</p>
Ministry of Women, Children and Poverty Alleviation	<p>Unreconciled variance of \$8,802,261 exists between the Social pension Scheme, Poverty Benefit Scheme Food vouchers for Rural Pregnant Mother and Child Protection General Ledger balance of \$85,246,927 and the amount released to bank of \$76,444,666 for the year ended 31 July 2018.</p> <p>Misposting in Travel expenditure by \$204,579 and Purchase of Goods and Services expenditure by \$735,010 resulted in overstatement of the respective operating expenditure. Misposting in Operating Grants and Transfers expenditure resulted in understatement of account by \$944,262.</p> <p>Internal controls over procurement and account reconciliations were generally found to be weak.</p>
Ministry of Agriculture	<p>Internal controls over payroll expenses, procurement processes and management of inventory for Trading Activity were generally found to be weak.</p>
Ministry of Fisheries	<p>The Ministry recorded Capital Construction of \$4,756,332 and Capital Purchase of \$653,185 in the Statement of Receipts and Expenditure for the year ended 31 July 2018.</p> <p>Internal controls over revenue, underline accounts and expenditure were generally found to be weak. These relate to the delay in banking of revenue receipts and delay in preparation of underline accounts reconciliations. Payments were also made without local purchase orders being raised, three competitive quotation not obtained, misallocation of expenditures were made without payment vouchers being certified.</p>



**APPENDIX 3: PFTAC ACTIVITIES YET TO BE IMPLEMENTED**

<b>Activities</b>	<b>Responsible Ministry</b>	<b>Outputs</b>	<b>Expected Completion (Year)</b>
<b>I) Developing and implementing a Framework for identifying, Estimating, and Reporting of Fiscal Risks arising from Public Enterprises/Statutory Authorities</b>			
Integrate a fiscal risk monitoring function in the MOE reorganised structure; Providing training to the staff on fiscal risk analysis	Ministry of Economy	Fiscal Risk Monitoring function assumed by one of the MOE Divisions/Units	October 2017
Start implementing the Fiscal Risk Assessment and Monitoring Framework, first on the entities with outstanding loans and loan guarantees (Phase 1)	Ministry of Economy	Initial Entity Risk Profile based on 2014/2016 financial statements of selected PEs/SAs	April 2018
Expand fiscal risks assessment to cover all PEs/SAs (Phase 2)	Ministry of Economy	Expanded Fiscal Risk Assessment Report starting for FY 2017	From August 2018
Start including a Statement of Consolidated Fiscal Risks (explicit and implicit) in the Budget Supplement based on the results of Phase 1 fiscal risks monitoring	Ministry of Economy	Statement of Fiscal Risks (explicit and implicit) in the Budget Supplement	June 2019
Evaluate the risks on on-lending receivables, and recognise an allowance for doubtful accounts for high risk accounts	Ministry of Economy	Allowance for doubtful accounts for high risks accounts recorded starting 2017/2018	July 2018
<b>II. Strengthening Fiscal Oversight by Ministry of Economy</b>			
Disclose in the Notes to Financial Statements the following: <ul style="list-style-type: none"> <li>summary of Transactions between the Government and PEs/SAs;</li> <li>financial information of PEs/SAs – total revenues, expenses, assets and liabilities.</li> </ul>	Ministry of Economy	Disclosures in the 2016/2017 consolidated financial statements of the central government	October 2017
Review and improve the NCO Policy in the context of the new PE Act	Ministry of Economy	Improved NCO Policy	June 2018
Integrate PEs/SAs debt and fiscal risks in the Debt Management Strategy	Ministry of Economy	More comprehensive Debt Management Strategy	October 2018
Clarify financial regulations for PEs/SAs including accounting and reporting standards	Ministry of Economy	Clear financial regulations for NCSAs	January 2019
<b>III. Improving Institutional Coordination</b>			
Review further the draft PE Act Amendment and the draft PFM Act Amendment, to ensure consistency, and clarity of roles and responsibilities	Ministry of Public Enterprises and Ministry of Economy	Consistent and clear legal frameworks	July 2017



Activities	Responsible Ministry	Outputs	Expected Completion (Year)
Improve coordination and synergy regarding oversight of PEs	Ministry of Public Enterprises, Ministry of Economy and sector ministries	Consistent legislations, policies, strategies, reports	January 2018
Consider proposing a common fiscal year for all public entities, to enable consolidated reporting in the future	Ministry of Economy	Policy on common fiscal year for all public entities	January 2019

#### APPENDIX 4: CAUSE OF DELAY IN FINALISATION OF FINANCIAL STATEMENTS

Provision of documents	Date Requested	Date Provided
Grant Facilities: Details of the grant received and approved for July 2018	29/1/2020	24/2/2020
Independent Dividend JP Morgan confirmation	17/2/2020	Not received
Supporting documents to substantiate the balances stated in Note 47- Equity Movements for Adjustments of underlying account balances and equity- \$11,236,313	29/1/2020	08/05/2020

Date	Reference to Financial Statements	Amendments
26/06/2020	Schedule 1	<ul style="list-style-type: none"> <li>• Amendment to Direct Taxes figure from \$827,685,561 to \$825,724,215</li> <li>• Amendment to Indirect Taxes figure from \$2,003,950,281 to \$2,005,911,627</li> <li>• Amendment to Sales revenue figure from \$13,886,521 to \$12,204,774</li> <li>• Amendment to Other revenue figure from \$40,360,393 to \$44,902,829</li> <li>• Amendment to Grant in Aid figure from \$49,113,997 to \$49,461,175</li> <li>• Amendment of Established Staff from \$900,320,078 to \$900,309,981</li> <li>• Amendment of Government Wage Earners from \$58,828,853 to \$58,949,182</li> <li>• Amendment of Travel and Communication from \$38,480,263 to \$38,444,765</li> <li>• Amendment of Operating Grants &amp; Transfers from \$680,568,975 to \$680,170,593</li> <li>• Amendment of Special expenditure from \$88,293,406 to \$88,246,446</li> <li>• Amendment of Capital Grants &amp; Transfers from \$1,203,332,689 to \$1,203,731,071</li> <li>• Amendment to Cost of Goods Sold from \$272,549 to \$451,429</li> <li>• Amendment to Other Expense from \$13,059,541 to \$17,519,139</li> <li>• Amendment to Capital Expenditure from \$1,369,381,078 to \$1,369,779,460</li> <li>• Amendment to Receipt from Lending &amp; On Lending from \$1,321,618 to \$1,655,995</li> </ul>

Date	Reference to Financial Statements	Amendments
		<ul style="list-style-type: none"> <li>Amendment to Proceeds from borrowings figure from \$595,263,937 to \$599,081,528</li> </ul>
	Schedule 2	<ul style="list-style-type: none"> <li>Amendment of Operating Expenditure from \$1,993,285,374 to \$1,992,914,766 due to audit adjustments Ministry of Housing</li> <li>Amendment of Capital Expenditure from \$1,380,091,525 to \$1,380,489,907 due to audit adjustment Head 50</li> </ul>
	Schedule 2A Schedule 10	<ul style="list-style-type: none"> <li>Amendment of Established Staff from \$900,320,078 to \$900,309,981</li> <li>Amendment of Government Wage Earners from \$58,828,853 to \$58,949,182</li> <li>Amendment of Travel and Communication from \$38,480,263 to \$38,444,765</li> <li>Amendment of Operating Grants &amp; Transfers from \$680,568,975 to \$680,170,593 due to audit adjustments</li> <li>Amendment of Special expenditure from \$88,293,406 to \$88,246,446 due to audit adjustments</li> <li>Amendment of Capital Grants &amp; Transfers from \$1,203,332,689 to \$1,203,731,071</li> </ul>
	Note 17	<ul style="list-style-type: none"> <li>Amendment of Note 17(b) figure from \$153,902,598 to \$153,553,749</li> <li>Amendment of Note 17(c) figure from \$120,765,220 to \$164,938,055</li> <li>Amendment of Note 17(d) Proceeds figure from \$595,263,937 to \$599,081,528</li> </ul>
	Schedule 3 Note 26 Note 28 Note 29 Note 30	<ul style="list-style-type: none"> <li>Amendment of Cash and cash Equivalent Figure from \$286,981,870 to \$287,683,257</li> <li>Amendment of Accounts Receivable figure from \$153,902,598 to \$153,553,749</li> <li>Amendment of Inventory figure from \$3,145,693 to \$3,129,786</li> <li>Amendment of Term Loan Receivable figure from \$573,022,960 to \$572,199,307</li> <li>Amendment of Equity Investments figure from \$1,334,855,420 to \$1,335,906,060</li> </ul>
	Schedule 4 Note 35 Note 39 Note 44	<ul style="list-style-type: none"> <li>Amendment of Trading &amp; Manufacturing Operation Revenue from \$17,957,873 to \$17,970,568</li> <li>Amendment of Operating expense from \$2,030,242,061 to \$2,029,871,453</li> <li>Amendment of Capital expense from 1,381,885,283 to \$1,382,283</li> <li>Amendment of Trading and Manufacturing Operations expense \$13,332,090 to 413,368,155</li> </ul>
	Schedule 5 Note 34	<ul style="list-style-type: none"> <li>Amendment of Government Guarantee figure from \$586,739,797 to \$587,395,644</li> <li>Amendment of Implicit Contingent Liability figure from \$81,281,631 to \$63,130,649</li> </ul>
	Note 32	<ul style="list-style-type: none"> <li>Amendment of Consolidated Trust Fund figure from \$161,621,657 to \$162,270,743 thus changing the Total Trust figure from \$198,081,568 to \$198,730,654</li> </ul>
	Note 45 Arrears of Revenue	<ul style="list-style-type: none"> <li>Amendment of Arrears of Revenue figure from \$89,500,795 to \$89,741,263</li> </ul>
	Note 46	<ul style="list-style-type: none"> <li>Changes in equity movements</li> </ul>
	Schedule 6 Note 37	<ul style="list-style-type: none"> <li>Amendment in Non-Exchange Revenue figure from \$2,878,924,440 to \$2,881,097,016</li> </ul>

Date	Reference to Financial Statements	Amendments
		<ul style="list-style-type: none"> <li>• Amendment in Exchange Revenue CFA figure from \$182,534,055 to \$198,319,351 and TMA figure from \$17,957,873 to \$17,970,568</li> <li>• Amendment in Operating Expenditure CFA figure from \$2,016,909,971 to \$2,029,871,453 and TMA figure from \$13,332,090 to \$13,368,155</li> <li>• Amendment in Capital Expenditure figure from \$1,381,885,283 to \$1,382,283,665</li> <li>• Amendment in Cash at Bank TMA figure from \$13,305,105 to \$13,630,893</li> </ul>
	Schedule 7 Schedule 8 Note 37	<ul style="list-style-type: none"> <li>• Amendment to Direct Taxes figure from \$827,685,561 to \$825,724,215</li> <li>• Amendment to Indirect Taxes figure from \$2,003,950,281 to \$2,005,911,627</li> <li>• Amendment to Other Receipts figure from \$34,748,343 to \$34,401,166</li> <li>• Amendment to Grant in Aid figure from \$49,113,997 to \$49,461,175</li> </ul>
	Schedule 9	<ul style="list-style-type: none"> <li>• Reformatting the Ministry and Department List</li> <li>• Amendment of Ministry of Housing Actual figure from \$18,898,239 to \$18,853,826</li> <li>• Amendment of Ministry of Local Government Actual figure from \$28,684,771 to \$22,320,054</li> </ul>
	Schedule 11	<ul style="list-style-type: none"> <li>• Amendment of projected figures for 2019 and 2020 to be aligned with Approved Budget Estimate 2017-2018</li> </ul>
	Schedule 12	<ul style="list-style-type: none"> <li>• Amendment of projected figures for 2019 and 2020 to be aligned with Approved Budget Estimate(Original Budget) 2017-2018</li> </ul>
<b>07/08/2020</b>	Schedule 1	<ul style="list-style-type: none"> <li>• Amendment to figures for Cashflow from Operating Activities                             <ul style="list-style-type: none"> <li>○ Other Revenue and surplus</li> <li>○ Net receipts into Trust Fund Accounts</li> </ul> </li> <li>• Amendment to figures for Cashflow from Investing Activities                             <ul style="list-style-type: none"> <li>○ Capital expenditures</li> </ul> </li> <li>• Amendment to figures for Cashflow from financing Activities                             <ul style="list-style-type: none"> <li>○ Proceedings from borrowings</li> <li>○ Repayment of borrowings</li> <li>○ Net proceeds for net proceedings/repayments of Treasury bills</li> </ul> </li> </ul>
	Schedule 2 & 2A	<ul style="list-style-type: none"> <li>• Amendment to figures for Operating receipts and Investing receipts</li> <li>• Amendment to figures for Charges in public debt and Capital expenditure</li> </ul>
	Note 18	<ul style="list-style-type: none"> <li>• Amendment to figures for Timing differences for Total Cash receipts and Total Cash payments.</li> </ul>
	Note 19	<ul style="list-style-type: none"> <li>• Amendment to figures for Payment to third parties Capital payments due to incorrect classification from \$10,710,447 to \$5,955,007.</li> </ul>
	Note 20	<ul style="list-style-type: none"> <li>• Amendment to figures for External assistance and other assistance Grants and Donations from \$47,288,597 to \$48,845,812</li> </ul>
	Note 27	<ul style="list-style-type: none"> <li>• Amendment to figures for Cash and cash equivalent:                             <ul style="list-style-type: none"> <li>○ Net Cash flows from operating activities from \$731,187,650 to \$730,559,822</li> <li>○ Net Cash flows from investing activities from \$1,209,083,670 to \$1,215,632,867</li> </ul> </li> </ul>

Date	Reference to Financial Statements	Amendments
		<ul style="list-style-type: none"> <li>○ Net Cash flows from financing activities from \$480,122,509 to \$486,896,160</li> <li>○ Net trust cash flows from \$882,079 to \$1,285,453</li> </ul>
	Note 34	<ul style="list-style-type: none"> <li>● Amendment to figures for Term Loan Payable:               <ul style="list-style-type: none"> <li>○ Multilateral:                   <ul style="list-style-type: none"> <li>▪ Asian Development Bank from \$4,564,541 to \$5,404,957</li> <li>▪ World Bank from \$6,145,906 to \$550,050</li> </ul> </li> <li>○ Overseas Loans                   <ul style="list-style-type: none"> <li>▪ Cash Borrowings from \$63,467,937 to \$68,223,377</li> <li>▪ Non Cash borrowings \$10,710,447 to \$5,955,007</li> </ul> </li> </ul> </li> </ul>
	Note 35	<ul style="list-style-type: none"> <li>● Amendment to the total Explicit Contingent Liability amount</li> </ul>
	Note 38	<ul style="list-style-type: none"> <li>● Amendment to figures for Revenue from exchange transactions from \$34,401,166 to \$34,402,796</li> </ul>
	Note 46	<ul style="list-style-type: none"> <li>● Disclosure of Land Transport Authority has been included in the Total Arrears of Revenue</li> </ul>
	Schedule 5	<ul style="list-style-type: none"> <li>● Amendment to the Contingent Liability the Opening balance, Closing balance and movements for PAFCO.</li> </ul>
	Schedule 6	<ul style="list-style-type: none"> <li>● Amendment to figures for Primary Reportable Segments 2018 for:               <ul style="list-style-type: none"> <li>○ Cash at Bank</li> <li>○ Accounts Receivable</li> <li>○ Accounts Payable</li> </ul> </li> </ul>
	Schedule 9	<ul style="list-style-type: none"> <li>● Reclassifying Peacekeeping Mission to General Administrations</li> </ul>
	Schedule 12	<ul style="list-style-type: none"> <li>● Reclassifying Peacekeeping Mission to General Administrations</li> </ul>
<b>12/08/2020 (via email)</b>	Schedule 5	<ul style="list-style-type: none"> <li>● Amended movements in balances for PAFCO from \$1,930,474 &amp; \$1,865,14 to \$2,847,280 and \$2,781,955</li> </ul>
	Note 50	<ul style="list-style-type: none"> <li>● Inclusion of disclosure on Events After Reporting Date</li> </ul>

**APPENDIX 5: AUDIT ADJUSTMENTS FOR FINANCIAL YEAR 2017/2018**

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
<b>14/05/2020</b>	9-04109-04109-520201	ADOPT SCH PROGRAM ANZ BNK AC	403,374.00			
	9-04109-04109-895064	ADOPT SCHOOL PROGRME PROG TRUST <i>(Adjustment for Misposting)</i>		403,374.00		
<b>14/05/2020</b>	9-04109-04109-850201	BOND RETENTION - ADOPT A SCHOOL	245,711.54			
	9-04109-04109-895090	RETENTION - ADOPT A SCHOOL		245,711.54		
<b>14/05/2020</b>	4-04107-04107-260502	<i>(Audit adjustment for creating a new SLG 89 for retention allocation adopt a school &amp; zeroising SAG 85)</i> MINOR IMPROVMT TO FIXED ASSET			3,040.00	
	4-04107-04107-270209	RENTAL FOR NON-DOMESTIC QRTS			4,423.04	
	4-04107-04107-540301	TMA DOMINION CASH CNB SUVA		7,463.04		
<b>14/05/2020</b>	1-04102-04999-279999	<i>(For audit adjustment for FY 2017-2018 for entries not processed in FMIS - hanging entries)</i> MISCELLANEOUS REVENUE			2,172,576.35	
	1-04101-04999-290801	INDIA GOVERNMENT GRANT			2,172,576.35	
<b>14/05/2020</b>	1-04102-04251-210101	<i>(Audit adjustment for misposting of Grant Assistance for FY 2017-2018)</i> INCOME TAX			1,007,902.00	
	1-04102-04251-221401	TELECOMMUNICATION LEVY			1,007,902.00	
		<i>(Audit adjustment for misposting for FY 2017-2018)</i>				

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
<b>14/05/2020</b>	1-04102-04251-210101	INCOME TAX			953,444.00	
	1-04102-04251-221601	3RD PARTY INSURANCE LEVY				953,444.00
		<i>(Audit adjustment for misposting of Telecommunications and 3rd Party Insurance Levy for FY 2017-2018)</i>				
<b>14/05/2020</b>	1-04104-04999-910301	EQUITY-FRCS	44,371,580.00			
	1-04104-04999-840701	ACCOUNTS PAYABLE		44,371,580.00		
		<i>(To account for increase in VAT Refund Outstanding after adjustments for the financial year 2017/2018)</i>				
<b>14/05/2020</b>	1-04104-04999-840701	ACCOUNTS PAYABLE	183,147.00			
	1-04104-04999-910301	EQUITY-FRCS		183,147.00		
		<i>(To account for decrease in Income Tax Refund Outstanding after adjustment for the financial year 2017/2018)</i>				
<b>14/05/2020</b>	4-04351-65999-260101	DIRECT PURCHASES MATERIALS			145,854.08	
	4-04351-91011-260402	OFFICE UPKEEP & SUPPLIES				145,854.08
		<i>(Being adjustment of 2018 FPO Posting. To remove the original transactions in COGS. Based on the correction of the Purchases and inventory figure)</i>				
<b>14/05/2020</b>	4-04351-91011-250199	COGS			167,742.22	
	4-04351-91011-580301	INVENTORY		167,742.22		
		<i>(Being adjustment of 2018 FPO Posting. To remove the original transactions in COGS. Based on the correction of the Purchases and inventory figure)</i>				
<b>14/05/2020</b>	4-04351-65999-260101	DIRECT PURCHASES MATERIALS			17,117.99	
	4-04351-91011-240199	SALES DEPARTMENT GOVERNMENT DEPARTMENT				17,117.99

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments				
			Balance Sheet		Income Statement		
			Debit	Credit	Debit	Credit	
		<i>Being adjustment of 2018 FPO Posting. To record the purchase of flags. Based on the correction of the purchases and inventory figure</i>					
<b>14/05/2020</b>	4-04351-65999-940465	TMA Accumulated Surplus	15,907.45				
	4-04351-91011-269965	GOVERNMENT SUPPLIES					15,907.45
		<i>(Adjustment of the Net Profit after Journal Entry)</i>					
<b>14/05/2020</b>	4-04351-91011-580301	INVENTORY	176,749.33				
	4-04351-91011-250199	COGS			11,137.30		
	4-04351-65999-260101	PURCHASES					162,972.07
	4-04351-91011-580301	INVENTORY		24,914.56			
		<i>(Being adjustment of 2018, FPO Posting to record ending Inventory)</i>					
<b>3/6/2019</b>	4-04107-04107-540301	TMA DOMINION CASH CNB SUVA	719,638.00				
	4-04107-04107-940302	TMA SURPLUS		719,638.00			
	4-04107-04107-540301	TMA DOMINION CASH CNB SUVA		719,638.00			
	4-04107-04107-940302	TMA SURPLUS-	719,638.00				
		<i>(Being adjustment and reversal of Audit adjustment)</i>					
<b>14/05/2020</b>	1-04104-04403-722701	ASIAN INFRASTRUCTURE BANK SHARE (NEW ALLOCATION)	1,050,641.00				
	1-04104-04403-910272	REVALUATION OF SHARES - ECONOMIC SERVICES			1,050,641.00		
		<i>(To record investment in Asian Infrastructure Investment Bank)</i>					
<b>14/05/2020</b>	1-04102-04999-910216	TERM LOAN LENDING	827,851.65				



Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-04102-04251-611116	FRCS-PSC RECOVERY SCHOLARSHIP	23,471.43			
	1-04102-04251-611116	FRCS-PSC RECOVERY SCHOLARSHIP		827,851.65		
	1-17301-02999-611116	PSC SCHOLARSHIP LENDING FUND		23,471.43		
	(To record adjustment for PSC/FRCS Scholarship Recovery to tally with FRCS figures)					
<b>14/05/2020</b>	1-04102-04251-611117	FRCS TELS LOAN SCHEME	4,198.00			
	1-04102-04999-910216	TERM LOAN LENDING		4,198.00		
	(To record the adjustment for TELS figures to tally with FRCS/TELS figures)					
<b>8/6/2020</b>	4-04107-00000-940402	TMA SURPLUS-PSC	7463.04			
	4-04107-00000-269902	PROFIT ACCOMODATION OFFCIE				7463.04
	(To transfer net loss to equity)					
<b>3/6/2020</b>	1-50101-50999-100169	OTHER OVERSEAS SCHOLARSHIP			398,381.37	
	1-50101-50999-060199	TERTIARY SCHOLARSHIP & LOANS BOARD				398,381.37
	(To adjustment for misposting)					
<b>3/6/2020</b>	4-36501-66999-540101	TMA DOMINION CASH ANZ SUVA	153,827.82			
	4-04451-66999-540101	TMA DOMINION CASH ANZ SUVA		153,827.82		
	(Reversal of adjustment misposting)					
<b>3/6/2020</b>	1-23101-23999-020101	Wages			1292.8	
	1-23101-23999-020101	Wages			3621.52	



Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-23101-23999-020101	Wages			332.5	
	1-23101-23999-020101	Wages		5763.61		
	1-23101-23999-020101	Wages		3537.17		
	1-23101-23999-020401	Overtime		3236.85		
	1-23101-23999-530301	Drawings			14,547.60	
	1-23101-23999-030301	Subsistence			3236.85	
	(Reversal of charges (Drawings and Travel) cleared under Government Wage Earners for 2017-2018 financial year)					
<b>7/2/2019</b>	1-40401-41999-071403	SUSTAINABLE ENERGY FINANCING PROJECT			10,123.00	
	1-40401-41999-010101	PERSONAL EMOLUMENTS			10,123.00	
	<i>(Adjustment of misposting)</i>					
<b>7/2/2019</b>	1-25101-25101-020101	Wages			1,380.17	
	1-25101-25101-020101	Wages		66.57		
	1-25101-25101-020101	Wages		75.86		
	1-25101-25101-020101	Wages		76.08		
	1-25101-25101-020401	Overtime		1,908.36		
	1-25101-25101-059902	Fiji National Youth Band		160.6		
	1-25101-25101-030101	Travel			1,380.17	
	1-25101-25101-030101	Travel			66.57	
	1-25101-25101-030101	Travel			75.86	
	1-25101-25101-030101	Travel			76.08	
	1-25101-25101-030101	Travel			1,908.36	
	1-25201-25999-030301	Subsistence			160.6	

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments					
			Balance Sheet		Income Statement			
			Debit	Credit	Debit	Credit		
<b>20/03/2019</b>		<i>(Adjustment of misposting for Seg 2 and Seg 5)</i>						
	1-30B01-78999-230320	Management fee			5,208.35			
	1-30101-30999-230701	Court Fines			5,101.20			
	1-30101-30999-279920	Board member fees				5,208.35		
	1-30101-30999-279924	Pound keeping				4,238.90		
	1-30101-30999-279925	Sale of animal by auction				849.91		
	1-30101-30999-230407	License dogs				12.39		
		<i>(Adjustment of Clearance of revenue misallocations)</i>						
<b>20/03/2019</b>	4-30351-30999-250301	COGS finished goods			138,742.79			
	4-30351-30999-260603	Write off Finished goods			1,147.41			
	4-30351-30999-580301	Finished goods for sale		139,890.20				
		<i>(Adjustment of Expired stocks (current &amp; previous))</i>						
<b>16/4/2019</b>	1-33301-79101-270201	Rental for Land			124,600.00			
	1-34101-34101-279999	Miscellaneous Revenue				124,600.00		
		<i>(Adjustment to Reimbursement of Grant 2016)</i>						
<b>16/4/2019</b>	9-34401-80001-895035	Co-op Small business institute		2,500.00				
	9-34401-80001-520301	Co-op Small business institute			2,500.00			
		<i>(Adjustment to Shalom Creations &amp; Catering)</i>						
<b>7/5/2019</b>	1-20101-20101-279999	Miscellaneous Revenue			34,620.76			
	1-20101-20101-279999	Miscellaneous Revenue			67,139.41			
	1-20101-20101-279999	Miscellaneous Revenue			58,912.68			
	1-20101-20101-279999	Miscellaneous Revenue			69,588.80			
	1-20101-20101-279999	Miscellaneous Revenue			286,352.54			
	1-20101-20101-279999	Miscellaneous Revenue			85,169.42			

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-20101-20101-861517	307 PD POLICE SERVICE CU		219		
	1-20101-20101-861517	307 PD POLICE SERVICE CU		84,950.42		
	1-20101-20101-863201	VAT FROM PROVSN OF GDS & SERV		516,614.19		
		(Adjustment for Reversal of period 12 charges to miscellaneous revenue)				
<b>21/05/2019</b>	1-19101-19999-130101	Value Added Tax			1,125.00	
	1-19104-19999-080422	FMF INFRASTRUCTURE & AMENITIES			23,596.20	
	1-19101-19999-530301	DRAWINGS BSP SUVA- RFMF		23,596.20		
	1-19101-19999-530301	DRAWINGS BSP SUVA- RFMF		1,125.00		
		(Adjustment to record payments made)				
<b>21/05/2019</b>	1-19101-19999-861201	240 PD FIJI CARE INSURANCE GRP	45.42			
	1-19101-19999-861204	244 PD-LICI	86.27			
	1-19101-19999-861299	XXX PD OTHERS	135			
	1-19101-19999-861306	263 PD HOUSING AUTHORITY	4.95			
	1-19101-19999-861532	YYY PD PUBLIC EMPLOYEE UNION	120			
	1-19101-19999-861533	WESRAM FINANCE	18.8			
	1-19101-19999-861537	CARPENTERS FINANCE FIJI LTD	109.73			
	1-19101-19999-861926	PAYROL DED - VINOD PATEL	11.58			
	1-19101-19999-861932	PAYROL DED KONTIKI FINANCE LTD	101.01			
	1-19101-19999-861933	NUPW CREDIT UNION	70			
	1-19101-19999-861934	NUPW WELFARE	15			

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-19101-19999-530301	DRAWINGS BSP SUVA- RFMF <i>(Adjustment for reversal of JV190705)</i>		717.76		
<b>21/05/2019</b>	1-19101-19999-570301	Advances RFMF	750			
	1-19105-19999-030301	Subsistence <i>(Adjustment for reversal of JV190347)</i>		750		
<b>21/05/2019</b>	4-19151-19999-540301	TMA DOMINION CASH CNB SUVA	535			
	4-19151-19999-540301	TMA DOMINION CASH CNB SUVA	633.45			
	4-19151-19999-940319	TMA SURPLUS-FMF		535		
	4-19151-19999-940319	TMA SURPLUS-FMF		633.45		
<b>21/05/2019</b>	4-19151-19999-540301	TMA DOMINION CASH CNB SUVA	4,142.11			
	4-19151-19999-940319	TMA SURPLUS-FMF		4,142.11		
<b>21/05/2019</b>	4-19151-19999-940319	TMA SURPLUS-FMF	126			
	4-19151-19999-540301	TMA DOMINION CASH CNB SUVA		126		
<b>21/05/2019</b>	4-19151-19999-940319	TMA SURPLUS-FMF	371,453.32			371,453.32
	4-19151-19999-260407	PARCEL AND FREIGHT <i>(Adjustment for of RFMF TMA remittance)</i>				
<b>21/05/2019</b>	1-19101-19999-861999	YYY PAYROLL DEDUCTION MISCEL	39,980.00			
	1-19101-19999-861999	YYY PAYROLL DEDUCTION MISCEL	37,050.00			

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-19101-19999-861999	YYY PAYROLL DEDUCTION MISCEL	79,790.00			
	1-19101-19999-861999	YYY PAYROLL DEDUCTION MISCEL	63,145.00			
	1-49102-49102-010101	OFFICERS AND OTHER RANKS			39,980.00	
	1-49103-49103-010101	OFFICERS AND OTHER RANKS			37,050.00	
	1-49103-49103-010101	OFFICERS AND OTHER RANKS			79,790.00	
	1-49103-49103-010101	OFFICERS AND OTHER RANKS			63,145.00	
	<i>(Adjustment of Pay 18/2017 Batch ID 45231)</i>					
<b>17/06/2019</b>	1-15201-71999-862101	AP RETENTION MONEY	283,615.88			
	1-15201-71999-862101	AP RETENTION MONEY	402,021.65			
	1-15201-71999-862101	AP RETENTION MONEY	48,951.90			
	1-15201-71999-862101	AP RETENTION MONEY	31,610.00			
	1-15201-71999-862101	AP RETENTION MONEY	43,055.00			
	1-15201-71999-862101	AP RETENTION MONEY	21,343.75			
	1-15201-71999-080299	CONSTRUCTION OF LTK - WOMEN FACILITY ®	29,000.00			
	1-15201-71999-080199	Repair & MNTC Insttn Infrastructure			260,198.06	
	1-15201-71999-080199	Repair & MNTC Insttn Infrastructure			19,581.42	
	1-15201-71999-080229	CONSTRUCTION OF LTK - WOMEN FACILITY ®			368,827.20	
	1-15201-71999-080229	CONSTRUCTION OF LTK - WOMEN FACILITY ®			29,000.00	

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-15201-71999-080299	CONSTRUCTION OF LTK - WOMEN FACILITY ®				29,000.00
	1-15201-71999-080335	ELECTRICAL UPGRADE WORK				44,910.00
	1-15201-71999-080807	ELECTRICAL UPGRADE WORK				39,500.00
	1-15201-71999-130101	Value Added Tax				23,417.82
	1-15201-71999-130101	Value Added Tax				33,194.45
	1-15201-71999-130101	Value Added Tax				4,041.90
	1-15201-71999-130101	Value Added Tax				2,610.00
	1-15201-71999-130101	Value Added Tax				3,555.00
	1-15201-71999-130101	Value Added Tax				1,762.33
		<i>(Adjustment of Reversal of fund transfers)</i>				
<b>9/10/2019</b>	4-15252-91151-940471	TMA ACC SURP-PRISON	43,400.35			
	4-15255-91151-940471	TMA ACC SURP-PRISON	13,200.98			
	4-15256-91151-940471	TMA ACC SURP-PRISON	2,634.00			
	4-15257-91151-560102	AR COMPANIES	86,252.56			
	4-15257-91151-940471	TMA ACC SURP-PRISON	113,951.00			
	4-15257-91151-940471	TMA ACC SURP-PRISON	13,148.00			
	4-15257-91151-940471	TMA ACC SURP-PRISON	121,515.08			
	4-15259-91151-560101	AR GOV DEPTS & AGENCY	3,420.00			
	4-15258-91151-560101	AR GOV DEPTS & AGENCY	1,300.00			
	4-15258-91151-560101	AR GOV DEPTS & AGENCY	1,489.68			
	4-15258-91151-560103	AR INDIVIDUALS	297.15			
	4-15258-91151-560103	AR INDIVIDUALS	1,355.00			

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	4-15258-91151-940471	TMA ACC SURP-PRISON	19,520.00			
	4-15258-91151-940471	TMA ACC SURP-PRISON	1,653.00			
	4-15259-91151-560101	AR GOV DEPTS & AGENCY	16,350.00			
	4-15256-91151-560102	AR COMPANIES		2,634.00		
	4-15257-91151-560102	AR COMPANIES		113,951.00		
	4-15257-91151-560102	AR COMPANIES		13,148.00		
	4-15255-91151-560103	AR INDIVIDUALS		8,390.98		
	4-15257-91151-560102	AR COMPANIES		121,515.08		
	4-15255-91151-560102	AR COMPANIES		4,810.00		
	4-15258-91151-940471	TMA ACC SURP-PRISON		297.15		
	4-15258-91151-940471	TMA ACC SURP-PRISON		1,355.00		
	4-15259-91151-940471	TMA ACC SURP-PRISON		16,350.00		
	4-15258-91151-940471	TMA ACC SURP-PRISON		1,300.00		
	4-15258-91151-940471	TMA ACC SURP-PRISON		1,489.68		
	4-15258-91151-560103	AR INDIVIDUALS		1,653.00		
	4-15258-91151-560101	AR GOV DEPTS & AGENCY		19,520.00		
	4-15257-91151-940471	TMA ACC SURP-PRISON		86,252.56		
	4-15259-91151-940471	TMA ACC SURP-PRISON		3,420.00		
	4-15252-91151-560101	AR GOV DEPTS & AGENCY		43,400.35		
		<i>(Adjustment of clearance of Accounts Receivable)</i>				
<b>20/03/2020</b>	1-37101-37999-020101	Wages			8,645.43	
	1-37101-37999-020101	Wages			4,051.36	
	1-37101-37999-020101	Wages			529.61	
	1-37101-37999-020101	Wages			58,960.10	

Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
	1-37101-37999-020301	ALLOW-MEAL			14,970.80	
	1-37101-37999-020301	ALLOW-MEAL		1,463.82		
	1-37101-37999-020301	ALLOW-MEAL		10,097.01		
	1-37101-37999-020401	OVERTIME		3,566.20		
	1-37102-37999-020401	OVERTIME		80		
	1-37102-37999-020401	OVERTIME		80		
	1-37102-37999-020401	OVERTIME		100		
	1-37101-37999-020301	ALLOW-MEAL		3,399.20		
	1-37102-37999-030301	SUBSISTENCE			14,970.80	
	1-37101-37999-030301	SUBSISTENCE			153.21	
	1-37101-37999-030301	SUBSISTENCE			13.79	
	1-37101-37999-530301	DRAWINGS BSP SUVA-LOCAL GOVT.		8,645.43		
	1-37101-37999-530301	DRAWINGS BSP SUVA-LOCAL GOVT.		4,051.36		
	1-37101-37999-020301	ALLOW-MEAL		3,399.20		
	1-23101-23999-030301	SUBSISTENCE			12,000.00	
	1-23101-23999-070203	NATIONAL HOUSING IMPLEMENTATION PLAN			46,960.10	
	1-37101-37999-010303	ALLOW-ACTING			10,097.01	
	1-37101-37999-530301	DRAWINGS BSP SUVA-LOCAL GOVT.		529.61		
	1-37102-37999-030301	SUBSISTENCE			1,463.82	
	1-37102-37999-030301	SUBSISTENCE			260	
	1-37101-37999-030301	SUBSISTENCE			3,399.20	
	<i>(Adjustment of Ministry of Local Government 2018)</i>					



Date of Adjustment	Account code	Account	Analysis of Audit Adjustments			
			Balance Sheet		Income Statement	
			Debit	Credit	Debit	Credit
<b>8/6/2020</b>	4-36501-66999-540101	TMA DOMINION CASH ANZ SUVA	348,849.35			
	4-36501-66999-840401	GL TRADE CREDITRS OPEN ITEM		15,598.00		
	4-36501-66999-540101	TMA DOMINION CASH ANZ SUVA			15,598.00	
	4-36501-66999-560101 (Audit adjustment)	AR GOV DEPTS & AGENCY			348,849.35	
<b>8/6/2020</b>	9-04109-04109-895090	ADOPT A SCHOOL TRUST ACCOUNT	245,711.54			
	9-04109-04109-895064 (Correction of Audit adjustment AUD011)	ADOPT SCHOOL PROGRME PROG TRUS			245,711.54	
<b>Nov 2020</b>	9-04102-04102-899923	ACCIDENT COMPENS COMM FUND	1,029,528.30			
	9-04102-04102-520701	CASH A/C ACCIDENT COMPENS FUND		1,029,528.30		
			<b>52,442,793.07</b>	<b>51,774,797.18</b>	<b>5,920,441.53</b>	<b>6,588,437.42</b>



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