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01 AUGUST 2017
- 31 JULY 2018

ANNUAL REPORT

Parliamentary Paper
No. 260 of 2020



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BOARD OF DIRECTORS



Mr. Ajith Kodagoda
Board Chairman



Mr. Faiz Khan
Board Member



Mr. Jone Vatukela
Board Member



Ms. Makereta Konrote
Board Member



REPORT FROM THE CHAIRMAN



Mr. Ajith Kodagoda
Board Chairman

Honorable Minister,

I am delighted to present the Annual report for the Fiji Revenue & Customs Service for the financial year ending 31 July 2018.

The service continues to grow its revenue collection year on year to support the Fijian Government and Fijian people's aspirations of growing the Fijian economy. I can confidently say that the Service is also contributing and spearheading a number of national initiatives which will ensure inclusive socio-economic development as well as transformational strategic thrusts. All good things take time and I am assured by the strong vision of government outlined in the 20 year National Development Plan, the corresponding FRCS strategic Plans and dedication of the Revenue & Customs Team that we will be ready to respond to the needs of our people today and in the future.

I acknowledge the contribution of fellow Board Directors, the CEO and his leadership team as well as all employees whom without we would not be able to achieve all we have in the last year. We have come far but know there is still much work to be done and reaffirm that we will endeavor to do our utmost best in all our undertakings.

Ajith Kodagoda
Chairman, Board of Directors

CEO REPORT



Mr. Visvanath Das
Chief Executive Officer

Ni sa Bula Vinaka

I am delighted to present the 2017 – 2018 annual report for the Fiji Revenue & Customs Service.

As a team we are faring well in relation to the road map we set for ourselves through our 2017 – 2020 Strategic Plan. However, like any innovative organization we are continuously looking at ways to add value and improve our service delivery.

While we have traditionally been known as an Authority we have made inroads in the last year to re-evaluate our delivery in the market place and have consciously become customer centric in our approach. There continues to be many lessons learnt in our journey to world class, and managing change has brought unique opportunities for our business operations and our people to rethink and engage in conversations which undeniably can be difficult but nonetheless rewarding in the long run when managed well.

We are continuing on our enterprise to be “A world class revenue service” and on our transformation journey, there continues to be progress made to re-engineer and adopt best practices in our systems and processes.

We are also mindful of the expectations of our stakeholders and government to continue to carry out our roles, particularly the collection of revenue on behalf of government. Overall, we have collected \$2.83b, recording a growth of \$252.8m over the last fiscal year. This is a 9.8% growth compared to the previous twelve months and 8.6% below the forecasted revenue.

The level of tax debt at the end of the year was \$129.9m.

In reflecting on the year gone by I would like to highlight a few key achievements with you that include the following:

- Introduction of the Standard Interpretation Guidelines to ensure consistent application of Tax laws and administrative procedures;
- Alignment of FRCS staff salaries to market and re-introduction of health insurance for staff;
- Commencement of modernization of both Customs and Tax legislations;
- Introduction of a pilot Authorized Economic Operator programme;
- Design and consultation of a New Tax System;
- Roll out of the Electronic Fiscal Device System in phases;
- Implementation of an Online Performance Management system;
- The successful completion of our two-year role as World Customs Organization Vice Chair Asia Pacific;
- IT Risk Management infrastructure set up;

I acknowledge the leadership of the Board of Directors, support of Management and all staff in the year's achievement and look forward to building on this years achievements in the new year ahead.

Visvanath Das
CHIEF EXECUTIVE OFFICER

EXECUTIVE LEADERSHIP TEAM



Chief Executive Officer
Mr. Visvanath Das



Director Revenue
Mr. Kumar Sami Goundar



Director Corporate Services
Mr. Fazrul Rahman



Director International Relations & Stakeholder Engagement
Ms. Fane W. Vave



Director Intelligence Compliance & Investigation
Mr. Shameem Khan



Chief Information Officer
Ms. Emily Yalimaiwai



Director People, Capability & Culture
Ms. Ruth Williams



Director Border
Mr. Shane Panettiere



BUSINESS MODEL & ENVIRONMENT: STRATEGY

About us

The Fiji Revenue & Customs Service is a statutory Authority established under the FRCS Act 1999. The service is governed by a Board of Directors and administered by the Chief Executive Officer.

Our roles:

1. Collect taxes and duties on behalf of government;
2. Provide quality advice on tax and customs matter to all our stakeholders;
3. Facilitate trade and travel; and
4. Protect the borders.



FIJI REVENUE & CUSTOMS OFFICE LOCATIONS



BUSINESS ENVIRONMENT & STRATEGIC OBJECTIVES



Strategic Objectives

1. People	<ul style="list-style-type: none"> • Implement a people strategy and new structure • Leadership • Framework development : Employment, Recruitment & Selection, Policies & Procedure • Career & Rotation Boards & Succession Planning
2. Partnerships	<ul style="list-style-type: none"> • Promote Voluntarily Compliance • Enhance Gold card services • Maintain effective regional & International Relationships • Develop best practice tools for the South Pacific region
3. Process & Legislation	<ul style="list-style-type: none"> • Harmonize Revenue & Customs Administration & Legislation • Enable digital enforcement capabilities • Align with international benchmarking standards • Review policies and procedures
4. Technology	<ul style="list-style-type: none"> • Build Enterprise capability • Manage growth & sustainable projects • Ensure a secure and intelligent information platform • Provide agile & Innovative solutions

Functional Areas

The Service has seven directorates that represents its distinct functions, which proactively review the identified strategic focus areas of People, Partnership, Legislation & Process and Technology. The seven functional areas include:

Functional Area	Responsibilities
1. Revenue	All revenue collection, Customer Enquiry Centers, Taxpayer services,
2. Intelligence, Compliance & Investigation	Revenue risk identification and treatment, Intelligence, Inspection,
3. Border	Maritime, passenger and cargo security
4. People, Capability & Culture	Recruitment, talent acquisition, Staff support services, Career pathing, technical training
5. Corporate Services	Legal, Finance, Administration, Properties, Internal Assurance, Ethical Standards, policy advise & Board Secretary responsibilities
6. Technology	Technology solutions, Project management, Disaster recovery, Information Technology and systems
7. International Relations & Stakeholder Engagement	Marketing, Public Relations and International Relations (WCO Vice Chair Asia Pacific role). This area is now merged into the Corporate Service function.

RISK ANALYSIS AND RESPONSE:

The Service has increased its focus and technical efforts to address the growing revenue and security risks. The introduction of the Risk Analysis and Financial Intelligence (RAFIT) team and increased involvement of Internal Assurance will ensure that risks are identified and treated.

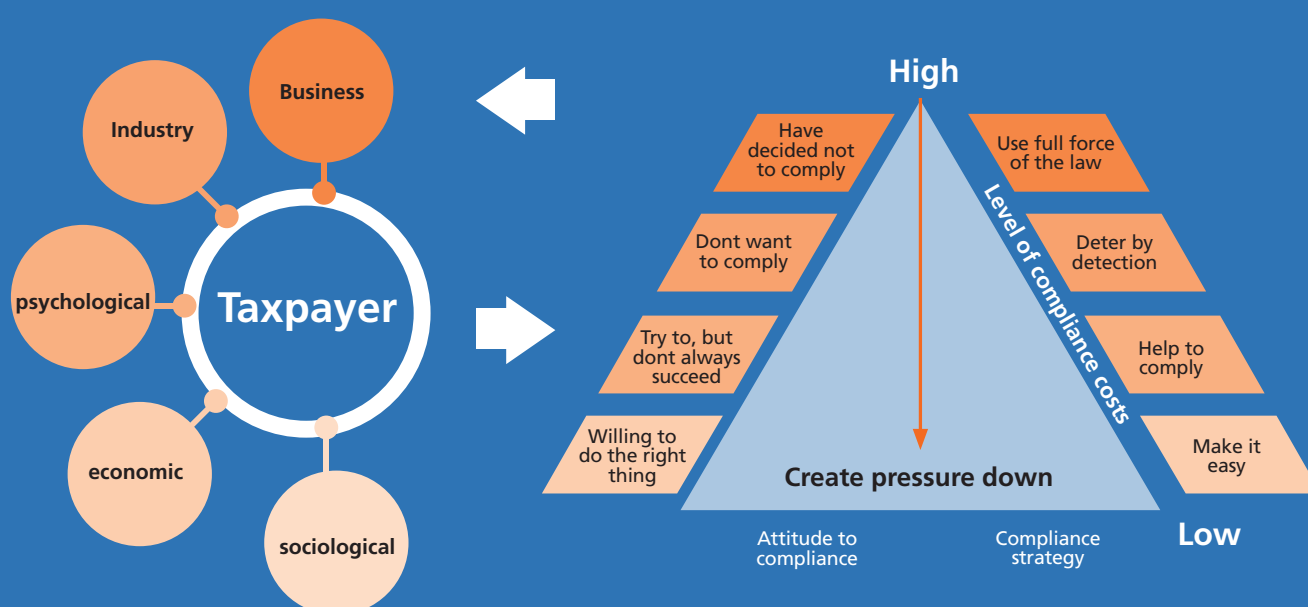
Identification of risk

- Combined revenue approach (both tax & customs technical areas) using IMF Tax Administration Diagnostic Assessment Tool (TADAT) , World Customs Organization instruments - Revised Kyoto Convention (RKC) and the Framework of Standards to Secure and Facilitate Global Trade (SAFE framework).
- Using the Compliance Improvement Strategy (CIS) : Segmented approach to addressing key non-compliance areas.

Compliance Areas	Compliance Risks
1. Registration	New & Existing businesses fail to register
2. Filing	Failure to file tax returns on time
3. Payment	Failure to pay taxes on time
4. Reporting	Failure to accurately declare income

The willingness and behavior of a customer to meet their obligations has a major impact on compliance levels. In order to achieve the optimal level of compliance, it is necessary to pay attention to customer behavior and the methods of influencing behavior. This will assist the tax administration in choosing the most efficient (low costs) and effective (best outcome) ways to treat such behaviors.

This is better explained in the OECD Compliance pyramid and behavior model shown below:



Source: Revenue Administration, Developing a Taxpayer Compliance Program, 2010

Factors that influence taxpayer behaviour

Moreover, according to the objectives of voluntary compliance, it is important to determine the root cause of non-compliance. The strategies identified in the CIS 2017/2018 has enabled FRCS to better profile, facilitate, identify and guide customers towards voluntary compliance.

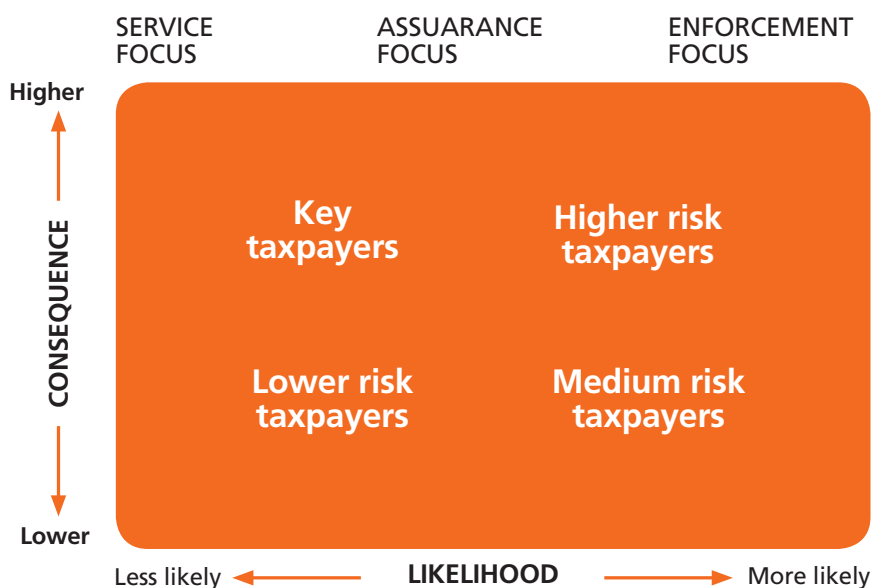
Treatment of Risk

1. FRCS is now using internal and external data to target non-compliance.

Below are some of the tactics we employ:

- a. A High Wealth Individual (HWI) database being built, to track those individuals who have accumulated net worth to the level that places them at the very top of the wealth scale in a country, and not declaring to FRCS;
 - b. Data Matching through ASYCUDA World for customs related transactions;
 - c. Extraction of IMF Data online - Access to Macroeconomic & Financial Data Direction of Trade Statistics (DOTS);
 - d. Implementation of SMS platform for new registrants, missing tax returns and payables;
 - e. Analysis of data from 3rd parties such as FEA, LTA, Motor Vehicle companies, Municipal Councils and Insurance Companies.
2. Risk Development Framework whereby all customers based on their industry and segment type were placed in four different quadrants. These were high, medium, low risk and key customers. A brief of each quadrant is discussed below.

RISK DIFFERENTIATION FRAMEWORK



3. Revised Kyoto Convention (RKC) General Annex which outlines clearance and other customs formalities, duties and taxes, security, Customs Control, Application of Information Technology, relationship between the customs and third parties (e.g.) Customs brokers, Information decisions and rulings supplied by the Customs and appeals in customs matters.
4. SAFE framework of standards to secure and facilitate global trade. Refers to three pillars which need to be addressed and implemented to secure and facilitate global trade.

Performance:

KEY PERFORMANCE INDICATORS

Revenue Collection summary

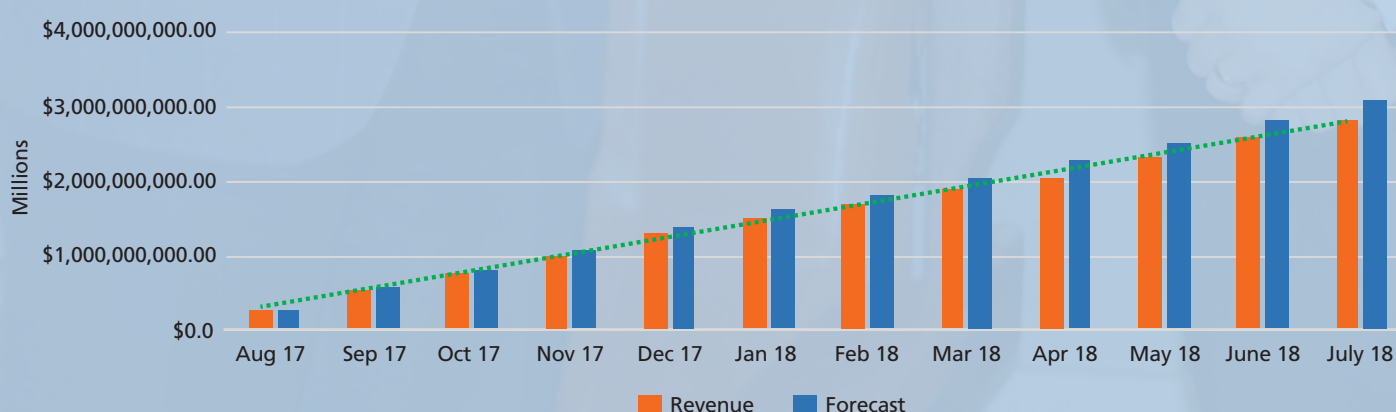
Summary	2017-2018 (\$)	2016-2017 (\$)	Growth (%)
Income Tax	749,905,090	697,843,175	7.5%
VAT	788,625,742	702,529,864	12.3%
Trade	668,648,803	607,624,735	10.0%
Others	623,260,385	569,994,902	9.3%
Total	2,830,440,020	2,577,992,676	9.8%

- The service recorded growth in all major revenue streams for the financial year 2017 – 2018 by 9.8%
- The revenue accounted for 86.9% of total Government revenue
- The growth in revenue was driven by favorable macro-economic conditions, rigorous audits and compliance activities and the efficient recovery of the outstanding revenue and penalties.

For the financial year 2017-2018, we collected a total of \$2.83b, recording a growth of 9.8% or \$252.8m over the previous financial year.

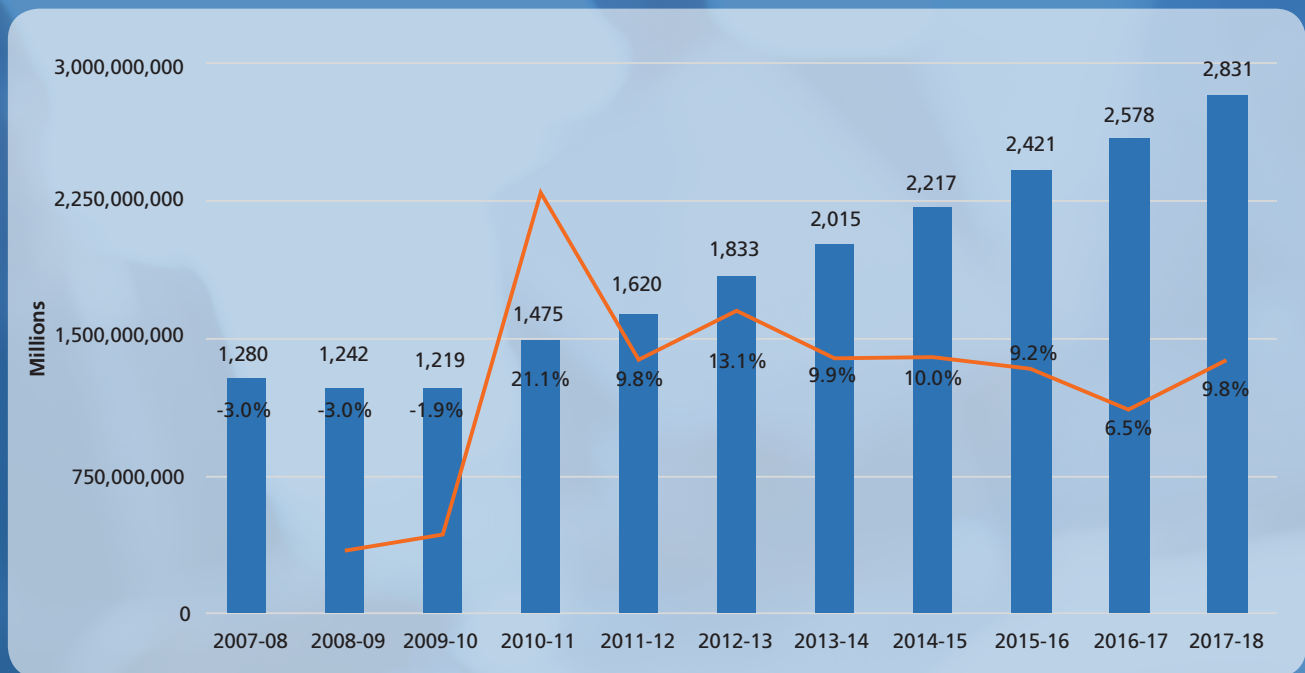
For the 2017-2018 fiscal year, a positive variance of \$12.2m was recorded against the revised forecast based on 10 months of actual revenue baseline. This represents a 0.43% variance over the revised forecast of \$2.82b. The revised forecast stands to be a more objective measure of revenue performance as it takes into account the actual revenue collection trend using 9 to 10 months of revenue data.

Graph 2: Cumulative Revenue Collection vs. Forecast



Cumulative growth has gradually increased over the years with consecutive positive growth from 2010 onwards. A huge improvement is noted this year with growth rate rebounding to the 2014-2015 levels after a significant dip in 2015-2016 - a period of significant tax cut (VAT).

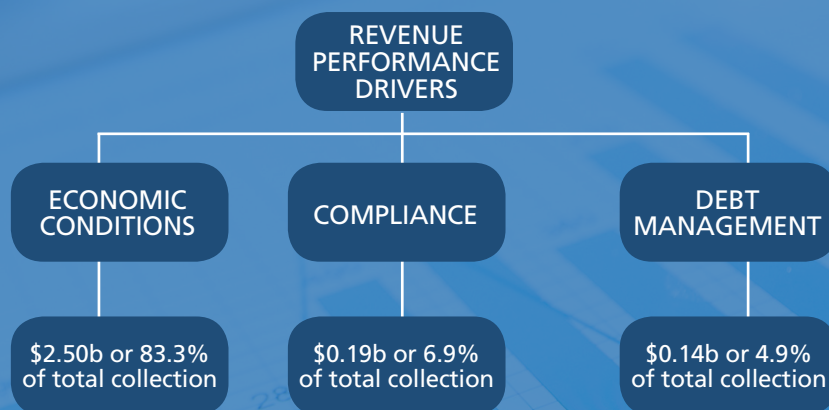
Graph 3: Revenue Collection as at July 2018



The revenue performance is mainly driven through three main channels:

- favorable macro-economic conditions;
- rigorous audit and compliance activity; and
- the efficient recovery of the outstanding revenue and penalties.

Chart 1: Component of Revenue



The improved economic conditions and intensified compliance efforts by FRCS has contributed to increased collections for a number of tax types. Total compliance collection for the fiscal year amounted to \$195.5m. A total of 2,106 audit cases were finalized by the end of the period. Total cases currently under audit is 642 and will increase as the taxpayer profiling works have intensified. Total collections from debt management and arrears amounted to \$137.4m.

Tax mix analysis indicates that VAT is leading the revenue collections with a contribution of 27.9% followed by Income tax at 26.5%, Trade taxes at 23.6% and other taxes and levies contributing 22.0%. The strong growth of 9.8% has culminated into a favorable revenue buoyancy with 1.4% growth in tax revenue relative to a 1% growth in the economy.

Table 1: Tax Mix Analysis

	Tax Mix 2018	Tax Mix 2017	Growth over Total Forecast	Growth /Cum. Forecast	Growth over 2016	% of GDP	Revenue Buoyancy -NGDP
Income Tax	26.5%	27.1%	103.2%	3.2%	7.5%	6.8%	1.0:1
VAT	27.9%	27.3%	78.3%	-21.7%	12.3%	7.2%	1.8:1
Trade	23.6%	23.6%	89.5%	-10.5%	10.0%	6.1%	1.4:1
Others	22.0%	22.1%	101.1%	1.1%	9.3%	5.7%	1.3:1
TOTAL	100.0%	100.0%	91.4%	-8.6%	9.8%	25.8%	1.4:1

Overall Income Tax and Levies led the positive revenue collection. On the other hand, trade taxes and VAT showed weaker performances.

Given the current revenue variance, various strategies were implemented to ensure minimal gap against the year-end target.

- There is constant monitoring of data transmitted through the Electronic Fiscal Device System. A total of 23 supermarkets, 31 pharmacies, 81 Legal Firms, 78 Medical Centers, 33 Accounting Firms, 20 Hardware Companies, 7 Travel Agencies, 1 Contracting Company, 1 Transport Company and 2 Construction Companies have the Electronic Fiscal Devices (EFD) installed and their daily transactions are monitored on an hourly basis. This has also allowed us to estimate the amount of VAT, STT, ECAL collections as well as their compliance rate with the use of EFD's.
- Higher taxes are anticipated through Government's expenditure on cyclone assistance relief effort (Homes Care/Farm Care). A total 60,000 households have been assisted at a cost of \$68m and 55,000 farmers have been assisted at a cost of \$24.3m.
- The impetus for the following months will also be driven by government expenditure and release of grant payment to the various bodies for undertaking of capital development projects. As at July, total budget utilization stands at 85.4%.
- The month of June represented financial year end of several companies and this will further contribute to improvement in revenues.

Partnership

The financial year saw the Service make a quantum shift in how we approached and communicated with our partners, this was reflected both internally with how we liaised within the organization as well as externally with our customers, clients and suppliers. The shifts were driven by a conscious effort to maximize the use of technology, increase engagement at strategic levels and increase voluntarily compliance. Key achievements in this space included

1. Introduction of CEO Forums with Senior Leaders of the industry to discuss key risks and treatments as well as other emerging issues that the business community needed to be addressed. The forums enabled the private sector to hear directly from the FRCS CEO on the initiatives of the organization and how it impacts them.
2. Hosting the Pacific Leadership Program for Border agencies FRCS commenced the Pacific Leadership Program in April 2018. Participants included Biosecurity Authority of Fiji, Fiji Police Force, Fiji Financial Intelligence Unit, Immigration Fiji and Fiji Revenue and Customs Service staff.
3. Extension of Memorandum of Understanding and Information sharing - FRCS continues to identify relevant partners for MOU's that can add value to our deliverables.

In the last financial year this included the signing of 5 new MOU's with Stakeholders such as Exxon Mobil, Total Fiji, Fiji Bureau of Statistics, Royal Fiji Military Forces and FEXCO.

4. International Relations

- a. World Customs Organization Vice Chair Asia Pacific - completion of the two years in the role of Vice Chair for WCO in Asia/Pacific. This included the organization of the Regional Contact Points Meetings and Regional Heads of Customs Administrations meetings in 2017 and 2018. The technical assistance and advice provided by Australia Border, Malaysia Customs (previous vice chair) and New Zealand Customs have been invaluable to FRCS' delivery of the role. The project planning and monitoring approach have also been a key enabling tool.
 - b. Pacific Islands Tax Administrators Association (PITAA) Heads Meeting - Fiji hosted the PITAA heads meeting in September 2018. In the lead up to the event, the FRCS International relations team assisted the PITAA secretariat team in planning the logistics of the meeting using the event project planning approach.
 - c. Oceania Customs Organization (OCO) Heads Meeting 2018 was held in Melbourne Australia and Fiji only attended the 1 day closed session in this period, not the main conference.
 - d. Commonwealth Association of Tax Administrators (CATA) - the annual technical conference of CATA and the General Meeting were held in November 2018 in Denarau. We have prepared well for the conference to ensure that the first CATA conference to be held in the Oceania region was a success.
 - e. Korea Customs Service Business Reengineering Project for Customs - This project is an independent assessment of our Customs systems and processes with a view to instill best practices from Korea and other countries. There has been two exploration missions to Fiji and one study mission by our team to Korea. We aim to receive a number of recommendations that we will be able to integrate into our current processes.
 - f. New Zealand Customs - The implementation of the agreed Fiji and NZ country plan for Customs has been ongoing. Our ability to carry out our role of protecting the border has been greatly assisted by the country plan. The technical assistance and guidance in the agreed technical areas has seen direct results in terms of detecting illegal and harmful items at our borders. The assistance also extends to our administrative areas particularly in the area of law modernization.
5. Trade Facilitation Agreement (TFA) National Steering Group (SG) - The FRCS CEO currently chairs the working groups of the National TFA SG. He is supported by a core team within the organization that drives the working group meetings and deliverables. Thus far, a number of outputs have been achieved by the working groups including: Risk Management process mapping of other working group member organizations (Ministry of Health, BAF); ASYCUDA world access and training for the same organizations.

People

1. Introduction and implementation of an online performance management system was done in August 2018 through running several awareness sessions across the business and having materials and providing a PMS toolkit comprising of booklets and easy guide cards for leaders in order to help them have the conversations around performance and give constructive feedback in order to achieve operational and strategic outcomes.

2. Insurance cover - we now have insurance cover for outpatient, overseas evacuation and optical and dental which was well received by staff. There is also a component of life insurance and funeral cover which staffs families were able to access in the event of the untimely passing of a staff member. Previously these benefits were not available to families of staff members.
3. Operational Realignments - FRCS has undergone a long awaited reform with focus more around risk assessments and profiling.
4. Trainings in RTC - Fiji Regional Training Centre hosted 4 WCO workshops which were the WCO Sub-Regional Workshop for Oceanian Members on Combating Counterfeiting and Piracy, WCO People Development Diagnostics Tool Training, WCO Mercator Advisor Accreditation Workshop and the WCO Passenger Control workshop.
5. Introduction of Customs Cohorts we have since put in a new batch of Customs Cohorts at Nadi Airport and also introduced the new Primary Line Officers to increase efficiency for airports travel facilitation and compliance.
6. People Capability and Culture Policies & Employment Framework - Awareness on the Code of Conduct and Disciplinary Policy continued. We have managed to negotiate a Collective Agreement with the Fiji Public Service Association in order to promote interest based bargaining and greater collaboration with our workers who are represented by the workers unions. We have put in new policies for expecting mothers at work and revising recruitment and leave policies in order to better implement them effectively.
7. New HR Information System - we are now using a new Payglobal system which includes an online kiosk for leave management and allows managers visibility on their teams to better plan employee leave days and allow faster approvals of leave.
8. Competency Framework mapping - FRCS has embarked on developing competency frameworks using the Korn Ferry Global Competencies for General Competencies and actually mapping out the customs and tax competencies. This is expected to be rolled out in full in 2019.

Process & Legislation

1. FRCS received an Anti-Corruption Policy recognition from Fiji Independent Commission Against Corruption (FICAC) in July 2018, being the first country and organization in the Pacific to receive the policy and recognition.
2. Development and finalization of Standard Interpretation Guidelines (SIGS) in June 2018 which standardizes operational practice and policies in the relation to the Tax Administration Act (TAA) of 2009 and Customs Concessions as well. As of close of last financial year 18 SIGS had been published.
3. Pilot and launch of Fiji's first Authorized Economic Operator (AEO) on 01 June 2018. The AEO commenced with the 7 organizations and will be critical as Fiji ascends to ratify the World Trade Organization Trade Facilitation Agreement (TFA) and enhance our efforts to create a safe and secure supply chain.
4. Modernization of laws.

Technology

1. The most significant achievement in the technology space for this financial year has been the introduction of the Electronic Fiscal Device on 01 June 2017 VMS EFD Phased Implementation roll out.



FIJI REVENUE AND CUSTOMS SERVICE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2018

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MEMBERS REPORT

AS AT 31 JULY 2018

In accordance with a resolution of the Service, the members herewith submit the Statement of Financial Position and Statement of Changes in Equity of the Service as at 31 July 2018, and the related Financial Performance and Cash Flows Statements for the year ended 31 July 2018 and report as follows:

THE NAMES OF THE MEMBERS OF THE SERVICE IN OFFICE AT THE DATE OF THIS REPORT

Mr. Ajith Kodagoda	Re-appointed on 31st July 2016 to 31st July 2018 (Chairman)
Mr. Jone Vatukela	Re-appointed on 29th October 2016 to 29th October 2018
Mr. Faiz Khan	Re-appointed on 22nd September 2016 to 22nd September 2018
Mrs. Makereta Konrote	Re-appointed on 22nd December 2017 to 22nd December 2020
Ms. Fay Yee	Appointed on 1st January 2020 to 31st December 2022 (Chairperson)
Mr. Arif Ali	Appointed on 1st January 2020 to 31st December 2022
Mr. Mahmood Khan	Appointed on 1st January 2020 to 31st December 2022
Ms. Lala Sowane	Appointed on 1st January 2020 to 31st December 2022
Ms. Naomi Vuibureta	Appointed on 3rd June 2020 to 2nd June 2022

PRINCIPAL ACTIVITIES

The principal activities of the Service during the year were to act as the Agent of the State in the provision of taxation and customs services, particularly revenue collection, trade and travel facilitation and border management.

OPERATING RESULTS

The net surplus of the Service for the year ended 31 July 2018 was \$1,946,205 compared to \$9,233,180 for the period ended 31 July 2017.

BAD AND DOUBTFUL DEBTS

Prior to the completion of the Service's financial statements, the members took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provisions made for doubtful debts.

For the year ended 31 July 2018, the Service had written off a total of \$34,704.78 as bad debts. The debt was money owed to the Service by previous staff who had left employment without serving the termination service period. After leaving work these staff were untraceable and as such the debt was deemed uncollectable and was written off after obtaining Board approval.

CURRENT ASSETS

Prior to the completion of the financial statements of the Service, the members took reasonable steps to ascertain whether any current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Service. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the members are not aware of any circumstances which would render the values attributed to current assets in the Service's Financial statements misleading.

UNUSUAL TRANSACTION

Apart from matters specifically referred to in the financial statements, in the opinion of the members,

MEMBERS REPORT (continued)

AS AT 31 JULY 2018

the results of the operations of the Service during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the members, to affect substantially the results of the operations of the Service in the current financial year, other than those reflected in the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to balance date that materially affect the financial statements, except for those already noted in the accounts.

OTHER CIRCUMSTANCES

As at the date of this report:

- a) no charge on the assets of the Service has been given since the end of the financial year to secure the liabilities of any other person;
- b) contingent liabilities could not be reliably estimated at the end of the financial year which could become liable; and
- c) can become or are likely to be enforceable within the period of twelve months after the end of the financial year, which in the opinion of the members, will or may substantially affect the ability of the Service to meet its obligations as and when they fall due.

As at the date of this report, the members are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Service's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Service misleading or inappropriate.

MEMBERS' BENEFIT

Since the end of the previous financial year no member has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by members) by reason of a contract made by the Service with the member or with a company/firm which he or she is a partner, or in which he or she has a substantial financial interest.

For and on behalf of the Service :



Chairman

2nd September 2020

Date

MEMBERS REPORT (continued)

AS AT 31 JULY 2018

STATEMENT BY THE MEMBERS

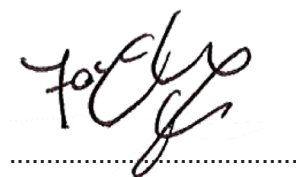
In accordance with a resolution of the members of the Fiji Revenue and Customs Service, we state that:

In the opinion of the members:

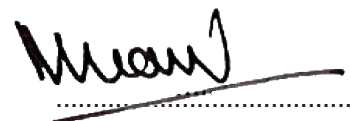
- (i) the accompanying Statement of Financial Position and Statement of Changes in Equity of the Service are drawn up so as to give a true and fair view of the state of affairs of the Service as at 31 July 2018;
- (ii) the accompanying Statement of Financial Performance of the Service is drawn up so as to give a true and fair view of the results of the Service for the year ended 31 July 2018;
- (iii) the accompanying Statement of Cash Flows is drawn up so as to give a true and fair view of the of the cash flows of the Service for the year ended 31 July 2018;
- (iv) at the date of this statement, there are reasonable grounds to believe that the Service will be able to pay its debts as and when they fall due; and
- (v) all related party transactions have been adequately recorded in the books of the Service.

Dated at Suva this 2nd day of September 2020.

For and on behalf of the Service and in accordance with a resolution of the members.



Member



Member

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 31 JULY 2018

OFFICE OF THE AUDITOR-GENERAL

Promoting Public Sector Accountability and Sustainability Through Our Audits



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Website: www.oag.gov.fj



INDEPENDENT AUDITOR'S REPORT FIJI REVENUE AND CUSTOMS SERVICE

I have audited the financial statements of Fiji Revenue and Customs Service ("the Service"), which comprise the statement of financial position as at 31 July 2018, statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and notes to and forming part of the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the Service as at 31 July 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Audit Opinion

The Service, as Agent of the State, administers funds collected on behalf of the Fiji Government and is accountable for transactions involving those funds. Disclosed in Note 30(b) of the financial statements, under "Agency Transactions Administered for the Government of Fiji", is Government Debtors for Income Tax of \$79,264,324, Value Added Tax of \$62,733,502 and Customs of \$9,018,891. Detailed Listings were not provided to support these amounts. Consequently, I was not able to ascertain the accuracy and completeness of the balances disclosed as at 31 July 2018.

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Service in accordance with the 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 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

Note 29 to 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 to this effect.

Responsibilities of the Management and Directors for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intend to cease

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 31 JULY 2018

operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Service's financial reporting process.

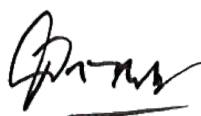
Auditor's Responsibilities for the Audit of the Financial Statements

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 or 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 skepticism 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 Service's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's and directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Service to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management and directors 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
10 September 2020

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 JULY 2018

		31 July 2018	31 July 2017 Restated
	Notes	\$	\$
Total Equity	(refer to page 10)	82,998,233	81,052,028
CURRENT ASSETS			
Cash & Cash Equivalent	6	31,337,496	44,132,251
Receivables	7	1,997,932	3,515,129
Inventory		147,516	-
Prepayments		1,801,662	1,309,841
Investments	8	40,399,887	37,862,469
TOTAL CURRENT ASSETS		75,684,493	86,819,690
NON- CURRENT ASSETS			
Property, plant and equipment	9	33,530,331	20,472,781
Intangibles assets	10	2,520,512	2,571,335
Investments	8	3,275,748	-
Investment Property	11	6,725,000	6,860,000
TOTAL NON-CURRENT ASSETS		46,051,591	29,904,116
TOTAL ASSETS		121,736,084	116,723,806
CURRENT LIABILITIES			
Creditors and Accruals	12	3,679,363	4,272,338
Provision	13	718,022	470,144
TOTAL CURRENT LIABILITIES		4,397,385	4,742,482
NON-CURRENT LIABILITIES			
Deferred grant Income	14	34,340,466	30,929,296
TOTAL NON-CURRENT LIABILITIES		34,340,466	30,929,296
TOTAL LIABILITIES		38,737,851	35,671,778
NET ASSETS		82,998,233	81,052,028

The above Statement of Financial Position has been prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

These financial statements are approved in accordance with a resolution of the members of the Service.

Member.....

Date: 2nd September 2020

Member.....

Date: 2nd September 2020

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 JULY 2018

		31 July 2018	31 July 2017 Restated
	Notes	\$	\$
REVENUE			
Grants from Government	15	42,091,985	42,099,362
Fees and charges	16	10,550,737	11,164,464
Recoupment of depreciation through grants	14	4,567,278	1,851,820
Sundry Income	17	2,922,880	2,268,332
Gain on Disposal of Asset		237,580	19,448
TOTAL REVENUE		60,370,460	57,403,426
EXPENSES			
Employee Costs	18	37,502,184	35,042,722
Administrative Expenses	19	3,012,782	2,703,291
Other Operating Expenses	20	9,586,561	4,505,777
Property Expenses	21	5,812,041	3,648,396
Depreciation	9 (a) and 11	2,438,263	2,189,155
Amortisation of intangible asset	10	72,424	70,984
Non operating expenses	22	-	9,921
TOTAL EXPENSES		58,424,255	48,170,246
NET SURPLUS FOR THE PERIOD		1,946,205	9,233,180

The above Statement of Financial Performance has been prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2018

	Asset Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$
Balance as at 01 August 2016	10,534,061	61,284,787	71,818,848
Surplus for the year	-	9,233,180	9,233,180
Balance as at 31 July 2017	10,534,061	70,517,967	81,052,028
Surplus for the period	-	1,946,205	1,946,205
Balance as at 31 July 2018	10,534,061	72,464,172	82,998,233

The above Statement of Changes In Equity has been prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2018

		31 July 2018	31 July 2017
	Notes	\$	\$
Cash flows from operating activities			
Amount received from government for operating activities		42,091,985	42,099,362
Amount received for services provided		11,772,084	10,546,467
Payments to suppliers & employees		(53,488,494)	(46,444,814)
Net cash provided by operating activities		375,575	6,201,015
Cash flows from investing activities			
Payment for Property, Plant & Equipment		(19,322,034)	(5,286,631)
Capital Grant received from Government		8,433,644	10,901,817
Net redemption /(payment)for investment		(5,813,166)	(4,401,375)
Proceed from sale of fixed assets		289,117	23,000
Interest from investment and other income		2,933,335	1,053,415
Income from investment property		308,774	277,787
Net cash provided/(used) in investing activities		(13,170,330)	2,568,013
Net increase/(decrease) in cash held		(12,794,755)	8,769,028
Cash as at beginning of the year		44,132,251	35,363,223
Net cash at the end of the year	23	31,337,4976	44,132,251

The above Statement of Cash Flows has been prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

1. PRINCIPAL ACTIVITIES

The principal activities of the Service during the year were to act as the Agent of the State in the provision of taxation and customs services, particularly revenue collection, trade and travel facilitation and border management.

2. CHANGE IN NAME

Effective from 1st August 2017, the Service's name has changed from Fiji Revenue & Customs Authority to Fiji Revenue & Customs Service.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been drawn up in accordance with International Financial Reporting Standards (full "IFRS"). The principal accounting policies adopted by the Service are stated to assist in the general understanding of these financial statements. The accounting policies adopted are consistent with those of the previous year except when stated otherwise.

(a) Issue of Financial Statements

The financial statements were approved for issue by the Service's Board of Directors at its meeting held on 22 July 2020.

(b) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost conventions, except for investment properties, and the land and buildings that are classified as property, plant and equipment, have been measured at fair value.

The financial statements are presented in the Fijian currency and are rounded off to the nearest dollar, except otherwise indicated.

The Service's financial statement has been prepared on a going concern basis. However, the Service is dependent on Government policy and the continued funding by Parliament for the administration of the Service.

(c) The Service as the Agent of the State

All funds utilised by the Service through various branches to carry out its functions as the agent of the state have been included in the financial statements.

As the Service acts as the Agent of the State, it administers, but does not control, funds collected on behalf of the Fiji Government. The Service is accountable for transactions involving those resources, but does not have the discretion to deploy the resources for the achievement of its objectives. Government transactions include taxes and customs duties. Government revenue is recognised on receipt (cash basis).

(d) Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments and interpretations to existing standards have been published but are not mandatory/ effective for the Service's 2017/2018 Financial Year. The Service intends to adopt these standards, amendments, annual improvements and interpretations if applicable, when they become effective. No significant impact is expected to arise out of these standards, amendments and interpretations.

Amendments which are applicable to the Service are :

Amendments to IAS 1 – Disclosure Initiative

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of financial statements to their circumstances and the needs of users.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Standards, amendments and interpretations issued but not yet effective (continued)

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. As the Service's Financial Period starts from 1st August 2017, IFRS 9 was not implemented by the Service. The adoption of IFRS 9 will not have any material effect on the classification and measurement of the Service's financial assets and financial liabilities as at reporting date.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 and IAS 18. IFRS 15 provides a comprehensive framework for recognizing revenues from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, earlier applications is permitted. As the Service's financial periods start from 1st August 2017, IFRS 15 was not implemented by the Service. The adoption of IFRS 15 will not have any material effect on the classification, recognition and measurement of the Service's revenues as at reporting date.

IFRS 16 - Leases

IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the balance sheet by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. IFRS 16 applies to annual periods commencing on or after 1 January 2019. Earlier adoption is permitted, but only if IFRS 15 Revenue from Contracts with Customers is also adopted. The Service is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

(e) Cash and cash equivalents

For the purposes of the statement of cash flow, cash equivalents comprise cash on hand and cash at bank

(f) Comparative figures

Where necessary, comparative figures have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

(g) Property, Plant and equipment

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and impairment loss except for one class of PPE, which is buildings. Buildings are measured at revalued amount less accumulated depreciation and impairment loss.

Additions

While expenditure on assets with a value of less than \$1,000 is generally not capitalised, physical control is maintained over all items regardless of cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) Property, Plant and equipment (continued)****Depreciation rates**

Property, plant and equipment (except land) and intangible assets are depreciated at the rates based upon their expected useful lives using the straight line method:

	Period	Rate
Buildings	20 - 25 years	4 - 5 %
Motor Vehicles	3 - 5 years	20 - 33%
Office Equipment	3 - 5 years	20 - 33%
Detectors and Scanners	5 - 10 years	10 - 20%
Furniture & Fittings	5 - 10 years	10 - 20%
Computer Hardware	3 - 5 years	20 - 33%
Computer Software	3 - 15 years	5 - 33%

Disposals

Gain and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of financial performance.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. The costs of infinite life are tested for impairment annually and if there is any indication of impairment, necessary amortisation is carried out.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Service, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(h) Provision for Employee Entitlements

Liabilities for salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(i) Income Tax

The Service is exempt from income tax under section 53 of the Fiji Revenue and Customs Act 1998. Hence, Income Tax is not separately accounted for in the Service's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

(j) Revenue Recognition

Government Operating & Capital Grant

Government grants are recognised in the Statement of Financial Performance on an accrual basis over the periods necessary to match them with the related costs which the grants are intended to compensate. The cost of assets funded by grants are capitalized to fixed assets and the corresponding credit is taken as a deferred grant income.

The fixed assets are depreciated over their estimated useful lives. The benefits arising from the grants being the recoupment through depreciation, is credited to revenue over the period of the useful lives of those assets.

Other income

Fees and charges earned is recorded in the Statement of Financial Performance on an accrual basis.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Rental income earned from leasing or sub-leasing properties is recorded in the Statement of Financial Performance on an accrual basis.

(k) Rounding off amounts

Amounts in the financial statements have been rounded off to nearest dollar unless specifically stated to be otherwise.

(l) Value Added Tax

All items in the financial statements are exclusive of Value Added Tax (VAT), with the exception of Trade Creditors which are stated as VAT inclusive.

(m) Trades and other payables

Trade and other payables are stated at cost. Trade payables are recognised in the statement of financial position when the Service has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Held to maturity financial asset

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Service has the positive intention and ability to hold to maturity.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the stock and bringing it to its existing condition and location. Consumables are valued at cost plus the associated delivery charges.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

4. FINANCIAL RISK MANAGEMENT

The Service's activities may expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Service's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Service's financial performance.

(a) Market Risk**Interest rate risk**

The Service has significant interest-bearing assets in the form of short-term/long term cash deposits. These are at fixed interest rates and hence there are no interest rate risks during the period of investment. For re-investment of short and long term cash deposits, the Service negotiates an appropriate interest rate with the banks and invests with the bank which offers the highest interest return. Given the fixed nature of interest rates described above, the Service has a high level of certainty over the impact on cash flows arising from interest income. Accordingly, the Service does not require simulations to be performed over impact on net profits arising from changes in interest rates.

(b) Credit Risk

Credit risk arises from deposits with banks, as well as credit exposure to customers, including outstanding receivables. For deposits with banks, only reputable parties with known sound financial standing are accepted. Receivable consist of a small number customers. The Service does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, represents the Service's maximum exposure to credit risk.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure availability of funding. The Service monitors liquidity through rolling forecasts of the Service's cash flow position. Overall, the Service does not see liquidity risk as high given that the Service holds a healthy cash balance.

The table below analyses the Service's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are based on the contractual undiscounted cash flows.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying values of financial liabilities and financial assets and provisions are estimated to approximate their fair values.

Financial Assets	<1 year (\$)	2 to 5 years (\$)	Total (\$)
Investment	40,399,887	3,275,748	43,675,635
Receivables	1,997,932	-	1,997,932
Total	42,397,819	3,275,748	45,673,567
Financial Liabilities			
Trade and other payables	3,679,362	-	3,679,362
Provisions	718,022	-	718,022
Total	4,397,384	-	4,397,384

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Service makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of Assets

At each reporting date, the Service reviews the carrying amounts of its tangible assets to determine whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss.

(b) Impairment of Receivables

Impairment of receivable balances is assessed at an individual level and impairment tests are performed on a more specific basis. If any such indication exists, the recoverable amount of the receivable are estimated in order to determine the extent of the impairment loss and are accordingly provided for.

6. CASH AND CASH EQUIVALENTS

	31 July 2018 \$	31 July 2017 \$
Operating Account - ANZ	2,359,698	20,126,397
Fees & Charges - HFC	18,957,374	21,160,042
Operating Account - CNB	1,797,929	2,772,130
Epay- Bred Bank	283	(179)
Interest Bearing- Bred Bank	7,143,698	-
Interest Bearing- BOB	1,002,097	-
Petty Cash	3,050	2,390
Debit Card - WBC	44,183	46,274
FRCS E Account -WBC	22,387	20,543
FRCS E Account -HFC	6,797	4,654
Cash and Cash Equivalent	31,337,496	44,132,251

The cash and cash equivalents held by the Service that is not available for use include, "Taxpayer funds" for taxpayers that are not contactable of \$143,278 which is held in trust in the Operating Account with ANZ.

7. RECEIVABLES

	31 July 2018 \$	31 July 2017 \$
Debtors	938,573	2,133,304
Deposits	130,094	117,027
Rental Deposits	30,000	26,000
Interest Receivable	856,449	1,212,954
Business Advance	300	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

7. RECEIVABLES (continued)

	31 July 2018 \$	31 July 2017 \$
Staff Salary Advance	42,516	29,184
	1,997,932	3,518,469
Less: Doubtful Debts	-	- 3,340
Total Receivables	1,997,932	3,515,129

Terms and conditions of the above financial assets:

- Debtors are non-interest bearing and are normally received with 30-60 day terms.
- Interest receivable, business and staff salary advance are non-interest bearing with an average term of 60-180 days.

Contingent Assets

	31 July 2018 \$	31 July 2017 \$
Contingent Assets	7,314	7,314

This relates to general litigation claims made against employees for employment or contractual matters. These matters are resolved through various means not wholly within the control of the Service and may or may not give rise to a receivable.

8. INVESTMENT

Investments as at balance date comprised of short and long term money placements ranging from three months to two years with interest rates between 3.50% - 4.60%

	31 July 2018 \$	31 July 2017 \$
Current	40,399,887	37,862,469
Non-Current	3,275,748	-
Total Investments	43,675,635	37,862,469

9. PROPERTY, PLANT AND EQUIPMENT

	31 July 2018 \$	31 July 2017 Restated \$
Carrying amount of :		
Building	5,150,211	5,345,962
Computer Hardware	1,776,673	941,384
Office Equipment	654,341	500,263
Furniture & Fixtures	1,669,359	2,212,046
Land	4,875,000	4,875,000
Motor Vehicles	1,257,522	914,661
Detectors & Scanners	403,842	518,397
Capital Works in Progress	17,743,383	5,165,068
Total	33,530,331	20,472,781

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of Property, Plant and Equipment - 2017/2018

	Land at revalued amount	Building at revalued amount	Computer Hardware at cost	Office Equipment at cost	Furniture and Fixtures at cost Restated	Motor Vehicles at cost	Detectors and Scanners at cost	Capital Works in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost or valuation									
Balance at 1 August 2017	4,875,000	6,545,237	4,430,762	6,013,694	8,413,772	2,685,865	828,545	5,165,067	38,957,942
Additions	-	6,885	1,249,914	479,902	321,952	775,386	-	16,487,995	19,322,034
Disposals	-	-	(5,553)	(1,172)	-	(678,432)	-	-	(685,157)
Revaluation gain	-	-	-	-	-	-	-	390	-
Transfers	-	-	-	-	-	-	-	(3,909,679)	(3,909,679)
Total	4,875,000	6,552,122	5,675,123	6,492,424	8,735,724	2,782,819	828,545	17,743,383	53,685,138
Accumulated depreciation									
Balance at 1 August 2017	-	1,199,275	3,489,378	5,513,431	6,201,726	1,771,208	310,148	-	18,485,166
Depreciation expense	-	202,636	412,683	325,824	864,639	382,926	114,555	-	2,303,263
Eliminated on disposal of assets	-	-	(3,611)	(1,172)	-	(628,837)	-	-	(633,620)
Total	-	1,401,911	3,898,450	5,838,083	7,066,365	1,525,297	424,703	-	20,154,809
Carrying amount as at 31 July 2018	4,875,000	5,150,211	1,776,673	654,341	1,669,359	1,257,522	403,842	17,743,383	33,530,331

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

9. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Principal Land Valuer, Professional Valuations Limited during July 2016 valued the following properties

	July 2016 \$	November 2010 \$
1. Queens Warehouse with Land	3,360,000	593,000
2. Nadi Airport Customs Office	515,000	450,000
3. Lautoka Customs Office with Land	6,000,000	4,366,000
Total Value	9,875,000	5,409,000

Land and buildings are stated at their revalued amounts as determined by an independent valuer in 2016. Legal title for land which is valued at \$8.5million are yet to be acquired. These Lands were transferred to the Service under section 16 of the Fiji Revenue and Customs Service Act 1998.

The Service is currently in the negotiation process with the Airports Fiji limited for an offer on the disposal of the Nadi Airport Customs Office, in light of the expansion of the Nadi International Airport. As at 31 July 2018, no agreement has been reached between the two parties. The Nadi Airport Customs office building was revalued at \$515,000 as at 31 July 2016. Date of valuation was 22 July 2016. The valuer used replacement cost approach to value the property.

10. INTANGIBLE ASSETS

	31 July 2018 \$	31 July 2017 \$
Cost-Software		
Balance as at 31 July 2016	6,802,549	6,795,375
Additions	21,600	7,173
Balance as at 31 July 2017	6,824,149	6,802,548
Accumulated amortisation:		
Balance as at 31 July 2016	4,231,213	4,160,229
Amortisation for the year	72,424	70,984
Balance as at 31 July 2017	4,303,637	4,231,213
Net Carrying amount	2,520,512	2,571,335

11. INVESTMENT PROPERTY

	31 July 2018 \$	31 July 2017 \$
Investment Property		
Balance at 1 August	6,995,000	6,995,000
Add: Revaluation gain	-	-
Balance as at 31 July 2017	6,995,000	6,995,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

11. INVESTMENT PROPERTY (continued)

	31 July 2018 \$	31 July 2017 \$
Accumulated Depreciation		
Balance at 1 August	135,000	-
Add: Depreciation	135,000	135,000
Balance as at 31 July	270,000	135,000
Written Down Value as at 31 July	6,725,000	6,860,000

The Investment Property (Main Customs Building) was revalued by an independent valuer (Professional Valuations Limited) in July 2016. The valuer used replacement cost approach to value the property. Date of valuation was on 22nd July 2016. There is no restriction on the realisability of investment property. The property is leased under operating lease. The legal title for the investment property is yet to be acquired by the Service.

12. Trade and other payables

	31 July 2018 \$	31 July 2017 \$
Trade payable	2,309,377	3,346,641
VAT payable	5,591	360,071
Others	1,634,395	565,626
Total Trade and other Payables	3,679,363	4,272,338

Terms and conditions of the above financial liabilities:

- Trade payables and VAT payable are non-interest bearing and are settled on 30 day terms
- Other payables are non-interest bearing and are settled as and when required.

13. PROVISION

	31 July 2018 \$	31 July 2017 \$
Employee entitlement represents annual leave accrued as at 31 July 2018		
Annual Leave		
Opening Balance	470,144	245,876
Accrued during the year	718,022	470,144
Utilised during the year	(470,144)	(245,876)
Closing Balance	718,022	470,144

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

14. RECOUPMENT OF DEPRECIATION AND DISPOSAL THROUGH GRANTS

	31 July 2018 \$	31 July 2017 Restated \$
<u>Building</u>		
Written down Value	532,143	58,846
Addition during the year	-	491,229
Depreciation recoupment	(22,844)	(17,932)
Deferred Grant	509,299	532,143
<u>Computer Hardware & Software</u>		
Written down Value	877,836	878,074
Addition during the year	1,226,992	317,993
Disposal	(1,942)	-
Depreciation recoupment	(393,445)	(318,231)
Deferred Grant	1,709,441	877,836
<u>Motor Vehicles</u>		
Written down Value	522,318	877,628
Addition during the year	775,386	199,743
Disposal	(49,596)	-
Depreciation recoupment	(378,471)	(555,053)
Deferred Grant	869,637	522,318
<u>Furniture & Fittings</u>		
Written down Value	1,836,275	2,178,684
Addition during the year	305,783	406,407
Depreciation recoupment	(813,628)	(748,816)
Deferred Grant	1,328,430	1,836,275
<u>Office Equipment</u>		
Written down Value	217,699	326,548
Addition during the year	386,560	-
Depreciation recoupment	(186,249)	(108,849)
Deferred Grant	418,010	217,699
<u>Detectors and Scanners</u>		
Written down Value	456,621	559,560
Addition during the year	-	-
Depreciation recoupment	(102,941)	(102,939)
Deferred Grant	353,680	456,621
<u>Deferred Grant - Expenses</u>		
VMS- Depreciation Recoupment	(849,738)	-
NTIS- Depreciation Recoupment	(1,819,962)	-
Refer to note 25	(2,669,700)	-
Total Depreciation and Disposal Recoupment	4,567,278	1,851,820

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

14. RECOUPMENT OF DEPRECIATION and DISPOSALS THROUGH GRANTS (continued)Work in Progress

Cost	5,165,068	1,605,430
Addition during the year	16,487,995	4,606,758
Transfers: Nausori Office	(334,480)	(391,492)
Transfer : IT and others	(810,520)	(124,853)
Transfer : CCTV Nasese Office	(27,556)	(491,229)
Transfer : Expenses	(2,700,459)	(39,546)
Transfer : Assess Management	(15,065)	
Transfers: Help Desk	(21,600)	-
	17,743,383	5,165,068

Details of Committed Capital Grant which are in progress:

	31 July 2018 (\$)	31 July 2017 (\$)
Capital Grant for Nadi Office Project	2,266,048	2,816,513
Capital Grant for VMS Project	1,420,891	3,227,982
Capital Grant for Border Security	4,407,758	7,273,436
Capital Grant for IT Projects	560,081	956,745
Capital Grant for Property Projects	-	780,605
Capital Grant for NTIS project	2,753,808	6,266,055
	11,408,586	21,321,336
Total Deferred Grant Income	34,340,467	30,929,296

The Service had received Generator from the Oceania Customs Organisation as grant and this is presented as deferred income.

15. GOVERNMENT GRANTS

	31 July 2018 (\$)	31 July 2017 (\$)
Cash Grants from Government	42,091,985	42,099,362
Net Grant received from Government	42,091,985	42,099,362

Operating Grant for the financial year 2017/2018 was received less of \$10.412M from the initial approved Grant of \$53.651M (VIP)

Government grants received for the purchase of fixed assets are presented as deferred income. Capital grant of \$8.812M VIP was received from Government for 2017/2018 from the initial approved Capital Grant of \$11.75M VIP.

16. FEES AND CHARGES

10,550,737 11,164,464

These are revenue earned from services provided by the Service, which are collected with other revenues and lodged into the Government consolidated fund account. The Ministry of Economy reimburses these funds to the Service during the year.

17. SUNDRY INCOME

	31 July 2018 (\$)	31 July 2017 (\$)
Interest on Investment	2,431,237	1,692,486
Income from Investment Property	303,040	303,040
Rental Income	5,734	5,505
Other Revenue	182,869	267,301
Total Sundry Income	2,922,879	2,268,332

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

18. EMPLOYEE COSTS

	31 July 2018 \$	31 July 2017 \$
Salaries and wages	29,404,272	25,957,239
FNPF, Overtime, Allowances and Bonuses	5,547,410	6,414,837
Annual Leave	1,301,899	1,159,670
Training, Professional Development	506,803	373,075
Recruitment, Transfer and Others	741,800	1,137,901
Total Employee Costs	37,502,184	35,042,722

19. ADMINISTRATIVE EXPENSES

	31 July 2018 \$	31 July 2017 \$
Communications	1,058,628	869,773
Electricity, Water & Power Supply	874,935	817,383
Travel and Accommodation	532,293	546,127
Contributions to ASMP, WCO & CATA	546,926	470,008
Total Administrative Expenses	3,012,782	2,703,291

20. OTHER OPERATING EXPENSES

Insurance	422,871	322,777
Computer Maintenance/ Software Licenses	1,179,933	948,861
Stationery & Supplies	426,012	434,495
Vehicle Service & Maintenance	211,138	193,837
Training Levy	303,415	258,501
FCEF Levy	-	10,224
Research and Development	2,669,700	-
Consultancy/ Special Projects	3,357,923	918,758
Professional fees	34,776	(8,199)
Legal Fees	70,612	87,784
Audit Fees	21,101	32,765
Advertising/ Public Education	251,714	257,564
Books, Periodicals, Publication	26,500	62,485
Uniforms	69,639	253,436
Directors Fees	34,500	34,500
Entertainments	57,961	45,105
Minor Assets	261,269	129,663
Staff Team Building Day	9,120	10,000
Taxi/ Freight	26,957	12,083
Bank Fees and Charges	58,783	65,355
Bad & Doubtful Debts	31,364	24,395
Dog Kennel Expenses	20,355	4,981
Rewards	40,918	406,407
Total Other Operating Expenses	9,588,579	4,505,777

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

21. PROPERTY EXPENSES

This includes rents for staff quarters, office space and building maintenance

Office Rent

Staff Quarters

Office Maintenance

Total Property Expenses

Rodwell Rd property expenses for the period was \$211,337

31 July 2018 \$	31 July 2017 \$
4,921,687	2,912,886
74,358	137,108
815,996	598,402
5,812,041	3,648,396

22. NON -OPERATING EXPENSES

31 July 2018 \$	31 July 2017 \$
-	9,921

23. NOTES TO STATEMENT OF CASH FLOW**Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and excludes short term deposits

Operating Account - ANZ

Fees and Charges - HFC

Operating account - CNB

Epay- Bred Bank

Interest Bearing- Bred Bank

Interest Bearing- BOB

Petty Cash

Debit Card - WBC

FRCS E Account - HFC

FRCS E Account -WBC

Cash on hand and in Bank

31 July 2018 \$	31 July 2017 \$
2,359,698	20,126,397
18,957,374	21,160,042
1,797,929	2,772,130
283	(179)
7,143,698	-
1,002,097	-
3,050	2,390
44,183	46,274
22,387	4,654
6,797	20,543
31,337,496	44,132,251

24. COMMITMENTS

NTIS

VAT Monitoring System

Supply Chain

Queens Warehouse

Pebble IT

Project Control - FDDU Suva

Nadi office

Nausori Office

Labasa Office

Total Commitment**Contingent Liabilities**

31 July 2018 \$	31 July 2017 \$
24,540,860	-
506,194	697,423
-	2,840,361
116,586	-
296,212	-
12,000	-
204,283	128,315
-	169,375
21,052	-
25,697,187	3,835,474
91,648	89,009

The Service as a statutory body has a number of general litigation claims made against it for employment or contractual matters. These matters are resolved through various means not wholly within the control of the Service and may or may not give rise to an obligation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

24. COMMITMENTS (continued)**Operating lease commitments**

Total commitments for future base lease rentals are as follows:

	31 July 2018 \$	31 July 2017 \$
Not later than 1 year	2,381,193	2,726,538
Later than 1 year but not later than 5 years	1,176,120	1,874,396
Greater than 5 years	-	-

Operating lease revenue

Non Cancellable operating lease rentals are receivables as follows:

Not later than 1 year	8,256	2,500
Later than 1 year but not later than 5 years	14,448	-
Greater than 5 years	-	-

25. RESEARCH AND DEVELOPMENT**VAT Monitoring System (VMS)**

VAT monitoring system provides efficient and reliable process in combating against fraudulent tax payers and at the same time collects the much needed revenue for the government which was being evaded previously. The VMS has been linked to the company's cash register, which provides a real time data to FRCS on total company sales and the amount of VAT collected.

FRCS had engaged a supplier for the supply of Sales Data Controller (SDC) for VMS project in 2016. As work progressed on the proposed solution, further studies, site visits and recommendations from international bodies, new requirements with additional features and controls which provided a better solution, was proposed for successful implementation of VMS project. Thus the investment in the initial model has been classified as research and development cost as through that model a better solution was developed which is suitable for Fijian economy. Therefore the payment of \$ 849,738 has been expensed as research and development cost for the VMS project.

New Tax Information System (NTIS)

To improve services to taxpayers, the Service is in the process of upgrading its Tax Information System which is the NTIS project. Research and scope works were carried out to select the best tax information system. Scope works and vendor selection was successfully completed with the contract signed with the vendor. The cost related to research and scope works of \$1,819,962 is now being expensed as research and development cost for the NTIS project.

26. PRIOR YEAR ADJUSTMENTS

Adjustment of Nasese Fitout Capitalization of \$482,194. The effect of the restatement on the prior years financial statements is summarised below:

	Reported 2017 (\$)	Adjusted (\$)	Restated 2017 (\$)
a. Effect on Financial Performance			
Recoupment of Depreciation Through Grants	1,803,601	48,219	1,851,820
Depreciation	2,140,936	48,219	2,189,155
b. Effect on Financial Position			
Furniture & Fittings	7,931,578	482,194	8,413,772
Accumulated Depreciation - Furniture & Fittings	5,815,972	385,755	6,201,726
Deferred Grant Income	30,832,857	96,439	30,929,296

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

27. RELATED PARTIES**(a) Transaction with related parties**

All transaction that occurred between the Service and companies or organisations in which a member may have an interest, either as a member or employee, were at 'arms length' and in normal course of business.

(b) Directors and Key Management Personnel Remuneration

	31 July 2018 \$	31 July 2017 \$
Directors' remuneration-fees	34,500	34,500
Key Management Personnel remuneration for salary and	1,347,296	1,002,754
Other benefits		

Directors remuneration include amounts paid to the directors of the Service. No remuneration is paid to Mr. Ajith Kodagoda. Remuneration for Ms. Makereta Konorote and Mr. Faiz Khan are paid directly to the Ministry of Economy and Tropik Woods Industries, Ltd, respectively. Remuneration for Mr Jone Vatukela is paid to him.

Remuneration for Mr Shane Panettiere, Director Border Force is paid by NZ Customs, and is not part of FRCS's Management remuneration.

Key Management Personnel

Key Management personnel are those persons having authority and responsibility for planing, directing and controlling the activities of the entity, directly or indirectly (whether executive or otherwise) of that entity.

During the reporting period, the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling of activities.

Mr. Visvanath Das - Chief Executive Officer	17/08/2016 - 31/07/2019
Mr. Kumar Sami Goundar - Director Revenue Management	03/10/2016 - 23/11/2017
Mr. Fazrul Rahman - Director Corporate Services	03/10/2016 - 31/07/2019
Mrs. Emily Yalimaiwai - Chief Information Offcier	01/07/2016 - 31/07/2019
Mr. Shameem Khan -Director Intelligence, Compliance & Investigation	06/03/2017 - 31/07/2020
Mrs. Fane Vave - Director International Relations & Stakeholder Engagement	17/08/2016 - 31/07/2019
Mrs. Ruth Williams - Director People Capibility & Culture	13/12/2017 - 31/07/2020
Mr. Shane Panettiere - Director Border Force	01/01/2017 - 04/07/2018
Mr. Krishna Chandra - Deputy Director Fraud & Investigation	23/06/2017 - 31/07/2020
Mr. Jonetani Vuto - Deputy Director Revenue Management	23/06/2017 - 31/07/2020
Mr. Muni Ratna - Deputy Director Revenue Management	01/04/2017 - 31/07/2019
Mr. Winston Rounds - Acting Director Border	21/06/2018 - 21/09/2018

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 JULY 2018

28. REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

The registered office and principal place of business of the entity is located at:

Fiji Revenue and Customs Service Complex
Lot 1 Corner of Queen Elizabeth Drive and Ratu Sukuna Road
Nasese
Suva, Fiji

29. EVENTS SUBSEQUENT TO BALANCE DATE

COVID-19 had an effect on the grant allocated to Fiji Revenue and Customs Service in the 2019-2020 financial year. In the COVID-19 Response Budget for the financial year 2019-2020, the total budget allocation for the Service was reduced by \$10 m.

30. AGENCY TRANSACTIONS ADMINISTERED FOR THE GOVERNMENT OF FIJI**(a) Government Revenue**

The Service is responsible for the collection of the following revenues which are deposited directly by the Service into the Government's Consolidated Fund account of Government.

The Service does not receive these funds in its bank account. Government revenue is recognised on receipt.

	31 July 2018 \$	31 July 2017 \$
Customs Collection	896,616,535	820,441,212
Less: Rebates/misc fees & charges	(16,097,405)	(5,036,688)
	880,519,130	815,404,524
Inland Revenue Collection	1,226,379,930	1,119,759,558
Less: Refunds	(65,058,282)	(59,681,274)
	1,161,321,648	1,060,078,284
Value Added Tax	1,044,540,671	942,908,015
Less: Refunds	(255,941,429)	(240,398,150)
	788,599,242	702,509,865
Total Government Revenue	2,830,440,020	2,577,992,673

(b) Government Assets - Debtors

The balance outstanding as at 31 July 2018 of \$462,578,150 consisted of arrears as follows:

	31 July 2018 \$	31 July 2017 \$
Income Tax	79,264,324	64,296,411
Value Added Tax	62,733,502	43,871,687
Customs	9,018,891	2,867,933
Tertiary Education Loan Scheme (TELS)	311,561,433	218,101,454
Total Arrears	462,578,150	329,137,485

The above amounts include penalties that may be waived and balances that may be disputed by taxpayers.

For the year ended 31 July 2018, the total amount of \$121,793,317 (2017: \$48,277,990) in penalties was waived/written-off by the Service. The withdrawals were made in accordance with Section 48(7) of Tax Administration Act and Section 34 of the Financial Management Act 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

30. AGENCY TRANSACTIONS ADMINISTERED FOR THE FIJI GOVERNMENT (continued)**(c) Government Liabilities**

	31 July 2018 \$	31 July 2017 \$
VAT Refunds Outstanding	147,144,674	75,772,512
Income Tax Refunds	17,104,592	18,694,678
Total Liabilities	164,249,266	94,467,190

For the year ended 31 July 2018, a total tax of \$368,396,176 was progressively received for the tax year, for which assessments will be raised once the taxpayers tax year ends, which is usually December. According to Income Tax Act, Taxpayers are given three months to lodge their tax returns after which assessments will be raised and ultimately offset these payments. 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.

(d) Government Contingent Liabilities and Contingent Assets

The Service as an agent of government currently has a number of litigation claims made against it and also claims against the taxpayers in relation to tax and customs matters. These matters are resolved through various means not wholly within the control of the Service and may not give rise to an obligation.

	31 July 2018 \$	31 July 2017 \$ (Restated)
Contingent Liability	35,482,450	41,818,802
Contingent Asset	13,640,969	11,212,893

In 2016/2017 signed Financial Statements, Contingent Liability and Contingent Asset was reported as \$47,796,909 and \$5,917,956 respectively. The reason for the restatement in Contingent Assets and Liabilities for 2016/2017 is due to errors and omissions. Errors relate to the classification of assets and liabilities whilst Omission relates to criminal cases not included in the listings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018



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