



OFFICE of the AUDITOR GENERAL  
Republic of Fiji

EXCELLENCE IN PUBLIC SECTOR AUDITING

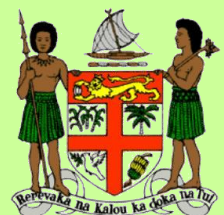
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# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

## Volume 1

**Audit Report on Whole of Government Financial  
Statements and Annual Appropriation Statement 2015**

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PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER NO. 58 OF 2017



OFFICE of the AUDITOR GENERAL  
*Republic of Fiji*

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## Volume 1

**Audit Report on Whole of Government Financial  
Statements and Annual Appropriation Statement 2015**

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# OFFICE OF THE AUDITOR GENERAL

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File: 102

17<sup>th</sup> March 2017

The Honorable Dr. Jiko Luveni  
Speaker of the Parliament of the Republic of Fiji  
Parliament Complex  
Gladstone Road  
Suva

Dear Dr. Luveni

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## Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statement of the Republic of Fiji for the year ended 31 December 2015

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In accordance with section 152 (13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the audit of the Whole of Government financial Statements and the Annual Appropriation Statement of the Republic of Fiji for the year ended 31 December 2015.

Ajay Nand  
AUDITOR-GENERAL



# Foreword

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The 2015 accounts of Whole of Government of Republic of Fiji together with 37 Ministries and Departments were audited during 2015, with their audit reports and relevant findings on them reported in accordance with section 152 of 2013 Constitution of Republic of Fiji.

The audit of Whole of Government concludes with an unqualified audit report. The accounts have been faithfully and properly kept in accordance with section 152(2) of the Constitution, section 6 of the Audit Act and sections 46 and 47 of the Financial Management Act 2004.

However, emphasis has been made on the need to include accounts of controlled entities with those of government ministries and departments. In addition, variances between bank reconciliation statements and their respective general ledger accounts for Trust Fund, Trading and Manufacturing Activities, Overseas Missions bank accounts and Drawings accounts, need to be rectified.

The financial statements of the Republic of Fiji have been presented in accordance with the Financial Management Act 2004 with direct reference to the budget estimates of Government. Presentation and certain disclosures have also been made in accordance with cash-basis International Public Sector Accounting Standards (IPSAS).

The audit reports comprise off four volumes which have been presented in accordance with the budget sectors as follows:

Volume	1	Audit Report on the <i>Accounts and Finance</i> of Government
	2	Audit Report on the General Administration Sector
	3	Audit Report on the Social Services Sector
	4	Audit Report on the Economic Services and Infrastructure Sector

Volume 1 of the report should be read in conjunction with the Whole of Government financial statements, the appropriation statement of the Republic of Fiji and my opinion expressed on them for the year ended 31 December 2015.

## ***Audit Opinion on respective Ministry/Department (Agency) Financial Statements***

A total of 37 Agency Financial Statements were prepared in accordance with the Financial Management Act 2004 and Finance Instructions 2010. Of these, unqualified audit reports were issued on 20 financial statements while audit reports on 17 financial statements were qualified on the following grounds:

- Variances were noted between reconciliations prepared by Ministries and Departments and FMIS Ledger maintained by Ministry of Finance;
- Board of Survey was not carried out;
- Financial transactions were not recorded in the FMIS Ledger;
- Amounts reflected in Trust and Trading Manufacturing Accounts were not fully supported;
- Funds in approved budget estimates for 2015 were used for trust account expenditures; and
- Independent stock take was not done.



### ***Expenditure planning***

Ministries and Departments concentrated spending of their budgets towards the end of 2015 (December) hence indicating lack of proper financial planning during the year. This contributed to significant unrepresented cheque balance at the end of the year placing undue strain on government cash flows at the beginning of 2016.

### ***Public debt***

At the end of 2015, the percentage of national debt relative to GDP was 46%, a decrease of 2% when compared to 48% 2014. In addition, percentage growth in Government debt was less than the percentage growth in the economy indicating a slight decrease in debt burden of individuals in 2015.

The Government needs to sustain its existing resources to fund its current programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

### ***Root Cause Analysis***

Root cause analysis is defined as the identification of why an issue (error, problem, missed opportunity or instance of non-compliance) occurred which is reported as audit findings in audit reports.

Analysis of audit findings reported in *Volumes 1 – 4 of the 2015 Audit Reports* indicate the following as key causes to the issues highlighted:

- **People**
  - Inability to prepare reconciliations, investigate and rectify variances
  - Supervision of work of subordinates
  - Inability to manage capital projects
  - Procurement processes not followed
  - Payment procedures not followed
  - Diversion of funds
  - Conflict of interest not managed
  - Records not updated
- **Processes**
  - Delay in approval of capital projects
  - Procedures for debt recovery not effective
  - Policies need to be formulated in some areas
- **Systems**
  - Automated inventory management systems not used

It was evident from the audit that, apart from taking surcharge action for losses incurred, Ministry of Finance was not able to control the performance of accounting officers based in Ministries and Departments. Therefore, it is imperative that Heads of Ministries and Department carry out detailed analysis of the audit reports and take proactive action to address people issues either through capacity building or disciplinary process for non-performance or non-adherence to established policies and procedures.

In respect of processes, more concerted efforts need to be taken to streamline processes enabling quicker completion of capital projects so that intended benefits are realized as soon as possible. Greater use of information technology systems will eliminate manual inventory control which is susceptible to errors and omissions and fraud.

Unless appropriate action is taken to address the root-causes discussed above, repeat audit issues will continue to be the highlight of audit reports.



Ajay Nand  
**AUDITOR GENERAL**



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2.             Office of the Prime Minister
3.             Office of the Attorney General
4.             Ministry of Finance
5.             Ministry of i-Taukei Affairs
6.             Ministry of Immigration, National Security and Defence
7.             Ministry of Employment, Productivity and Industrial Relations
8.             Ministry of Foreign Affairs
9.             Office of the Auditor General
10.            Elections Office
11.            Judiciary
12.            Parliament
13.            Independent Commissions
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- 15A            Fiji Correction Services
16.            Ministry of Communication
- 16A            Department of Information Technology and Computing Services
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19.            Republic of Fiji Military Forces
20.            Fiji Police Force

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22.            Ministry of Health and Medical Services
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25.            Ministry of Youth and Sports
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**Volume 4:**

30.            Ministry of Agriculture
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33.            Ministry of Lands and Mineral Resources
34.            Ministry of Industry, Trade and Tourism
35.            Ministry of Sugar
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37.            Ministry of Local Government, Housing and Environment
40.            Ministry of Infrastructure and Transport
49.            Peacekeeping Missions

# VOLUME 1

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

Part 1:        Whole of Government Financial Statements and Annual Appropriation Statement for the Republic of Fiji for the Year Ended 31 December 2015

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

**Part 1:                    Whole of Government Financial  
Statements            and            Annual  
Appropriation Statement for the  
Republic of Fiji for the Year Ended  
31 December 2015**

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File: 120/1

13 March 2017

Makereta Konrote  
The Permanent Secretary  
Ministry of Economy  
Rotalabalavu House  
SUVA

Dear Ms. Konrote

**RE: Financial Statements**  
**Government of the Republic of Fiji for the year ended 31 December 2015**

The signed financial statements of the Government of Republic of Fiji for the year ended 31 December 2015 together with my audit report on them are enclosed.

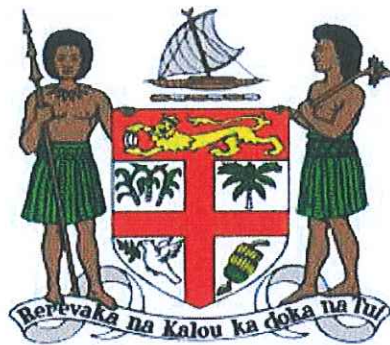
Particulars of errors and omissions arising from the audit have been forwarded to the Chief Accountant for his necessary action.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand'.

Ajay Nand  
**AUDITOR GENERAL**

Encl.



# Financial Statements Government of Republic of Fiji

for the year ended 31 December 2015

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## INDEPENDENT AUDIT REPORT

### FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE REPUBLIC OF FIJI FOR THE YEAR ENDED 31 DECEMBER 2015

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#### Scope

I have audited the Financial Statements of the Government of the Republic of Fiji for the year ended 31 December 2015 in accordance with section 152 of the 2013 Constitution of the Republic of Fiji, Financial Management Act (2004), Section 6 of the Audit Act and Cabinet Decision 277 of 2010.

The Primary Financial Statements comprise the following:

- Cash Flow Statement
- Statement of Comparison of Budget and Actual Amounts according to Budget Funding Programme
- Statement of Comparison of Budget and Actual Amounts by Economic classifications
- Notes to the Primary Financial Statements

The Other Financial Statements required by Law comprise the following:

- Statement of Assets and Liabilities
- Statement of Revenue and Expenses
- Statement of Changes in Equity
- Statement of Contingent Liabilities
- Statements for Annual Appropriations and Budget Results as included in Schedules 7 to Schedule 14

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

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

My audit was conducted in accordance with the International Standards on Auditing to provide reasonable assurance as to whether the Financial Statements of Government of the Republic of Fiji are free of material misstatements. My audit procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the Financial Statements of Government of the Republic of Fiji and the evaluation of the accounting policies. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are fairly stated in accordance with the accounting policies in Note 2 and Financial Management Act 2004, Section 152 of the 2013 Constitution, Section 6 of the Audit Act and Cabinet Decision 277 of 2010, so as to present a view which is consistent with my understanding of the financial performance of the Government of the Republic of Fiji for the year ended 31 December 2015.

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



In my opinion,

- the accounts as presented in the Financial Statements of Government of the Republic of Fiji have been faithfully and properly kept;
- transactions with or concerning public money or public property of the State have been authorized by or pursuant to the 2013 Constitution or any other written law, and
- expenditure have been applied for the purpose for which they were authorised.

**Emphasis of Matter**

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

***Primary Financial Statements***

- Note 2.2 to the Financial Statements on the Basis of Consolidation states that the Government of the Republic of Fiji financial statement for 2015 includes only the accounts of government ministries and departments and does not consolidate the financial statements of other controlled entities.

***Other matters***

- The variance between bank reconciliation statements and their respective general ledger accounts for Trust Fund, Trading and Manufacturing Activities, Overseas Missions bank accounts and Drawings accounts totalled \$6.3 million.



Ajay Nand  
**AUDITOR GENERAL**

Suva, Republic of Fiji  
13 March 2017



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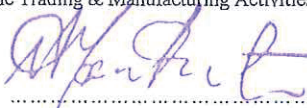
GOVERNMENT OF THE REPUBLIC OF FIJI  
CASH FLOW STATEMENT  
(EXCLUDING CONTROLLED ENTITIES)  
FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 1

		Actual Controlled by the Government 2015	Payment by third parties (Note 4) 2015	Actual Controlled by the Government 2014
	Notes	\$	\$	\$
<b>Cash flows from operating activities</b>				
<i>Receipts</i>				
Direct Taxes		605,113,135		523,741,388
Indirect Taxes		1,754,750,096		1,594,001,054
Fees, Charges, Fines and Penalties		104,827,452		103,223,069
Sales Revenue (TMA)		22,745,668		17,111,335
Other Revenues and Surpluses		41,813,998		31,470,355
Reimbursements and Recoveries		17,987,093		14,772,560
Grants in Aid (overseas)		18,321,910		25,932,894
Net receipts into trust fund accounts		6,563,485		---
<i>Payments</i>				
Established Staff		(773,262,555)		(706,343,703)
Unestablished Staff		(45,089,205)		(45,397,807)
Travel and Communications		(29,437,581)		(27,054,575)
Maintenance and Operations		(91,109,340)		(89,991,242)
Purchase of Goods and Services		(89,620,229)		(79,650,483)
Operating Grants and Transfers		(436,078,259)		(387,664,256)
Special Expenditure	3	(75,576,742)		(64,151,800)
Pensions, Gratuities and Compassionate Allowances		(38,878,319)		(36,785,353)
Value Added Tax		(55,636,374)		(69,696,695)
Cost of Goods Sold (TMA)		(6,938,953)		(6,613,437)
Trading and Manufacturing Accounts (TMA) Other Expenses		(7,984,559)		(6,262,040)
Interest Payments on Loans		(295,147,698)		(264,309,159)
Net Advance Payment/(Receipt)		---		(10,472,877)
<b>Net cash flows from operating activities</b>		<b>627,363,023</b>		<b>515,859,228</b>
<b>Cash flows from investing activities</b>				
Investing Receipts		250,701,651		80,906,924
Capital Expenditure		(931,396,921)	(114,106,619)	(833,752,337)
Net Investments acquired		---	---	1,249,101
Receipts into fixed term deposits		---	---	3,559,670
<b>Net cash flows from investing activities</b>		<b>(680,695,271)</b>	<b>(114,106,619)</b>	<b>(748,036,642)</b>
<b>Net cash inflows before financing</b>		<b>(53,332,247)</b>	<b>(114,106,619)</b>	<b>(232,177,414)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		687,416,972	---	233,405,780
Repayment of borrowings		(677,261,695)	---	(202,166,704)
Treasury Bills Net Proceeds/(Repayments)		14,672,400	---	26,305,396
Third Party Payments		---	114,106,619	---
<b>Net cash flows from financing activities</b>		<b>24,827,678</b>	<b>114,106,619</b>	<b>57,544,472</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	11(a)	<b>(28,504,570)</b>	<b>---</b>	<b>(174,632,942)</b>
Cash and cash equivalents at the beginning of the period		224,560,999	---	389,356,255
Cash booked directly to equity		12,775,842	---	---
Effects of exchange rate changes on cash held in foreign currencies		15,204,483	---	9,837,686
<b>Cash and cash equivalents at the end of the period</b>	11	<b>224,036,754</b>	<b>---</b>	<b>224,560,999</b>

The cash flow also includes other budgetary cash flows such as that from the Trading & Manufacturing Activities and Trust.

Ministry of Economy  
Suva, Fiji  
Dates 13th of the month of March, 2011



Ms. Makereta Konrote  
Permanent Secretary for Ministry of Economy

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 BY BUDGET FUNDING PROGRAMME  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 2

	Original 2015 \$	Revised 2015 \$	Actual 2015 \$	Actual/Original 2015 %
<b>Expenditure</b>				
Operating (Standard Expenditure Groups 1-7)	1,615,462,200	1,618,407,161	1,540,173,910	5
Operating (Pensions-SEG 11)	42,343,300	42,343,300	38,878,319	8
Operating (Public Debt-SEG 12)	281,050,700	296,637,205	295,147,698	(5)
	1,938,856,200	1,957,387,666	1,874,199,927	3
Capital (SEGs 8-10)	1,321,877,400	1,320,192,776	1,045,503,540	21
	3,260,733,600	3,277,580,442	2,919,703,467	10
Value Added Tax (SEG 13)	75,558,500	74,298,180	55,636,374	26
	3,336,292,100	3,351,878,622	2,975,339,841	11
<b>Revenue</b>				
Operating Receipts	2,571,412,262	2,571,412,262	2,542,813,685	1
Investing Receipts	551,026,138	551,026,138	250,701,651	55
	3,122,438,400	3,122,438,400	2,793,515,336	11
Net Deficit/(Surplus) 2015	213,853,700	229,440,222	181,824,504	15
Debt Repayments 2015	149,668,300	678,025,527	677,261,695	(353)
Gross Deficit/(Surplus) 2015	363,522,000	907,465,749	859,086,199	(136)
Net Deficit as a Percent of GDP	2.5%		2.0%	
Nominal GDP	8,668,818,000		9,210,800,000	
<b>Gross Deficit To be Financed From:</b>				
Overseas Loans	105,800,000	634,157,236	544,436,074	(415)
Domestic Loans	257,722,000	257,722,000	257,356,129	0
	363,522,000	891,879,236	801,792,203	(121)



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 BY EXPENDITURE - ECONOMIC CLASSIFICATIONS  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 2A

	Original	Revised	Actual	Actual/ Original
	2015	2015	2015	
	\$	\$	\$	%
1. Established Staff	820,114,000	799,642,518	773,262,555	(6)
2. Unestablished Staff	43,992,600	43,736,987	45,089,205	2
3. Travel and Communications	27,520,400	32,345,338	29,437,581	7
4. Maintenance and Operations	98,206,900	101,863,441	91,109,340	(7)
5. Purchase of Goods and Services	97,496,000	103,663,237	89,620,229	(8)
6. Operating Grants and Transfers	447,017,500	443,296,338	436,078,259	(2)
7. Special Expenditures	81,114,800	93,859,302	75,576,742	(7)
<b>Total Departmental Operating</b>	<b>1,615,462,200</b>	<b>1,618,407,161</b>	<b>1,540,173,910</b>	<b>(5)</b>
<i>Unallocable Operating Expenditures</i>				
11. Pensions, Gratuities & Compassionate Allowances	42,343,300	42,343,300	38,878,319	(8)
12. Charges on Account of Public Debt	281,050,700	296,637,205	295,147,698	5
	<u>323,394,000</u>	<u>338,980,505</u>	<u>334,026,017</u>	<u>3</u>
<b>TOTAL OPERATING</b>	<b>1,938,856,200</b>	<b>1,957,387,666</b>	<b>1,874,199,928</b>	<b>(3)</b>
8. Capital Construction	152,158,300	149,316,946	87,471,076	(43)
9. Capital Purchase	53,352,300	60,396,056	45,824,720	(14)
10. Capital Grants and Transfers	1,116,366,800	1,110,479,774	798,101,126	(29)
	<u>1,321,877,400</u>	<u>1,320,192,776</u>	<u>931,396,922</u>	<u>(30)</u>
13. Value Added Tax	75,558,500	74,298,180	55,636,374	(26)
<b>TOTAL EXPENDITURE</b>	<b>3,336,292,100</b>	<b>3,351,878,622</b>	<b>2,861,233,225</b>	<b>(14)</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**1 General Information**

The Government of Fiji is based in Suva.

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
- (iii) the collection, management and use of public resources.

**2 Significant accounting policies**

**2.1 Basis of Preparation**

The financial statements namely, the Cash Flow Statement (Schedule 1) and the two Statements of Budget and Actual Comparisons (Schedule 2 and 2A) are prepared on cash basis as per the requirement of the Cash - basis IPSAS reporting requirements 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. This Statements provided for in Schedule 3 to Schedule 14 were drawn up using modified - cash figures from the Government general ledger.

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

The same accounting policies in 2014 have been adopted in 2015 except for some debt related transactions.

**2.2 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 authorized by law. We did not consider consolidation of other public entities because there is an ongoing study by IPSASB on this issue, and the proposal is to consider this as 'encouraged' only.

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

**2.3 Payment by third parties**

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 Cash Flow Statement. 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.

**2.4 External assistance received in the form of goods and services**

The Government of Fiji has received goods and services in 2015 from donors however, the value of these aid in-kind assistance are not reported or disclosed due to the lack of reliable information from the providers. These assistance include goods such as computers and medical equipment, and services such as technical assistance.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprises of cash at bank, short term demand deposits in overseas banks and cash on hand. 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.

**Reporting currency and amounts**

The reporting currency is FJ \$, the currency of the Government of Fiji. The reporting amounts are in FJ \$ 1,000. Cash flows are converted to Fiji dollars using the monthly average exchange rate by the Reserve Bank of Fiji. Amount held in foreign currencies are converted using spot rate on the reporting date. The reporting date of government is from January to December, however, starting next year (2016), the fiscal year will be August to July as announced by Parliament.



GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT (cont)  
FOR THE YEAR ENDED 31 DECEMBER 2015

- 3 Special Expenditure  
Special Expenditure (SEG 7) relate to one off or unique projects of government. In 2015, there were altogether 333 special expenditure activities, listed below are the top 14 activities.

Activity	Head of Appropriation	31-Dec-15 \$
General reserves	Miscellaneous Services	12,212,468
Other Setup and Implementation - Minister's initiative	Education, Heritage and Arts	5,036,701
Assistance for Malaria and TB (Global Fund)	Health and Medical Services	3,104,128
Establishment of 10 technical schools	Education, Heritage and Arts	3,035,258
Outsourcing of Cleaning and Security Services	Health and Medical Services	3,003,694
Financial Assistance Christmas Island Veterans	Employment, Productivity and Industrial Relations	2,642,656
Workmen compensation	Employment, Productivity and Industrial Relations	2,496,836
Duty on government purchases	Miscellaneous Services	2,072,667
National Export Strategy	Industry, Trade and Tourism	2,011,769
Engagement of coaches - All sports	Youth and Sports	1,693,655
Consultancy fees - Yalimanchili Software Development	Communication	1,690,921
Emergency Water Supply	Rural and Maritime Development and National Disaster Management	1,190,900
Mediation Services and Employment Relations Tribunal	Employment, Productivity and Industrial Relations	1,182,054
Basic Recruit Course	Republic of Fiji Military Services	1,023,424
Others (comprises of 319 activities across various Ministries)		42,397,131
		32,538,166
		<u>74,935,297</u>

- 4 External Assistance  
The government receives external assistance in four ways:  
External grant assistance received through government-controlled bank accounts  
External cash borrowing received through government-controlled bank account  
Third party payments (payments by donors directly to suppliers)  
External assistance received in the form of goods and services (not disclosed)

External assistance received through government-controlled bank accounts and third-party payments

	31-Dec-15 \$	31-Dec-14 \$
External assistance received - loan direct disbursements	114,106,619	120,241,251
External cash borrowing (Global bonds) received through government-controlled bank account	430,060,843	—
External grant assistance received through government-controlled bank accounts	18,321,910	25,932,894
Total External assistance received	<u>562,489,373</u>	<u>146,174,145</u>

5 Undrawn Borrowing Facilities

The total undrawn loan balance from current loan facilities with EXIM Bank of China and the Asian Development Bank (ADB) was approximately \$350 million as at 31 Dec 2015. Loans undrawn from EXIM Bank of China amounts to \$136.0 million while undrawn loans from ADB equals \$214.5 million. The loan amounts were converted to Fiji dollar using the end of year exchange rate:FJD/CNY = 0.3276 and FJD/USD =2.1272

Loan Account	Total Loan as per Agreement FJD (millions)	Loan Proceeds received FJD (millions)	Loans cancelled FJD (millions)	Undrawn balance available for future years FJD (millions)	Fiji dollar equivalent as at 31/12/2015 FJD (millions)
<b>A. Bilateral</b>					
2010 Fiji Low Cost Housing Loan Project (CYN) (Restated)	200	122.3	—	77.7	25.4
2010 Roads Improvement Sigatoka/Serea Loan # 729988 (CYN)	328	288.0	—	40.0	13.1
2010 Roads Improvement Buca Bay/Moto Road Loan (CYN)	366	349.2	—	16.8	5.5
2012 Nabouwalu/Dreketi Loan (CYN)	840	559.4	—	280.6	91.9
<b>Total</b>	<b>1,734</b>	<b>1,319</b>	<b>—</b>	<b>415</b>	<b>136</b>
<b>B. Multi-lateral</b>					
2010 Suva/Nausori Water Supplementary Loan FJ 2603 (USD)	23	22.3	0.7	—	—
2009 Emergency Flood Recovery Loan 2541 (USD)	18	17.0	—	1.0	2.1
2014 Transport Infrastructure Sector Project	100	0.1	—	99.9	212.4
<b>Total</b>	<b>141</b>	<b>39.4</b>	<b>0.7</b>	<b>100.8</b>	<b>214.5</b>

\* CYN = Chinese Yen USD = US dollars

Government liability in relation to Concessionary loans from Overseas Institution (14d) are recognized when government draws down from these facility and Government has the right to terminate the facility.

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT (cont)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

6 Undrawn Grant Facilities

Donor Institution/Project Name	Currency	Total	Total	Grants	Total	Undrawn
		Amount of Approved Grant 2015	grants received as at 31 Dec 2014	received 2015	Grants received as at 31 Dec 2015	Balance as at 31 Dec 2015
		<i>FJD</i>	<i>FJD</i>	<i>FJD</i>	<i>FJD</i>	<i>FJD</i>
		(millions)	(millions)	(millions)	(millions)	(millions)
General Budget Support	FJD	6.10	9.50	3.40	3.40	0
Direct Project Support	FJD	2.00	2.65	5.00	5.00	1.4

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 Dec 2015.

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

7 Original and Revised Budget and Comparison of Actual and Budget

The original budget objectives and policies, subsequent revisions, and significant differences between actuals and budget are explained as follows:

**Explanation of variances between Original and Revised budget amounts**

The changes between the Original Budget and the Revised Budget Estimates are a consequence of reallocations within the various budgetary expenditure items (virement).

**Explanation of variances greater than 5%: Original and Revised Budget amounts**

(i) Interest on public debt - Operating SEG 12 (\$15,586,538) and Debt principal repayments (\$528,357,235)  
 Due to the approval passed in parliament for the early repayment of government current international debt. The motion was passed and became a resolution on 27 August 2015.

(ii) Overseas loans proceeds (\$528,357,235.98)

Due to the decision passed in Parliament (August 2015) on the raising of US\$200m in the international market to assist in the repayment of the US\$250m Global Bond issued in 2011.

**Explanation of variances greater than 10%: Original Budget and Actual**

(i) Capital Construction (\$64,387,184)

Slow execution of budgets were due to factors outside the control of implementing agencies and some of these are listed below:

(a) Certain construction work not approved by the Government Tender Board due to change in prices of construction materials.

(b) Considerable delay caused by the change in Government Tender Board requirements on the separation of design and build aspects of Capital projects, agencies were required to re-submit their tender document as a result of the change.



**GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENT (cont)  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**7 (ii) Capital Purchases (\$7,827,604)**

(a) 4.75m or 61% of the underutilization in capital purchase were due to the expiration of lease terms for most vehicles and the delay in the finalization of phase 4 leasing programme.

**(iii) Capital Grants and Transfers (\$94,391,883)**

(a) The most significant component of the under-utilization in capital grants & transfers were due to the slow execution by the Fiji Roads Authority of their budget, totalling \$94.39 million (50%) and Water Authority of Fiji totalling \$45m (23%).

(b) The remaining variance was due to the slow utilization under Head 50, totalling \$28m or 14%. They relate to funds held by the Ministry of Economy under Head 50 Miscellaneous. The capital grants belong to the various Ministries and are only disbursed to them upon their request (RIE).

**(iv) Investing Receipts (\$150m)**

(a) The under collection in investment revenue were mostly due to some assets sales not forthcoming in 2015. Actual revenue from assets sales stood at \$188.2 million compared to budget of \$507.3 million. While Government is undertaking SOE reforms, Government is very strategic in selecting the right partner for divestments and at the same time wish to generate maximum returns from the sales.

*Basis Differences*

The budget is approved on a cash basis. 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 Cash Flow Statement 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 Cash Flow Statement.

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 Cash Flow Statement records net of total issuance and redemptions. Treasury Bills is considered by government as a liquidity instrument and not a financing tool as it is less than a year in maturity and its sole purpose is to cover for shortfalls in revenue. T-bills have various maturities and are issued at a discount from par value.

*Entity Differences*

The approved budget includes all entities within the central government sector.

The budget deals only with the general government sector which excludes other extra budgetary activities. The Cash Flow Statement 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 Cash Flow Statement includes both budgetary and extra budgetary entities. The entity differences are considered

*Timing Difference*

The budget and the Cash Flow Statements are prepared for the same period (calendar year).

**8 Authorization Date**

These IPSAS Financial Statement were authorized for issue by the Permanent Secretary for Ministry of Economy on 13 March 2017.

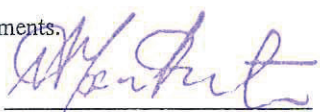
GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT 31 DECEMBER 2015

Schedule 3

	Notes	2015 \$	2014 (Re-stated) \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalent	11	224,036,754	224,560,999
Accounts Receivable	12	2,521,296	14,134,452
Prepayments	13	3,605,966	1,673,840
Inventory	14	3,585,563	4,053,031
<b>Total Current Assets</b>		<b>233,749,579</b>	<b>244,422,322</b>
<b>Non Current Assets</b>			
Term-Loans Receivable	15	267,571,883	198,915,267
Equity Investments	16	456,439,893	548,888,805
<b>Total Non Current Assets</b>		<b>724,011,776</b>	<b>747,804,072</b>
<b>TOTAL ASSETS</b>		<b>957,761,355</b>	<b>992,226,394</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	17	70,710,169	648,811
Deferred Income	18	2,147,579	165,451
Trust fund account	19	133,778,605	101,992,484
Term Loans Payable - Treasury Bills	20(a)	143,255,852	128,583,452
Term Loans Payable - Overseas Loans	20(a)	67,465,831	29,719,459
Term Loans Payable - Domestic Loans	20(a)	90,005,000	119,185,000
<b>Total Current Liabilities</b>		<b>507,363,036</b>	<b>380,294,657</b>
<b>Non Current Liabilities</b>			
Term-loans Payable Overseas Loans	20(d)	1,173,941,555	1,224,557,867
Term-loans Payable Domestic Loans	20(e)	2,746,483,629	2,579,132,500
<b>TOTAL LIABILITIES</b>		<b>4,427,788,220</b>	<b>4,183,985,024</b>
<b>NET LIABILITIES/EQUITY</b>		<b>(3,470,026,866)</b>	<b>(3,191,758,630)</b>

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

Ministry of Economy  
Suva, Fiji

  
Makereta Konrote  
Permanent Secretary for Economy

Dated 13th of the month of March, 2017

GOVERNMENT OF THE REPUBLIC OF FIJI  
 STATEMENT OF REVENUE & EXPENSES  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 4

	Notes	2015 \$	2014 \$
<b>Revenue</b>			
Operating Revenue	23	2,544,762,857	2,290,281,756
Investing Revenue	24	255,471,929	80,723,992
Trade and Manufacturing Operations	30	<u>20,179,608</u>	<u>22,386,783</u>
<b>TOTAL REVENUE</b>		<u><b>2,820,414,394</b></u>	<u><b>2,393,392,531</b></u>
<b>Expense</b>			
Operating Expenses	25	1,585,800,762	1,471,275,462
Capital Expenses	26	1,045,016,389	930,115,814
Value Added Tax	27	55,558,866	57,395,410
Interest Payments on Loans	28	295,416,310	264,309,159
Trading and Manufacturing operations	30(a)	<u>14,911,192</u>	<u>18,131,509</u>
<b>TOTAL EXPENSES</b>		<u><b>2,996,703,519</b></u>	<u><b>2,741,227,354</b></u>
<b>Surplus (Deficit) for the year</b>		<u><b>(176,289,125)</b></u>	<u><b>(347,834,823)</b></u>



GOVERNMENT OF THE REPUBLIC OF FIJI  
 STATEMENT OF CHANGES IN NET LIABILITIES/EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 5

	2015	2014
	\$	\$
Opening Balance 1 January	3,191,758,630	2,960,610,855
<b>Changes in net liabilities/equity during the year</b>		
(Surplus)/deficit for the year - consolidated fund account	181,557,540	200,609,771
(Surplus)/deficit for the year - trade and manufacturing account	(5,268,416)	(4,255,274)
Proceeds from loans	---	353,644,251
Redemption of loans	---	(202,166,703)
Revaluation of External Debt due to foreign currency conversions	70,666,171	65,340,836
Revaluation of shares	92,448,913	(52,913,843)
Adjustments of previous years errors underlying account balances	13,050,162	20,543,497
Previous years adjustment of term loans receivables	(62,731,568)	(141,767,539)
Effects of exchange rate movements in JP Morgan bank balance	(15,204,483)	(9,837,686)
Cash Remitted to Fund 1	3,749,917	1,950,465
<b>Net liabilities/equity</b>	<b><u>3,470,026,866</u></b>	<b><u>3,191,758,630</u></b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF CONTINGENT LIABILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2015**

Name	Notes	Guarantee Balance, 1 Jan 2015 (Restated)	New Loan Guaranteed Issued in 2015	Guarantee Reduction in 2015		Accrued Interest 2015	FX Effect	Guaranteed Balance plus interest accrued 31 Dec 2015
				Loan Repayments	\$			
<b>Section A</b>								
<b>Explicit Contingent Liabilities - Guarantee of Loans Raised</b>								
1 Fiji Development Bank		157,850,000	77,000,000	65,650,000	755,514	---	---	169,955,514
2 Fiji Electricity Authority		349,574,831	37,044,965	53,889,989	601,058	2,151,906	---	335,482,771
3 Fiji Hardwood Corporation		13,442,169	---	7,018,762	---	---	---	6,423,407
4 Fiji Pine Limited		4,174,662	---	628,260	---	---	---	3,546,402
5 Fiji Sugar Corporation		185,602,245	157,363,671	150,157,164	836,556	6,354,892	---	200,000,200
6 Housing Authority		78,600,000	---	-	975,591	---	---	79,575,591
7 Fiji Sports Council		8,500,452	---	4,250,000	---	---	---	4,250,452
8 Fiji Ports Corporation Limited		11,073,696	---	6,437,782	131,931	459,215	---	5,227,060
9 Fiji Broadcasting Corporation		19,304,864	---	1,723,131	---	---	---	17,581,733
10 Pacific Fishing Company Limited (Restated)		4,442,468	5,591,865	7,601,254	---	---	---	2,433,079
<b>Government Guarantee</b>		<b>832,565,387</b>	<b>277,000,501</b>	<b>297,356,342</b>	<b>3,300,650</b>	<b>8,966,013</b>	<b>---</b>	<b>824,476,209</b>
<b>Section B</b>								
<b>Other Explicit Contingent Liabilities - Subscription for Membership</b>								
International Bank for Reconstruction and Development (IBRD)	Notes 21			Authority				Liability as at 31 December 2015 \$
1 International Bank for Reconstruction and Development (IBRD)		Approval of House of Representatives 30/3/71; Act No. 21 of 1971						7,120,436
2 International Development Association (IDA)		Approval of House of Representatives 30/3/71; Act No. 21 of 1971						507,091
<b>Total</b>								<b>7,627,527</b>

GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF CONTINGENT LIABILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2015

Particulars	Notes 21	Authority	Liability as at 31 December 2015 \$
Section C			
Implicit Contingent Liabilities			
1 National Bank of Fiji - Legal claims against the bank		Act No. 14 of 1996	6,354,718
2 Provincial Councils - Loans Raised		I-Taukei Affairs Board	1,364,212
3 Municipal Councils - Loans Raised		Ministry of Local Government	28,494,454
<b>Total</b>			<b>36,213,384</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**9 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 Changes in Equity and  
Statement of Contingent Liabilities

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

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

**10.1 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 un recouped TMA receivables as well as state revenue owed to government by third parties.

**10.2 Prepayments**

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

**10.3 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 costs. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

**10.4 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 Ltd (UTOF) and Amalgamated Telecommunications Holdings (ATH).

**10.5 Investment in sinking fund**

Investments in Sinking Fund are converted to FJD using end of year exchange rates prescribed by the Reserve Bank of Fiji. Investments are recorded at the end of the year for which gains/loss on share price are reflected at market value as recorded by J.P Morgan.



GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont)  
FOR THE YEAR ENDED 31 DECEMBER 2015

10.6 Accounts payable

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

10.7 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.

10.8 Treasury bills payable

T-Bills Payable are recorded at discounted value.

10.9 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.

10.10 Trust fund account

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

10.11 Term loans payable

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 Reserve Bank of Fiji.

10.12 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.

10.13 Investing revenue

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

10.14 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.

10.15 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 STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

11 Cash and Cash Equivalent

All Government Ministries/Departments use several overdraft accounts (Drawings) for their operations and are cleared on a daily basis to the Consolidated Fund Account of government. In addition, several Ministries/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 the various Fiji Embassies, Trade Missions, Overseas Pension Funds and JP Morgan Accounts.

The balance of Domestic Account has been off settled by the un presented cheques for ministries/departments as of 31 December 2015. The value of cheques that were issued but have not been presented to the banks totalled around \$54.9 million.

Description of Account	Notes	2015 \$	2014 (Re-stated) \$
Overseas Accounts		47,221,823	190,762,569
Domestic Accounts		58,264,088	(66,664,348)
Trust Fund Accounts		107,297,355	90,552,945
Trading and Manufacturing Accounts		11,253,488	9,909,833
Net Cash		<u>224,036,754</u>	<u>224,560,999</u>
Overseas Bank Accounts			
Fiji Embassies		6,966,780	6,025,668
Pension Fund - Crown Agents London		27,080	43,688
JP Morgan Account		40,227,963	184,693,213
Total for Overseas Accounts		<u>47,221,823</u>	<u>190,762,569</u>
JP Morgan cash accounts comprises of the following:			
JP Morgan Liquidity		8,178,290	2,654,989
JP Morgan Collateral Dividend Account		31,619	29,535
JP Morgan Collateral Account		32,018,054	29,905,395
JP Morgan Managed Account		---	50,301,985
JP Morgan other offshore investment Account		---	101,801,309
Total JP Morgan Account		<u>40,227,963</u>	<u>184,693,213</u>

The overseas cash balance for 31 December 2014 has been restated to take into account the re-classification of the JP Morgan Collateral, JP Morgan Managed Reserves and other term desposit accounts totalling \$182,008,689 as cash rather than investments. These investment funds qualify as cash equivalents and therefore should be reported under cash and cash equivalents because they are readily accessible by the Government and is subject to an insignificant risk of changes in value.

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (Cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Included in the JP Morgan Collateral Account (Overseas Agencies) is a restricted cash balance of \$29.9m. The amount is currently held as a collateral/pledge for the loan agreement of US\$40m executed between the Export-Import Bank of Malaysia Berhad (Company No. 357198-K) and Ministry of Finance on behalf of the Government of the Republic of Fiji. The loan was drawn to fund the road rehabilitation and maintenance works on the Queens Highway and major public works department road between Suva, Lautoka and Rakiraki. This loan was subsequently partially cancelled in 2013. The period of the pledge shall be sixty (60) months from the date of first drawdown which effectively falls on 28/02/2016 (28/02/11 to 28/02/16).

Domestic Account	2015 (\$)	2014 (\$)
Domestic Bank Balance	113,160,579	71,312,510
less Un presented Cheques	<u>(54,896,492)</u>	<u>(137,976,858)</u>
	<u>58,264,087</u>	<u>(66,664,348)</u>

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

Cash flows from Consolidated Fund Account of Budgetary cash flows	
Net cash flows from operating activities	612,977,383
Net cash flows from investing activities	(680,695,271)
Net cash flows from financing activities	<u>24,827,678</u>
<b>Total net cash flows from Consolidated Fund Account</b>	<b>(42,890,210)</b>
Cash Flows from TMA:	
TMA cash inflows	22,745,668
Less TMA cash outflows	<u>(14,923,512)</u>
<b>Net cash flows from TMA Account</b>	<b>7,822,155</b>
Cash Flows from Trust Funds:	
Net Trust cash flows	<u>6,563,485</u>
<b>Net cash flows from Trust Accounts</b>	<b>6,563,485</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b><u>(28,504,570)</u></b>

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	\$	\$
<b>12 ACCOUNTS RECEIVABLE</b>		
Accounts receivable of the government due from third parties as at year end were as follows:		
Accounts receivable Trade	1,703,667	1,379,605
Accounts receivable Non-Trade	---	9,757,628
Accounts receivable Employee Advances	---	(34,611)
Trade & Sundry Debtors (to be reversed)	---	213,614
Accounts receivable from government departments	---	2,045,734
Miscellaneous Receivable	817,629	772,483
	<u>2,521,296</u>	<u>14,134,453</u>
<b>13 PREPAYMENTS</b>		
Prepayments as at year end were as follows:		
Prepayments	1,326,026	(564,297)
Advances, Dishonoured Cheques A	2,279,940	2,238,137
	<u>3,605,966</u>	<u>1,673,840</u>
Advances paid to staffs are recorded as prepayments, they are cleared to relevant SEGs upon retirement.		
<b>14 INVENTORY</b>		
Inventory comprises of raw materials; work in progress and finished goods of the government Trade and Manufacturing operators (TMAs). Inventories are valued at cost using the periodic inventory method. Inventory as at year end are as follows:		
Raw Materials	1,039,123	1,068,935
Work-in-Progress	313,728	441,274
Finished Goods for Sales	2,232,712	2,542,822
	<u>3,585,563</u>	<u>4,053,031</u>
<b>15 TERM-LOANS RECEIVABLE</b>		
Term loans receivables are funds lent to state owned enterprises (SoEs) and students (scholarships) as part of government on lending program.		
<b>Term-Loans Receivable</b>		
Term-Loans Receivable for Social Services	15(a) 12,633,556	(2,652,941)
Term-Loans Receivable for Economic Services	15(b) 254,938,326	201,568,209
Total Term-Loans Receivable	<u>267,571,883</u>	<u>198,915,268</u>
Loans provided by the government to third parties are represented as follows:		
(a) <b>Term-Loans Receivable for Social Services</b>		
Public Officers and Ministers	14,476	121,450
Fijian Affairs Board	6,358,924	6,458,924
Public Service Commission Tertiary Education	---	(3,169,338)



GOVERNMENT OF THE REPUBLIC OF FIJI

NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 \$	2014 \$
Public Service Commission Private Students		---	(3,758,829)
Public Service Student Scheme		1,809,545	(6,755,759)
Loans to Fiji Sports Council		4,450,611	4,450,611
		<u>12,633,556</u>	<u>(2,652,941)</u>
<b>(b) Term-Loans Receivable for Economic Services</b>			
Copra Industry Stabilization Fund		---	8,761,612
Fiji Pine Commissions		11,400,000	12,000,000
Fiji Sugar Corporation Ltd		173,816,930	173,816,930
Viti Corporation Ltd		3,189,667	3,189,667
National Trading Corporation		1,900,000	1,900,000
Rewa Rice Ltd		1,900,000	1,900,000
PAFCO		9,000,162	---
South Pacific Fertilizer		9,722,100	---
Housing Authority		44,009,468	---
		<u>254,938,326</u>	<u>201,568,209</u>
<b>16 EQUITY INVESTMENTS</b>			
Section 55 of the Financial Management Act 2004 provides the authority for the investment of Government moneys through fixed deposit with any bank, in any securities in which trustees are 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 House of Representatives.			
Investments as at year end were as follows:			
<b>Investments</b>			
Investments in Social Services	16(a)	7,355,658	7,306,050
Investments in Economic Services	16(b)	235,582,907	234,573,480
Investments in Infrastructure Services	16(c)	213,501,328	307,009,275
<b>Total Investments</b>		<u>456,439,893</u>	<u>548,888,805</u>
<b>(a) Investments in Social Services</b>	<b>Interest</b>		
Post Fiji Limited	100%	5,600,000	5,600,000
Unit Trust of Fiji (Trustee) Ltd	49%	754,036	704,428
Unit Trust of Fiji (Management) Ltd	100%	50,000	50,000
Daily Post	45%	951,620	951,620
Fiji Broadcasting Corporation Ltd.	100%	2	2
		<u>7,355,658</u>	<u>7,306,050</u>
<b>(b) Investments in Economic Services</b>			
Air Pacific Ltd	51%	13,307,075	13,307,075
Fiji Hardwood Corporation	90%	90,000,000	90,000,000
Pacific Fishing Company Ltd	100%	14,728,956	14,728,956
Air Fiji Ltd	11%	171,804	171,804

GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
		\$	\$
Fiji Pine Ltd	100%	61,002,064	61,002,064
Fiji Sugar Corporation Ltd	68%	15,119,580	15,119,580
National Trading Corp. Ltd	100%	3,358,186	3,358,186
Rewa Rice Ltd	100%	1,506,224	1,506,224
Viti Corps Company Ltd	100%	6,000,000	6,000,000
Yaqara Pastoral Company Ltd	100%	1,191,846	1,191,846
Food Processors Fiji Ltd	100%	687,680	687,680
Air Terminal Services	51%	765,000	765,000
International Finance Corporation		601,092	258,795
International Bank for Reconstruction and Development		20,622,649	19,955,520
Copra Millers Fiji Ltd	98%	6,429,183	6,429,183
Yaqara Group Ltd	100%	91,568	91,567
		<u>235,582,907</u>	<u>234,573,480</u>
(c) Investments in Infrastructure Services			
Airports (Fiji) Ltd	100%	92,300,180	92,300,180
ATH Ltd	17%	91,207,658	141,554,243
Fiji Ports Corporation Ltd	49%	29,993,490	73,154,852
		<u>213,501,328</u>	<u>307,009,275</u>
(d) RECONCILIATION OF EQUITY INVESTMENTS			
The reconciliation of changes in investments is as follows:			
Increase in fair value of shares			
Unit Trust of Fiji (Trustee) Ltd		49,608	24,804
Amalgamated Telecommunications Holdings (stock price revaluation)		40,861,019	35,023,730
International Bank for Reconstruction and Development		---	17,848,858
Exchange Rate adjustments			
International Finance Corporation		342,297	15,865
International Bank for Reconstruction and Development		667,130	---
Sale of Government shares			
Amalgamated Telecommunications Holdings		(91,207,631)	---
Fiji Ports Corporation Ltd		(43,161,362)	---
Adjustment of errors			
Fiji Hardwood Corporation		---	7
Fiji International Telecommunications Ltd (FINTEL)		---	(90)
Copra Millers of Fiji Ltd		---	590
Investment in fixed assets		---	(182,852)
		<u>(92,448,939)</u>	<u>52,730,912</u>

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

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	\$	\$
17 ACCOUNTS PAYABLE		
Accounts payable as at year end were as follows:		
TMA Trade & Sundry Creditors	26,110	53,629
Outstanding Payments to FRA contractors	69,895,490	---
Withholding Tax	323,809	230,160
Litigation Claims	464,760	365,022
	<u>70,710,169</u>	<u>648,811</u>

18 DEFERRED INCOME		
Deferred Income as at year end were as follows:		
Customs Income Received in Advance	988,744	(80,181)
TMA Income Received in Advance	1,158,835	245,632
	<u>2,147,579</u>	<u>165,451</u>

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.

19 TRUST FUND ACCOUNT

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

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

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

Deposits, Deductions and Retention Money	25,989,503	15,001,773
Consolidated Trust Fund	107,789,102	86,990,711
Total Trust Fund Account	<u>133,778,605</u>	<u>101,992,484</u>

20 TERM-LOANS PAYABLE

Government borrows monies either domestically or from overseas to finance its Capital Programmes. Total debt of Government outstanding as at 31/12/15 are as follows:

a <i>Current Liabilities</i>			
Term-Loans Payable - Treasury Bills	20 (c)	143,255,852	128,583,452
Term Loans Payable - Overseas Loans	20(d)	67,465,831	29,719,459
Term Loans Payable - Domestic Loans	20(e)	90,005,000	119,185,000
Total Current Liabilities		<u>300,726,683</u>	<u>277,487,911</u>



GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 \$	2014 \$
<b>b</b>	<b>Non-Current Liabilities</b>		
	Term-Loans Payable - Overseas Loans	1,173,941,555	1,224,557,867
	Term-Loans Payable - Domestic Loans	2,746,483,629	2,579,132,500
	<b>Total Non-Current Liabilities</b>	<u>3,920,425,184</u>	<u>3,803,690,367</u>
	<b>Total Government Debt</b>	<u>4,221,151,867</u>	<u>4,081,178,278</u>
	Term loans payable for overseas and domestic loans have been re-classified to represent current and non-current liabilities.		
<b>c</b>	<b>Treasury bills</b>		
	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.		
	Opening Balance	128,583,452	102,278,056
	Treasury Bills Issues during the year	336,000,000	306,883,399
	less unamortized amount	(3,159,360)	---
	Treasury Bills Redemptions during the year	(318,168,240)	(280,578,003)
	Outstanding 31 December	<u>143,255,852</u>	<u>128,583,452</u>
<b>d</b>	<b>Overseas loans</b>		
	Outstanding 1 January	1,254,277,327	1,081,097,415
	Redemptions during the year	(558,076,695)	(25,516,704)
	Capitalized interest	268,612	122,530
	Global bond proceeds	434,593,655	---
	Less unamortized discount	(4,532,812)	---
	Non-cash borrowing-direct disbursement	114,106,619	120,241,251
	Increase in public debt due to revaluation	70,666,171	65,340,835
	Other adjustments	---	12,992,000
	Outstanding 31 December	<u>1,311,302,877</u>	<u>1,254,277,327</u>
	<b>Non Cash borrowings - By source:</b>		
	<i>Bilateral</i>		
	Export Import Bank of China	112,333,437	100,176,029
	<i>Multilateral</i>		
	Asian Development Bank	1,773,182	20,065,222
	<b>Total Overseas Non Cash Borrowings - Direct Disbursement</b>	<u>114,106,619</u>	<u>120,241,251</u>

Overseas loans amounting to \$114.1 million were drawn in 2015 from Government's loan facilities with EXIM Bank of China and Asian Development Bank. These loans drawn by Government are directly disbursed to the contractors by lenders.

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
e Domestic loans		
Outstanding 1 January	2,698,317,500	2,641,564,500
Borrowings raised during the year	257,348,000	233,403,000
Less unamortized premium	8,129	---
Redemptions during the year	<u>(119,185,000)</u>	<u>(176,650,000)</u>
Outstanding 31 December	<u>2,836,488,629</u>	<u>2,698,317,500</u>
<b>Domestic Borrowings - By Source</b>		
<i>Public</i>		
Commercial Banks	45,880,000	38,500,000
Insurance companies	82,660,000	82,800,000
FNPF	112,120,000	104,000,000
<i>Private</i>		
Others	<u>16,688,000</u>	<u>8,103,000</u>
<b>Total Domestic Borrowings raised in 2015</b>	<u>257,348,000</u>	<u>233,403,000</u>

Government bonds were raised locally during the year in the form of Fiji Infrastructure Bonds and Viti Bonds.

21 **Contingent Liabilities**

*Explicit Contingent Liabilities*

Government Guarantees	824,476,209	832,565,387
-----------------------	-------------	-------------

The Financial Management Act 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 6 Statement of Contingent Liabilities provide in detail the various agencies (10 altogether) where government undertakes giving of guarantees by end of 2015.

*Other Explicit Contingent Liabilities*

International Bank for Reconstruction and Development (IBRD)	7,120,436	7,120,436
International Development Association (IDA)	507,091	507,091
	<u>7,627,527</u>	<u>7,627,527</u>

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

*Implicit Contingent Liabilities*

Fiji National Provident Fund	---	1,699,099,907
National Bank of Fiji - Legal claims against the bank	6,354,718	7,863,566
Provincial Councils - Loans Raised	1,364,212	---
Municipal Councils - Loans Raised	28,494,454	---
	<u>36,213,384</u>	<u>1,706,963,473</u>

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.



GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

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.

From year 2015, only the explicit contingent liabilities with a reliable basis for the estimated amount shall be included in Schedule 6. The government recognizes a contingency to advance to FNPF on the basis of the provision of FNPF decree 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". However, a reliable methodology for estimating is yet to be developed. Thus the amount of contingent liability to FNPF could not be reliably estimated, hence is not included herewith

	2015	2014
	\$	\$
<b>22 OPERATING REVENUE</b>		
Operating Revenue consists of Direct Taxes, Indirect Taxes, Fees Fines & Charges, Grant Aid, Interest & Dividends and Other Receipts.		
Direct Taxes	(605,113,135)	(523,741,388)
Indirect Taxes	(1,754,750,096)	(1,594,001,054)
Fees, Charges, Fines and Penalties	(105,511,209)	(104,970,471)
Other Revenues and Surpluses	(41,813,998)	(26,863,389)
Reimbursements and Recoveries	(19,252,509)	(14,772,560)
Grants in Aid (overseas)	(18,321,910)	(25,932,894)
<b>Total Operating Revenue</b>	<u>(2,544,762,857)</u>	<u>(2,290,281,756)</u>
<b>23 INVESTING REVENUE</b>		
Interest received on Term-Loans Receivable	(270,831)	(402,626)
Sales of Government Assets	(188,173,658)	(12,760,757)
Dividend from Investments	(62,331,570)	(64,700,688)
Interest from Bank Balances	(309,535)	(553,725)
Return of TMA excess cash to consolidated fund account	(4,361,514)	(2,136,901)
Recovery of Fijian Affairs Loans	(24,821)	(169,295)
<b>Total Investing Revenue</b>	<u>(255,471,929)</u>	<u>(80,723,992)</u>
<b>24 REVENUE FROM NON EXCHANGE TRANSACTIONS</b>		
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.		
Revenue from non exchange transactions		
<i>Direct Taxes (Gross)</i>	649,851,369	576,499,598
Direct Taxes Refunds	(44,738,233)	(52,758,210)
<i>Indirect Taxes</i>		
Value Added Tax (Gross)	1,204,467,487	1,073,355,888
<i>Value Added Tax Refunds</i>	(311,140,602)	(279,213,882)

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	\$	\$
Fiscal Duty	386,766,971	359,492,497
Excise Duty	106,007,902	98,486,244
Export Duty	9,736,782	9,979,993
Import Excise Duty	43,219,557	43,435,751
Service Turnover Tax	64,700,336	57,959,569
Water Resource Tax	36,489,883	34,694,302
Departure Tax	136,085,188	122,912,654
Fish Levy	101,112	438,068
Stamp Duty	71,759,272	68,608,464
Luxury Vehicle Duty	1,467,875	2,211,762
Miscellaneous indirect taxes	5,088,333	1,639,744
<i>Other non-exchange revenues</i>		
Grants in Aid	18,321,910	25,932,894
	<u>2,378,185,142</u>	<u>2,143,675,336</u>
Revenue from exchange transactions		
Fees, Charges, Fines and Penalties	105,511,209	104,970,471
Trading and Manufacturing Accounts - Sales Revenue	20,179,607	22,386,783
Other Revenues and Surpluses	41,813,998	26,863,389
Reimbursements and Recoveries	19,252,509	14,772,560
Repayment of Term-Loans Receivable	270,831	402,626
Sales of Government Assets	188,173,657	12,760,757
Dividend from Investments	62,331,570	64,700,688
Interest from Bank Balances	309,535	553,725
Return of Surplus Capital from Investments	4,361,514	2,136,901
Recovery of Fijian Affairs Scholarships	24,821	169,295
	<u>442,229,252</u>	<u>249,717,195</u>
<b>Total Revenue</b>	<u><b>2,820,414,395</b></u>	<u><b>2,393,392,531</b></u>
25 <b>OPERATING EXPENSES</b>		
Operating expenditure includes the following:		
Established Staff	781,720,316	719,735,059
Unestablished Staff	45,089,205	45,253,662
Travel and Communications	29,178,695	28,713,649
Maintenance and Operations	91,035,167	90,243,818
Purchase of Goods and Services	89,448,432	82,305,459
Operating Grants and Transfers	435,515,332	400,163,862
Special Expenditure	74,935,297	68,074,600
Pensions, Gratuities and Compassionate Allowances	38,878,319	36,785,353
<b>Total Operating Expenditure</b>	<u><b>1,585,800,762</b></u>	<u><b>1,471,275,462</b></u>



GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	\$	\$
<b>26 CAPITAL EXPENSES</b>		
Capital Expenditure includes the following:		
Capital Construction	87,197,368	83,464,462
Capital Purchases	45,820,326	45,199,392
Capital Grants and Transfers	911,998,695	801,451,961
<b>Total Capital Expenditure</b>	<u>1,045,016,389</u>	<u>930,115,814</u>
<b>27 VALUE ADDED TAX EXPENSE</b>	<u>55,558,866</u>	<u>57,395,410</u>
These are the VAT payments made by Ministries/Departments to FIRCA (Fiji Islands Revenue & Customs Authority) during the year.		
<b>28 INTEREST PAYMENTS AND OTHER CHARGES ON LOANS</b>		
Charges on Account of Public Debt is provided for in the Budget Estimates for the payment of interest on domestic and overseas loans.		
<b>Interest Payments</b>		
Overseas Loans	77,497,979	53,809,084
Domestic Loans	210,353,664	209,451,828
Treasury Bills	2,831,760	921,998
<b>Total Interest Paid</b>	<u>290,683,403</u>	<u>264,182,910</u>
Other charges on Public Debt - Miscellaneous Payments	4,732,907	126,249
<b>Total Interest Paid and Miscellaneous Payments</b>	<u>295,416,310</u>	<u>264,309,159</u>
<b>Interest Payment on overseas loans</b>		
1994 Asian Development Bank 2nd Fiji Road Upgrading Project	77,529	116,064
1997 Asian Development Bank Third Road Upgrading project	647,156	569,828
1998 Japan International Corporation Agency Nadi Lautoka Water Supply and Sewerage Project	423,707	503,503
2004 Asian Development Bank Suva Nausori Water Supply and Sewerage Project	689,537	553,649
2006 Export Import Bank of China E-Government Project	863,551	848,493
2009 Asian Development Bank Emergency Flood Recovery Project	159,421	105,457
2010 Export Import Bank of China Fiji Low Cost Housing Project	936,977	992,130
2010 Export Import Bank of China Fiji Public Rental Housing Project	248,600	254,103
2010 Export Import Bank of Malaysia Queens Highway Rehabilitation Project	659,959	856,060
2010 Asian Development Bank Supplementary Third Road Upgrading project	213,101	176,835
2010 Asian Development Bank Supplementary Suva/Nausori Water Supply Project	189,014	145,866
2011 Export Import Bank of China Sigatoka Valley and Sawani Serea Road Project	2,039,755	1,661,790
2011 Export Import Bank of China Buca Bay and Moto Road Project	2,323,610	1,882,604
2011 Fiji 2nd Government Global Borrowing	63,563,241	42,198,122
2012 Export Import Bank of China Nabouwalu and Dreketi Road Upgrading Project	4,194,209	2,944,580
2014 Asian Development Bank Transport and Infrastructure Project	268,612	---
	<u>77,497,979</u>	<u>53,809,084</u>

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont..)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
<b>Interest Payment on domestic loans</b>		
Viti Bond 2012	131,430	131,220
Viti Bond 2013	315,200	335,258
Viti Bond 2014	265,960	43,195
Fiji Development Loan 1999	---	1,629,600
Fiji Development Loan 2000	1,982,150	2,195,000
Fiji Development Loan 2001	2,942,900	2,942,900
Fiji Development Loan 2002	3,682,200	3,682,200
Fiji Development Loan 2003	5,133,720	5,133,720
Fiji Development Loan 2004	8,032,970	13,638,325
Fiji Development Loan 2005	9,819,661	10,593,877
Fiji Development Loan 2006	28,290,005	28,290,004
Fiji Development Loan 2007	8,076,525	8,590,025
Fiji Development Loan 2008	20,374,381	20,374,381
Fiji Development Loan 2009	40,207,875	40,207,875
Fiji Development Loan 2010	41,181,500	41,181,500
Fiji Development Loan 2011	7,055,135	7,197,035
Fiji Development Loan 2012	11,777,630	---
Fiji Development Loan 2013	8,152,970	---
Fiji Development Loan 2014	9,230,300	---
Fiji Development Loan 2015	3,523,869	---
Fiji Infrastructure Bond 2011	---	---
Fiji Infrastructure Bond 2012	---	11,777,630
Fiji Infrastructure Bond 2013	---	9,307,145
Fiji Infrastructure Bond 2015	---	60,983
Fiji Sugar Corporation Growers Loan	---	224,280
2014 Jan-June Issue	---	1,915,675
Viti Bond 2015	177,283	---
	<u>210,353,664</u>	<u>209,451,828</u>
<b>29 REPAYMENTS OF LOANS</b>		
<b>Principal Repayments:</b>		
Overseas Loans	558,076,695	25,516,704
Domestic Loans	119,185,000	176,650,000
<b>Total Principal Repayments</b>	<u>677,261,695</u>	<u>202,166,704</u>
<b>Principal Repayments Overseas Loans</b>		
1994 Asian Development Bank 2nd Fiji Road Upgrading Project	3,032,203	2,782,933
1997 Asian Development Bank Third Road Upgrading project	4,834,981	3,915,344
1998 Japan International Corporation Agency Nadi Lautoka Water Supply and Sewerage Project	2,100,162	2,225,748
2004 Asian Development Bank Suva Nausori Water Supply and Sewerage Project	3,040,259	2,471,807

GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
2005 Asian Development Bank Suva Supplementary Nausori Water Supply and Sewerage Project	794,668	---
2006 Export Import Bank of China E-Government Project	3,625,104	3,282,565
2010 Asian Development Bank Supplementary Third Road Upgrading project	1,808,826	1,429,732
2010 Export Import Bank of Malaysia Queens Highway Rehabilitation Project	10,483,257	9,408,575
2011 Global bond	528,357,236	---
<b>Total Principal Repayments Overseas Loans</b>	<b>558,076,695</b>	<b>25,516,704</b>
<b>Principal Repayment Domestic Loans</b>		
Fiji Development Loan 1999	---	24,000,000
Fiji Development Loan 2000	30,000,000	---
Fiji Development Loan 2004	---	132,100,000
Fiji Development Loan 2005	79,435,000	---
Fiji Development Loan 2006	6,000,000	2,000,000
Fiji Development Loan 2007	---	8,000,000
Fiji Development Loan 2011	---	7,400,000
Fiji Development Loan 2012	100,000	---
Fiji Development Loan 2013	500,000	---
Fiji Sugar Growers Council	3,150,000	3,150,000
	<b>119,185,000</b>	<b>176,650,000</b>
<b>30 REVENUE AND EXPENSE FROM TRADING &amp; MANUFACTURING ACCOUNTS</b>		
Trading and Manufacturing Accounts - Sales Revenue	17,310,368	17,779,815
Trading and Manufacturing Accounts - Other Revenue and Surplus	2,869,240	4,606,968
<b>30 (a) Total Revenue from TMA's</b>	<b>20,179,608</b>	<b>22,386,783</b>
Cost of Goods sold	6,938,953	6,613,437
Other TMA Expenditures	7,972,239	11,518,072
<b>30 (b) Total Expenses from TMA's</b>	<b>14,911,192</b>	<b>18,131,509</b>
<b>31 WAYS AND MEANS</b>		
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	55,500,000	98,300,000
Ways and Means Repayments	(55,500,000)	(98,300,000)
	---	---



GOVERNMENT OF THE REPUBLIC OF FIJI  
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENT (cont...)  
 FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
32 ARREARS OF REVENUE		
The Arrears of Revenue position of Government as at 31/12/2015 are as follows:		
Agriculture	804,226	812,132
Auditor-General	191,384	236,105
Communications	11,429,826	8,837,731
Education, Youth and Sports	13,984	12,180
Fiji Islands Revenue & Customs Authority - Customs	12,272,643	15,032,658
Fiji Islands Revenue & Customs Authority - IRD	52,687,859	50,502,452
Fiji Procurement Office	---	113,548
Finance (Surcharge)	821,435	842,026
Finance (Pensions Office)	218,095	159,883
Fisheries & Forests	5,180	13,709
Government Printing and Stationery Department	743,936	634,344
Health	330,756	208,800
Immigration	---	3,314
Information Technology & Computing Services	1,486	30
Industry and Trade	3,180	7,397
Judicial	13,215,858	13,345,569
Labor and Industrial Relation	4,722	30,343
Lands	26,980,319	25,250,168
Ministry of Infrastructure and Transport	63,904	100,197
Overseas Peacekeeping Missions	1,855,323	1,587,290
Police	4,548	5,570
Public Utilities(Water Authority of Fiji)	29,023,661	32,348,574
Provincial Development & Multi Ethnic Affairs	753,943	756,568
Solicitor General' s Office	288	288
<b>Total Arrears of Revenue</b>	<b>151,426,557</b>	<b>150,840,876</b>

GOVERNMENT OF THE REPUBLIC OF FIJI  
 SEGMENTATION REPORT BY FUND CLASSIFICATION  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 7

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 True 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 2 primary reportable segments i.e. the segmentation of Trade and Manufacturing Account from Fund 1 (Operating) and Fund 9 (True Trust) combined.

Primary Reportable Segments 2015

	Consolidated Fund account \$	Trade and Manufacturing account \$	Consolidated total government \$
<b>Segment revenue</b>			
Non exchange revenue - taxes, grants and transfers	(2,378,185,142)	---	(2,378,185,142)
Exchange revenue - sale of goods and services	(166,577,716)	(20,179,607)	(186,757,323)
Exchange revenue - investments	(255,471,928)	---	(255,471,928)
<b>Segment expenses</b>			
Operating Expenditure	1,585,800,762	14,911,192	1,600,711,954
Capital Expenditure	1,045,016,389	---	1,045,016,389
VAT	55,558,866	---	55,558,866
Interest Payments on Loans	295,416,310	---	295,416,310
<b>Reconciled to aggregate net income</b>	<b>181,557,540</b>	<b>(5,268,415)</b>	<b>176,289,127</b>
<b>Segment Assets</b>			
Cash at Bank	180,765,211	11,253,488	192,018,699
Accounts Receivable	1,567,061	954,235	2,521,296
Prepayments	3,605,965	---	3,605,965
Inventory	---	3,585,563	3,585,563
Investments	488,457,947	---	488,457,947
Term-Loans Receivable	267,571,883	---	267,571,883
<b>Segment Liabilities</b>			
Accounts Payable	(70,667,427)	(42,741)	(70,710,168)
Deferred Income	(990,483)	(1,157,096)	(2,147,579)
Operating Trust fund	(25,996,509)	7,006	(25,989,503)
True Trust fund	(107,789,102)	---	(107,789,102)
Term Loans Payable - Treasury Bills	(143,255,852)	---	(143,255,852)
Term-loans Payable Overseas Loans	(1,241,407,386)	---	(1,241,407,386)
Term-loans Payable Domestic Loans	(2,836,488,629)	---	(2,836,488,629)
<b>Reconciled to net liability</b>	<b>(3,484,627,321)</b>	<b>14,600,457</b>	<b>(3,470,026,866)</b>

GOVERNMENT OF THE REPUBLIC OF FIJI  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 8

Heads of Revenue	Estimate \$	Actual Revenue 2015 \$	Increase \$	Decrease \$
<b>OPERATING REVENUE</b>				
21 Direct Taxes.....	582,797,720	605,113,135	22,315,415	---
22 Indirect Taxes.....	1,823,632,620	1,754,750,096	---	68,882,524
23 Fees, Fines & Charges.....	99,752,825	105,511,209	5,758,384	---
24 Operating Revenue Sales.....	737	382	---	355
27 Other Receipts.....	28,766,499	41,813,616	13,047,117	---
28 Reimbursements & Recoveries.....	30,334,518	19,252,509	---	11,082,009
29 Grant Aid.....	6,127,343	18,321,910	12,194,567	---
Operating Revenue Total.....	2,571,412,262	2,544,762,857	53,315,483	79,964,888
<b>INVESTING REVENUE</b>				
31 Repayments of Term Loans Receivable.....	579,395	270,831	---	308,564
32 Sales of Government Assets.....	507,300,000	188,173,658	---	319,126,342
33 Dividends from Investments.....	41,290,000	62,331,570	21,041,570	---
34 Interest from Bank Balances.....	254,303	309,535	55,232	---
35 Return of Surplus Capital from Investment....	1,602,440	4,361,514	2,759,074	---
39 Recovery of Scholarship Bonds	---	24,821	24,821	---
Investing Revenue Total.....	551,026,138	255,471,929	23,880,697	319,434,906
Total Revenue.....	3,122,438,400	2,800,234,786	77,196,180	399,399,794



GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 9

Heads and Subheads of Revenue	Estimate	Actual Revenue 2015	Increase	Decrease	Actual Revenue 2014 (Re-stated)
	\$	\$	\$	\$	\$
<b>OPERATING REVENUE</b>					
<b>21 - DIRECT TAXES</b>					
1. Income Tax					
01. Income Tax.....	440,596,800	581,180,913	140,584,113	---	480,481,137
02. Capital Gains Tax.....	47,070,222	23,932,222	---	23,138,000	43,260,251
03. Withholding & Dividend Taxes.....	95,130,698	---	---	95,130,698	---
Total.....	582,797,720	605,113,135	140,584,113	118,268,698	523,741,388
Net Increase/(Decrease).....			22,315,415		
<b>22 - INDIRECT TAXES</b>					
1. Value Added Tax					
01. Value Added Tax.....	892,680,765	893,326,885	646,120	---	794,142,006
2. Custom Taxes					
01. Fiscal Duty.....	605,447,400	386,766,971	---	218,680,429	359,492,497
02. Excise Duty.....	---	106,007,902	---	(106,007,902)	98,486,244
03. Export Duty.....	---	9,736,782	---	(9,736,782)	9,979,993
04. Import Duty.....	---	43,219,557	---	(43,219,557)	43,435,751
6. Service Turnover Tax					
01. Hotel Turnover Tax.....	64,780,400	64,700,336	(80,064)	---	57,959,569
7. Water Resource Tax					
01. Water Resource Tax.....	38,029,098	36,489,883	---	1,539,215	34,694,302
9. Departure Tax					
01. Departure Tax.....	132,161,100	136,085,188	3,924,088	---	122,912,654
10. Fish Levy Tax					
01. Fish Levy.....	535,477	101,112	---	434,365	438,068
12. Stamp Duty					
01. Stamp Duty.....	82,110,484	71,759,272	---	10,351,212	68,608,464
13. Luxury Vehicle Levy					
01. Luxury Vehicle Levy.....	---	1,467,875	---	(1,467,875)	2,211,762
14. Telecommunication Levy					
01. Telecommunication levy.....	1,413,018	---	---	1,413,018	---
15. Credit Card Levy					
01. Credit Card Levy.....	4,266,478	---	---	4,266,478	---
16. Third Party Insurance Levy					
01. 3rd Party Insurance Levy.....	2,208,400	---	---	2,208,400	---
99. Miscellaneous Fees and Receipts					
01. Miscellaneous Fees and Receipts.....	---	5,088,333	5,088,333	---	1,639,744
Total.....	1,823,632,620	1,754,750,096	9,578,476	73,372,667	1,594,001,054
Net Increase/(Decrease).....				63,794,190	
<b>23 - FEES, FINES &amp; CHARGES</b>					
01. Dues					
01. Light Due - Port & Harbor.....	---	1,201	1,201	---	4,206
02. Duty					
01. Stamp Duty.....	---	(600,828)	---	600,828	(483,945)
03. Fees					
01. Agricultural Produce and Inspection.....	9,225	8,665	---	560	4,560
02. Native Timber Measurement.....	566,367	962,528	396,161	---	1,002,754

GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 9

Heads and Subheads of Revenue	Estimate	Actual Revenue 2015	Increase	Decrease	Actual Revenue 2014 (Re-stated)
	\$	\$	\$	\$	\$
03. Land and Survey Fees.....	860,805	400,725	---	460,080	4,643,193
04. Mining Fees.....	812,588	367,290	---	445,298	619,932
06. Passports.....	10,650,000	11,080,023	430,023	---	10,118,787
07. Town Planning Fees.....	191,002	244,690	53,688	---	198,246
08. Examination Fees.....	16,814	39,968	23,154	---	15,483
09. Government Day Schools-Fees.....	40,302	41,484	1,182	---	39,578
10. Government Boarding Schools-Fees.....	357,432	434,578	77,146	---	349,981
11. Health Fumigation and Quarantine.....	1,608,772	1,696,697	87,925	---	1,778,602
12. Hospital.....	2,161,654	3,166,652	1,004,998	---	2,112,170
13. Fiji School of Nursing.....	26,259	---	---	26,259	---
14. Cemetery Fees.....	54,400	96,663	42,263	---	51,744
17. Audit Fees.....	364,209	434,573	70,364	---	455,765
18. Court Fees.....	1,509,811	1,352,905	---	156,907	1,393,338
19. Registration.....	1,600,902	1,054,025	---	546,878	2,061,781
20. Management Fee.....	1,886	10	---	1,876	7,416
21. LTA Fees and Fines.....	21,081,856	9,891,720	---	11,190,136	750,484
23. LTA Road User Levy.....	14,124,170	26,578,875	12,454,705	---	35,172,951
75. Civil Aviation.....	6,423	7,960	1,537	---	6,304
Offshore Fisheries Management Fees	---	1,743,924	1,743,924	---	---
99. Miscellaneous Fees.....	3,494,652	3,846,486	351,834	---	3,598,307
04. Licenses	---	---	---	---	---
01. Arms.....	57,344	51,231	---	6,113	52,564
02. Banks.....	---	---	---	---	---
03. Coasting.....	1,758	5,956	4,198	---	1,226
05. Liquor.....	821,370	711,141	---	110,229	812,381
06. Trading.....	361,714	210,773	---	150,941	378,681
07. Dogs.....	28,787	20,934	---	7,853	25,656
09. Money Lenders.....	72,940	97,445	24,505	---	87,379
10. Hotels and Guest Houses.....	92,441	253,496	161,055	---	82,326
11. License Insurance, Agents and Brokers.....	---	1,044	1,044	---	---
12. Telecommunications and Television.....	5,500,000	5,945,266	445,266	---	5,329,203
14. Fishing.....	55,287	26,317	---	28,970	70,418
17. License- Security Industry.....	46,202	46,472	270	---	51,274
99. Other.....	1,597,870	1,335,308	---	262,562	1,487,380
05. Rates - Public Works	---	---	---	---	---
01. Water Charges.....	28,118,000	30,893,739	2,775,739	---	29,098,092
06. Fees Royalties	---	---	---	---	---
01. Royalties Timber.....	---	---	---	---	---
03. Royalties - Sand, Coral, Metal, etc.....	24,360	53,788	29,428	---	35,874
07. Fines	---	---	---	---	---
01. Court Fines.....	2,826,283	2,992,211	165,928	---	2,621,077
08. Administrative Fines and Penalty	---	---	---	---	---
01. Fines for Overdue, Lost & Damaged Library Bo	3,216	---	---	3,216	7
02. Administrative Fines and Forfeitures.....	605,724	15,275	---	590,449	935,296
Total.....	99,752,825	105,511,208	20,347,538	14,589,156	104,970,471
Net Increase/(Decrease).....			5,758,384		



GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 9

Heads and Subheads of Revenue	Estimate	Actual Revenue 2015	Increase	Decrease	Actual Revenue 2014 (Re-stated)
	\$	\$	\$	\$	\$
<b>24 - OPERATING REVENUE - SALES</b>					
02. Sales of Companies.....	737	382	---	355	---
Total.....	737	382	---	355	---
<i>Net Increase/(Decrease).....</i>				355	
<b>27 - OTHER REVENUE AND SURPLUSES</b>					
01. Surplus/Deficit from Agency					
01. RBF Revaluation Reserve Account.....	6,500,000	6,698,232	198,232	---	---
02. Rent and Hire of Government Property					
01. Rental for Land.....	13,597,483	13,213,598	---	383,885	13,851,038
02. Rental for Official Quarters.....	101,630	71,382	---	30,249	90,458
03. Rental for Buildings.....	2,523	---	---	2,523	---
04. Hire of Plant and Vehicles.....	12,681	7,241	---	5,440	10,209
05. Hire of Vessels and Punts.....	169	---	---	169	---
06. Revenue from Rest Houses.....	7,042	12,520	5,478	---	6,736
07. Crown Schedule 'A' Land Rents.....	65	---	---	65	---
03. Commission Revenue					
01. Commission.....	1,956,718	2,374,822	418,103	---	2,215,850
99. Other Revenue					
01. Sale of Photographs	20	516	496	---	47
02. Sales of Publications.....	86,871	46,072	---	40,799	86,068
03. Revenue from Production of Films.....	692	1,844	1,152	---	1,260
04. Survey & Sales of Navigation Publications...	42,464	96,003	53,539	---	38,295
05. Meat Inspection.....	19,126	23,635	4,509	---	20,484
06. Veterinary and Animal Quarantine.....	28,816	13,865	---	14,951	32,470
07. Freight and Charter Receipts.....	87,450	302,840	215,390	---	89,078
08. Chemical Analysis.....	7,418	8,460	1,042	---	7,309
09. Valuation Fees.....	11,959	26,116	14,157	---	10,532
10. Produce-Agricultural Experimental Stations.	---	---	---	---	48,457
11. Sale of Surplus Farm Produce.....	53,023	44,771	---	8,252	61,750
12. Agricultural Commercial Undertakings.....	62,087	81,071	18,984	---	---
13. Sale of Fish and Ice.....	273,747	412,026	138,279	---	294,088
14. Sale of Sheep and Wool.....	37,732	33,872	---	3,860	49,208
17. Agricultural Landlord and Tenant Tribunal..	3,567	2,326	---	1,241	4,691
19. Drying and Storage Facilities.....	---	7	7	---	---
20. Board Members Fees .....	104,721	97,815	---	6,906	123,724
99. Other Revenue.....	5,768,495	18,244,583	12,476,088	---	9,821,637
Total.....	28,766,499	41,813,616	13,545,457	498,341	26,863,389
<i>Net Increase/(Decrease) .....</i>			13,047,116		
<b>28 - REIMBURSEMENT AND RECOVERIES</b>					
11. Reimbursement of Services					
01. Reimbursement for Meteorological Services.	582,598	565,854	---	16,744	480,426
06. Reimbursement-HA Low Cost Housing.....	---	468,107	468,107	---	---
12. Refund of Payments					
02. Refund of Government Employees Provident Fu	778	---	---	778	---
03. Recoveries of Overpayments in Previous Years	1,785,789	1,687,614	---	98,175	1,452,352

GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISON  
FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 9

Heads and Subheads of Revenue	Estimate	Actual Revenue 2015	Increase	Decrease	Actual Revenue 2014 (Re-stated)
	\$	\$	\$	\$	\$
22. Contributions for Capital Projects					
02. Rural Electrifications.....	659	1,629	971	---	844
23. Contributions for Overseas Peace-Keeping					
01. United Nations Peace-keeping force.....	17,202,002	3,544,237	---	13,657,765	---
02. Multinational Force and Observers.....	5,487,009	3,555,997	---	1,931,012	4,822,270
03. UN International Peacekeeping - IRAQ.....	5,275,683	---	---	5,275,683	---
04. UN Mission -IRAQ .....	---	8,813,872	8,813,872	---	8,016,667
31. MoE Technical College Recovery	---	615,199	615,199	---	---
Total.....	30,334,518	19,252,510	9,898,148	20,980,157	14,772,559
Net Increase/(Decrease) .....				11,082,009	
29 - GRANTS IN AID					
03. United Nations Development Programme.....	268,456	---	---	268,456	---
99. Other Grant Aid.....	5,858,887	18,321,910	12,463,023	---	25,932,894
Total.....	6,127,343	18,321,910	12,463,023	268,456	25,932,894
Net Increase/(Decrease) .....			12,194,567		
Total Operating Revenue.....	2,571,412,262	2,544,762,857	53,315,483	74,876,555	2,290,281,755
Net Increase/(Decrease) .....				21,561,071	
<b>INVESTING REVENUE</b>					
<b>31 - REPAYMENTS OF TERM LOANS RECEIVABLE</b>					
11. Interest for Social Services Term Loans					
02. Interest Economic Service Term Loan .....	204,036	---	---	204,036	---
12. Interest Economic Service Term Loan .....	375,359	---	---	375,359	---
13. Interest Fiji Sports Council .....	---	44,506	44,506	---	---
21. Interest for Economic Services Term Loans					
01. Interest- Loans to Copra Industry.....	---	---	---	---	1,050
22. Principal Term Loans Economic Service					
01. Term Loan Economic Service .....	---	226,325	226,325	---	401,576
Total.....	579,395	270,831	270,831	579,395	402,626
Net Increase/(Decrease) .....				308,564	
32 - SALES OF GOVERNMENT ASSETS					
11. Sales Proceed in Economic Services.....	250,000,000	---	---	250,000,000	---
31. Sales proceeds in Infrastructure services.....	216,900,000	188,130,977	---	28,769,023	12,760,757
41. Sales Proceed in TMA Operation.....	40,400,000	---	---	40,400,000	---
91. Proceed from sales of Fixed Assets	---	42,681	42,681	---	---
Total.....	507,300,000	188,173,658	42,681	319,169,023	12,760,757
Net Increase/(Decrease) .....				319,126,343	
33 - DIVIDENDS FROM INVESTMENTS					
01. Investments in Social Services.....	40,600,000	1,778,342	---	38,821,658	520,532
02. Investments in Economic Services.....	---	32,807,546	32,807,546	---	46,883,546
03. Investments in Infrastructure Services.....	690,000	27,745,682	27,055,682	---	17,296,611
Total.....	41,290,000	62,331,570	59,863,228	38,821,658	64,700,689
Net Increase/(Decrease) .....			21,041,570		



GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILED REVENUE COMPARISON  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 9

Heads and Subheads of Revenue	Estimate	Actual Revenue 2015	Increase	Decrease	Actual Revenue 2014 (Re-stated)
	\$	\$	\$	\$	\$
<b>34 - INTEREST FROM BANK BALANCES</b>					
02. Interest from Domestic Bank.....	244,843	1,198	---	243,645	---
03. Interest from Term Deposits Local Banks....	9,460	---	---	9,460	---
04. Interest from Overseas Brokers.....	---	308,337	308,337	---	553,725
06. Interest from Bank Balances .....	---	---	---	---	---
Total.....	254,303	309,535	308,337	253,105	553,725
Net Increase/(Decrease) .....			55,232		
<b>35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS</b>					
74. Return-of Surplus Capital from TMA Operation	1,602,440	4,361,514	2,759,074	---	2,136,901
Total.....	1,602,440	4,361,514	2,759,074	---	2,136,901
Net Increase/(Decrease) .....			2,759,074		
<b>39 - SCHOLARSHIP BOND RECOVERY</b>					
01. Payment Term Loan FAB.....	---	24,821	24,821	---	169,295
Total.....	---	24,821	24,821	---	169,295
Net Increase/(Decrease) .....			24,821		
<b>Total Investing Revenue.....</b>	<b>551,026,138</b>	<b>255,471,929</b>	<b>23,880,698</b>	<b>319,434,906</b>	<b>80,723,993</b>
Net Increase/(Decrease) .....				295,554,209	
<b>SUMMARY OF REVENUE</b>					
Operating Revenue.....	2,571,412,262	2,544,762,857	53,315,483	74,876,555	2,290,281,755
Investing Revenue .....	551,026,138	255,471,929	23,880,698	319,434,906	80,723,993
Grand Totals.....	3,122,438,400	2,800,234,786	77,196,181	394,311,461	2,371,005,748

**GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

Heads of Appropriation	Original Budget	Redeployment	Supplementary	Revised Estimate	Actual Expenses 2015	(Over) / Under Expenditure
	\$	\$	\$	\$	\$	\$
<b>GENERAL ADMINISTRATION</b>						
Office of the President	4,202,825	---	---	4,202,825	3,827,804	375,021
Office of the Prime Minister	14,305,045	---	---	14,305,045	12,553,159	1,751,886
Office of the Attorney General	17,181,186	---	---	17,181,186	13,755,679	3,425,507
Ministry of Finance	80,803,224	---	---	80,803,224	77,480,472	3,322,753
Ministry of iTaukei Affairs	10,283,017	---	---	10,283,017	9,717,730	565,287
	7,152,924	---	---	7,152,924	7,128,406	24,518
Ministry of Immigration, National Security and Defense	15,734,709	---	---	15,734,709	15,305,910	428,799
Ministry of Employment, Productivity and Industrial Relations	41,779,536	---	---	41,779,536	41,255,330	524,206
Ministry of Foreign Affairs	4,082,574	---	---	4,082,574	3,329,801	752,773
Office of the Auditor General	7,089,092	---	---	7,089,092	5,119,295	1,969,797
Fijian Elections Office	40,382,832	---	---	40,382,832	27,692,106	12,690,726
Judiciary	8,888,234	---	---	8,888,234	7,612,055	1,276,179
Parliament	10,249,191	---	---	10,249,191	9,053,686	1,195,505
Independent Commission	5,715,089	---	---	5,715,089	4,696,316	1,018,773
Office of the Director of Public Prosecutions	4,775,095	---	---	4,775,095	3,869,240	905,855
Ministry of Justice	38,047,300	---	---	38,047,300	34,813,355	3,233,945
Fiji Corrections Service	33,704,201	---	---	33,704,201	17,049,204	16,654,997
Ministry of Communication	43,131,770	---	---	43,131,770	38,587,428	4,544,342
Public Service Commission	32,107,650	---	---	32,107,650	29,925,901	2,181,749
Ministry of Rural and Maritime Development and Disaster Management	103,317,114	---	---	103,317,114	85,091,759	18,225,355
Republic of Fiji Military Forces	120,499,901	---	---	120,499,901	109,046,124	11,453,777
Fiji Police Force	72,626,918	---	---	72,626,918	68,611,388	4,015,530
Peacekeeping Missions						
<b>Total for General Administration</b>	<b>716,059,427</b>	<b>---</b>	<b>---</b>	<b>716,059,427</b>	<b>625,522,147</b>	<b>90,537,280</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

Heads of Appropriation	Original Budget	Redeployment	Supplementary	Revised Estimate	Actual Expenses 2015	(Over) / Under Expenditure
	\$	\$	\$	\$	\$	\$
<b>SOCIAL SERVICES</b>						
Ministry of Education, Heritage and Arts	401,649,310	---	---	401,649,310	398,375,173	3,274,137
Ministry of Health and Medical Services	269,738,232	---	---	269,738,232	239,013,309	30,724,923
Department of Housing	27,699,066	---	---	27,699,066	17,448,683	10,250,383
Ministry of Women, Children and Poverty Alleviation	44,812,148	---	---	44,812,148	43,933,368	878,780
Ministry of Youth and Sports	16,690,746	---	---	16,690,746	16,057,425	633,321
Higher Education Institutions	85,739,200	---	---	85,739,200	79,985,127	5,754,073
<b>Total for Social Services</b>	<b>846,328,702</b>	<b>---</b>	<b>---</b>	<b>846,328,702</b>	<b>794,813,085</b>	<b>51,515,617</b>
<b>ECONOMIC SERVICES</b>						
Ministry of Agriculture	64,972,231	---	---	64,972,231	52,575,862	12,396,369
Ministry of Fisheries and Forests	23,981,234	---	---	23,981,234	22,892,886	1,088,348
Ministry of Lands and Mineral Resources	32,994,312	---	---	32,994,312	25,353,544	7,640,768
Ministry of Industry, Trade and Tourism	49,484,689	---	---	49,484,689	47,110,788	2,373,901
Ministry of Sugar	11,768,624	---	---	11,768,624	10,580,205	1,188,419
Ministry of Public Enterprise	10,518,816	---	---	10,518,816	9,234,952	1,283,864
Ministry of Local Government, Housing & Environment	32,682,569	---	---	32,682,569	24,585,109	8,097,460
<b>Total for Economic Services</b>	<b>226,402,475</b>	<b>---</b>	<b>---</b>	<b>226,402,475</b>	<b>192,333,346</b>	<b>34,069,129</b>
<b>INFRASTRUCTURE SERVICES</b>						
Ministry of Infrastructure and Transport	113,023,600	---	---	113,023,600	104,634,654	8,388,946
Water Authority of Fiji	239,221,511	---	---	239,221,511	194,221,421	45,000,090
Fiji Roads Authority	653,788,560	---	---	653,788,560	559,396,677	94,391,883
<b>Total for Infrastructure</b>	<b>1,006,033,671</b>	<b>---</b>	<b>---</b>	<b>1,006,033,671</b>	<b>858,252,752</b>	<b>147,780,919</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

Heads of Appropriation	Original Budget	Redeployment	Supplementary	Revised Estimate	Actual Expenses 2015	(Over) / Under Expenditure
	\$	\$	\$	\$	\$	\$
<b>UNALLOCABLE</b>						
Miscellaneous Services	218,073,007	---	---	218,073,007	176,576,117	41,496,890
Pensions, Gratuities and Compassionate Allowances	42,343,400	---	---	42,343,400	38,878,319	3,465,081
Charges on Account of Public Debt	281,050,667	---	15,586,538	296,637,205	295,416,310	1,220,895
<b>Total for Unallocable Services</b>	<b>541,467,074</b>	<b>---</b>	<b>15,586,538</b>	<b>557,053,612</b>	<b>510,870,746</b>	<b>46,182,866</b>
<b>Grand Total</b>	<b>3,336,291,349</b>	<b>---</b>	<b>15,586,538</b>	<b>3,351,877,887</b>	<b>2,981,792,076</b>	<b>370,085,811</b>



GOVERNMENT OF THE REPUBLIC OF FIJI  
 DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS  
 FOR THE YEAR ENDED 31 DECEMBER 2015

Schedule 11

Heads of Appropriation	Original Budget \$	Redeployment \$	Supplementary Appropriation \$	Virements \$	Revised Estimate \$	Actual Expenditure 2015 \$	(Over) / Under Expenditure %
<b>Summary by Standard Expenditure Group (SEG)</b>							
1. Established Staff	820,114,000	---	---	(20,471,482)	799,642,518	781,720,316	5
2. Unestablished Staff	43,992,600	---	---	(255,613)	43,736,987	45,089,205	(2)
3. Travel and Communications	27,520,400	---	---	4,824,938	32,345,338	29,178,695	(6)
4. Maintenance and Operations	98,206,900	---	---	3,656,541	101,863,441	91,035,167	7
5. Purchase of Goods and Services	97,496,000	---	---	6,167,237	103,663,237	89,448,432	8
6. Operating Grants and Transfers	447,017,500	---	---	(3,721,162)	443,296,338	435,515,332	3
7. Special Expenses	81,114,800	---	---	12,744,502	93,859,302	74,935,297	8
8. Capital Construction	152,158,300	---	---	(2,841,354)	149,316,946	87,197,368	43
9. Capital Purchase	53,352,300	---	---	7,043,756	60,396,056	45,820,326	14
10. Capital Grants and Transfers	1,116,366,800	---	---	(5,887,026)	1,110,479,774	911,998,695	18
11. Pensions, Gratuities & Compassionate Allowances	42,343,300	---	---	-	42,343,300	38,878,319	8
12. Charges on Account of Public Debt	8,500,000	---	---	(915,409)	7,584,591	7,564,667	11
13. Value Added Tax	75,558,500	---	---	(1,260,320)	74,298,180	55,558,866	26
14. Interest Payment on overseas loans	61,479,800	---	15,586,538	1,455,068	78,521,406	77,497,978	(26)
15. Interest Payment on domestic loans	211,070,900	---	---	(539,676)	210,531,224	210,353,664	0
<b>Grand Total</b>	<b>3,336,292,100</b>	<b>---</b>	<b>15,586,538</b>	<b>---</b>	<b>3,351,878,638</b>	<b>2,981,792,326</b>	<b>11</b>

Actuals for all the SEGs were within the original approved budgets except for SEGs 2 Unestablished Staff, SEG 3 Travel and Communication and Seg 14 Interest Payment on overseas loans.

Ministry of Economy  
 Suva, Fiji



.....  
 Makereta Konrote  
 Permanent Secretary for Economy

Dated ..... of the month of March, 2017

GOVERNMENT OF THE REPUBLIC OF FIJI  
 BUDGET RESULT, ESTIMATES AND PROJECTIONS  
 FOR THE PERIOD 2013- 2016

Schedule 12

	Actual 2013 (Restated) \$	Actual 2014 (Restated) \$	Estimate 2015 \$	Actual 2015 \$	Estimate 2016 \$	Projected 2017 \$
<b>REVENUE</b>						
Operating Revenue	2,038,833,511	2,290,281,757	2,571,412,262	2,544,762,857	2,802,953,800	2,891,254,500
Investing Revenue	59,894,427	80,723,992	551,026,138	255,471,929	325,777,200	34,734,400
<b>TOTAL REVENUE</b>	<b>2,098,727,938</b>	<b>2,371,005,749</b>	<b>3,122,438,400</b>	<b>2,800,234,786</b>	<b>3,128,731,000</b>	<b>2,925,988,900</b>
<b>EXPENDITURE</b>						
Operating Expenditure	1,247,833,004	1,471,275,463	1,657,805,500	1,585,800,762	1,747,875,300	1,733,102,700
Interest Payments on Loans	260,450,670	264,309,159	280,050,700	295,416,310	276,995,900	273,045,500
Capital Expenditure	586,349,201	930,115,814	1,321,877,400	1,045,016,389	1,340,573,000	1,650,371,400
Value Added Tax	41,682,412	57,395,410	75,558,500	55,558,866	49,092,800	38,133,100
<b>TOTAL EXPENDITURE</b>	<b>2,136,315,287</b>	<b>2,723,095,846</b>	<b>3,335,292,100</b>	<b>2,981,792,327</b>	<b>3,414,537,000</b>	<b>3,694,652,700</b>
<b>BUDGET RESULT</b>	<b>(37,587,349)</b>	<b>(352,090,097)</b>	<b>(212,853,700)</b>	<b>(181,557,541)</b>	<b>(285,806,000)</b>	<b>(768,663,800)</b>

**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE**  
**FOR THE PERIOD 2013 - 2016**

Description	Actual	Actual	Estimate	Actual	Projected	Projected
	2013 (Restated) \$	2014 (Restated) \$	2015 \$	2015 \$	2016 \$	2017 \$
<b>REVENUE</b>						
Operating Revenue						
Direct Receipts (Income Tax & Capital Gain Tax)	449,707,223	523,741,388	582,797,720	605,113,135	620,025,500	656,460,500
Indirect Revenue						
VAT	765,681,300	794,142,006	892,680,765	893,326,885	845,797,100	885,567,100
Customs	441,788,594	511,394,486	605,447,400	545,731,213	643,890,500	674,005,200
Service Turnover Tax	51,592,998	57,959,569	64,780,400	64,700,336	126,765,900	134,212,300
Water Resource Tax	29,505,172	34,694,302	38,029,098	36,489,883	40,392,500	42,765,200
Departure Tax	95,942,050	122,912,654	132,161,100	136,085,188	140,374,500	148,620,300
Fish Levy	369,147	438,068	535,477	101,112	568,800	602,200
Stamp Duty	43,520,158	68,608,464	82,110,484	71,759,272	87,213,400	92,336,500
Luxury Vehicle Tax	1,610,208	2,211,762	---	1,467,875	---	---
Telecommunication Levy	---	---	1,413,018	---	1,500,800	1,589,000
Credit Card Levy	---	---	4,266,478	---	4,531,600	4,797,800
Third Party Insurance Levy	---	---	2,208,400	---	2,345,700	2,483,400
Environmental Levy	---	---	---	---	69,551,500	73,637,000
Health Levy	---	---	---	---	5,383,800	5,700,000
Miscellaneous Fees & Receipts	(421,680)	1,639,744	---	5,088,333	---	---
Fees, Fines, Charges and Penalties	94,605,959	104,970,471	99,752,824	105,511,209	118,222,500	117,250,200
Operating Revenue Sales	---	---	737	382	500	600
Other Revenue and Surpluses	27,854,181	26,863,387	28,766,499	41,813,616	38,571,600	39,543,600
Reimbursement and Recoveries	21,338,869	14,772,560	30,334,519	20,416,843	11,562,400	11,683,600
Grant in Aid	15,739,334	25,932,894	6,127,343	18,321,910	13,395,000	---
<b>Total Operating Revenue</b>	<b>2,038,833,513</b>	<b>2,290,281,755</b>	<b>2,571,412,262</b>	<b>2,545,927,192</b>	<b>2,770,093,600</b>	<b>2,891,254,500</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI  
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE  
FOR THE PERIOD 2013 - 2016**

Description	Actual 2013 (Restated) \$	Actual 2014 (Restated) \$	Estimate 2015 \$	Actual 2015 \$	Projected 2016 \$	Projected 2017 \$
<b>Investing Revenue</b>						
Repayment of Term Loans Receivable	25,425	571,921	579,395	295,652	---	---
Sale of Government Assets	10,146,986	12,760,757	507,300,000	188,173,657	320,000,000	---
Dividends from Investment	11,980,221	64,700,689	41,290,000	62,331,570	32,860,200	28,867,700
Interest from Bank Balance	35,671,873	553,725	254,303	309,535	270,100	286,000
Interest on Term Loans and Advances	---	---	---	---	376,400	398,500
Return of Surplus Capital from Investment	2,069,922	2,136,901	1,602,440	4,361,514	5,130,700	5,182,200
<b>Total Investing Revenue</b>	<b>59,894,427</b>	<b>80,723,993</b>	<b>551,026,138</b>	<b>255,471,928</b>	<b>358,637,400</b>	<b>34,734,400</b>
<b>TOTAL REVENUE</b>	<b>2,098,727,940</b>	<b>2,371,005,748</b>	<b>3,122,438,400</b>	<b>2,801,399,120</b>	<b>3,128,731,000</b>	<b>2,925,988,900</b>
<b>EXPENDITURE</b>						
<b>General Administration Services</b>						
Operating Expenditure	465,693,561	454,487,158	598,989,200	550,181,444	596,997,000	593,291,000
Capital Expenditure	61,303,292	50,690,652	88,174,400	54,098,918	89,114,000	27,294,000
<b>Total General Administration</b>	<b>526,996,853</b>	<b>505,177,810</b>	<b>687,163,600</b>	<b>604,280,362</b>	<b>686,111,000</b>	<b>620,585,000</b>
<b>Social Services</b>						
Operating Expenditure	519,352,533	669,927,444	717,701,500	721,059,208	768,300,600	770,710,300
Capital Expenditure	36,545,775	46,722,780	104,405,500	56,448,619	109,724,400	42,862,800
<b>Total Social Services</b>	<b>555,898,308</b>	<b>716,650,224</b>	<b>822,107,000</b>	<b>777,507,827</b>	<b>878,025,000</b>	<b>813,573,100</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI  
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE  
FOR THE PERIOD 2013 - 2016**

Description	Actual 2013 (Restated)	Actual 2014 (Restated)	Estimate 2015	Actual 2015	Projected 2016	Projected 2017
	\$	\$	\$	\$	\$	\$
<b>Economic Services</b>						
Operating Expenditure	79,056,382	86,952,555	105,155,000	94,297,812	118,505,200	118,391,400
Capital Expenditure	66,372,578	96,398,737	109,197,600	89,593,357	140,897,700	124,988,700
<b>Total Economic Services</b>	<b>145,428,960</b>	<b>183,351,292</b>	<b>214,352,600</b>	<b>183,891,169</b>	<b>259,402,900</b>	<b>243,380,100</b>
<b>Infrastructure Services</b>						
Operating Expenditure	124,077,787	192,674,032	138,706,300	130,925,366	155,507,300	144,654,700
Capital Expenditure	365,250,884	628,752,866	861,835,300	722,085,594	848,678,500	1,330,083,800
<b>Total Infrastructure Services</b>	<b>489,328,671</b>	<b>821,426,898</b>	<b>1,000,541,600</b>	<b>853,010,960</b>	<b>1,004,185,800</b>	<b>1,474,738,500</b>
<b>Miscellaneous Services</b>						
Operating Expenditure	24,312,105	30,448,921	54,910,300	122,789,900	66,221,900	63,711,900
Capital Expenditure	56,876,670	107,550,779	158,264,600	50,458,614	152,158,400	125,142,100
<b>Total Miscellaneous Services</b>	<b>81,188,775</b>	<b>137,999,700</b>	<b>213,174,900</b>	<b>173,248,514</b>	<b>218,380,300</b>	<b>188,854,000</b>
<b>Unallocable</b>						
Pensions, Gratuities and Compassionate Allowance	35,340,641	36,785,353	42,343,200	38,878,319	42,343,300	42,343,300
Value Added Tax	41,682,412	57,395,410	75,558,500	55,558,866	49,092,800	38,133,100
Interest Payments on Loans	260,450,671	264,309,159	281,050,700	295,416,310	276,995,900	273,045,500
<b>TOTAL EXPENDITURE</b>	<b>2,136,315,291</b>	<b>2,723,095,846</b>	<b>3,336,292,100</b>	<b>2,981,792,327</b>	<b>3,414,537,000</b>	<b>3,694,652,600</b>
<b>Surplus/(deficit) for the year</b>	<b>(37,587,351)</b>	<b>(352,090,098)</b>	<b>(213,853,700)</b>	<b>(180,393,207)</b>	<b>(285,806,000)</b>	<b>(768,663,700)</b>

GOVERNMENT OF THE REPUBLIC OF FIJI  
ESTIMATE AND ACTUAL BUDGET RESULT  
FOR THE PERIOD 2013- 2015

Schedule 14

	Actual 2013 (Restated) \$	Actual 2014 (Restated) \$	Estimate 2015 \$	Actual 2015 \$
<b>REVENUE</b>				
Operating Revenue	2,060,398,201	2,290,281,755	2,571,412,262	2,545,927,192
Investing Revenue	59,894,427	80,723,993	551,026,138	255,471,928
<b>TOTAL REVENUE</b>	<b>2,120,292,628</b>	<b>2,371,005,748</b>	<b>3,122,438,400</b>	<b>2,801,399,120</b>
<b>EXPENDITURE</b>				
Operating Expenditure	1,247,833,004	1,471,275,463	1,657,805,500	1,585,800,762
Interest Payments on Loans	260,450,671	264,309,159	281,050,700	295,416,310
Capital Expenditure	586,349,201	930,115,814	1,321,877,400	1,045,016,389
Value Added Tax	41,682,412	57,395,410	75,558,500	55,558,866
<b>TOTAL EXPENDITURE</b>	<b>2,136,315,288</b>	<b>2,723,095,846</b>	<b>3,336,292,100</b>	<b>2,981,792,327</b>
<b>BUDGET RESULT</b>	<b>(16,022,660)</b>	<b>(352,090,098)</b>	<b>(213,853,700)</b>	<b>(180,393,207)</b>

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

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## 1.0 FINANCIAL POSITION OF GOVERNMENT

The financial statements for the Government of the Republic of Fiji have been drawn up in accordance with the Cash-basis IPSAS standard and the provisions of the Financial Management Act 2004.

### 1.1 Financial Performance 2015

The performance of the Fiji Government for the year 2015 is provided in Table 1.1.

**Table 1.1: Government Performance in 2015**

Item	Original Budget 2015	Revised Budget 2015	Actual Results 2015	Variance <sup>1</sup> 2015	Variance
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(%)
<b>REVENUE</b>					
Operating Receipts	2,571,412.3	2,571,412.3	2,542,813.7	(28,598.6)	(1)
Investing Receipts	551,026.1	551,026.1	250,701.7	(300,324.4)	(55)
<b>TOTAL REVENUE</b>	<b>3,122,438.4</b>	<b>3,122,438.4</b>	<b>2,793,515.4</b>	<b>(271,725.8)</b>	<b>(9)</b>

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

Item	Original Budget 2015 (\$'000)	Revised Budget 2015 (\$'000)	Actual Results 2015 (\$'000)	Variance <sup>1</sup> 2015 (\$'000)	Variance (%)
<b>EXPENDITURE</b>					
Operating	1,938,856.2	1,957,387.7	1,874,199.9	83,187.8	(4)
Capital	1,321,877.4	1,320,192.8	1,045,503.5	274,689.3	(21)
Value Added Tax	75,558.5	74,298.1	55,636.4	18,661.7	(25)
<b>TOTAL EXPENDITURE</b>	<b>3,336,292.1</b>	<b>3,351,878.6</b>	<b>2,975,339.8</b>	<b>376,538.8</b>	<b>(11)</b>
<b>Net (Deficit)/Surplus</b>	<b>(213,853.7)</b>	<b>(229,440.2)</b>	<b>(181,824.4)</b>	<b>47,615.8</b>	<b>(21)</b>
Debt Repayment	149,668.3	678,025.5	677,261.7	763.8	(0.1)
<b>Gross Surplus/(Deficit)</b>	<b>(363,522)</b>	<b>(907,465.7)</b>	<b>(859,086.1)</b>	<b>48,380</b>	<b>(5)</b>
Net (Deficit)/Surplus As A Percent of GDP	(2.5%)	(2.6%)	(2%)	8.8%	
<b>Nominal/Provisional GDP</b>	<b>8,668,818.0[n]</b>	<b>8,668,818[n]</b>	<b>9,210,800[p]</b>	<b>541,982</b>	

Source: Schedule 2 of the Financial Statement of the Government of Fiji Financial Statements

Original Budget 2015 is sourced from the 2015 Budget Book.

[n]: Nominal GDP Figure [Source: Republic of Fiji Budget Estimate 2015]

[p]: GDP Provisional Figure, Source: FBoS Release No: 87, 2016

The actual gross deficit for the year totalled \$859.1 million compared to that budgeted of \$907.5 million. The decreased budget deficit was due to due to savings in capital expenditure totalling \$274.7 million.

The loans raised in 2015 to finance the budget deficit (Table 1.3) totalled \$731.6 million. In addition, treasury bills were also raised in 2015 to meet short term financing shortfalls. These are discussed in Section 1.5 and Table 1.3.

## 1.2 2015 Appropriation Act

There were thirty eight appropriation heads in the 2015 budget.<sup>2</sup> The expenditure under the various Ministries/Departments and their variances are detailed in [Appendix 1](#). Against a revised budget of \$4,029,904,149, the government spent \$3,652,601,536 resulting in a budget saving of \$377,302,613 or 9%.

An appropriation of \$73.3 million for 2015 was provided under the Lending Fund Account.

## 1.3 Operating Results

A net deficit totalling \$181.8 million was recorded in 2015 as shown in Table 1.1 compared to the forecasted net deficit of \$229.4 million; an improvement by \$47.6 million (21%).

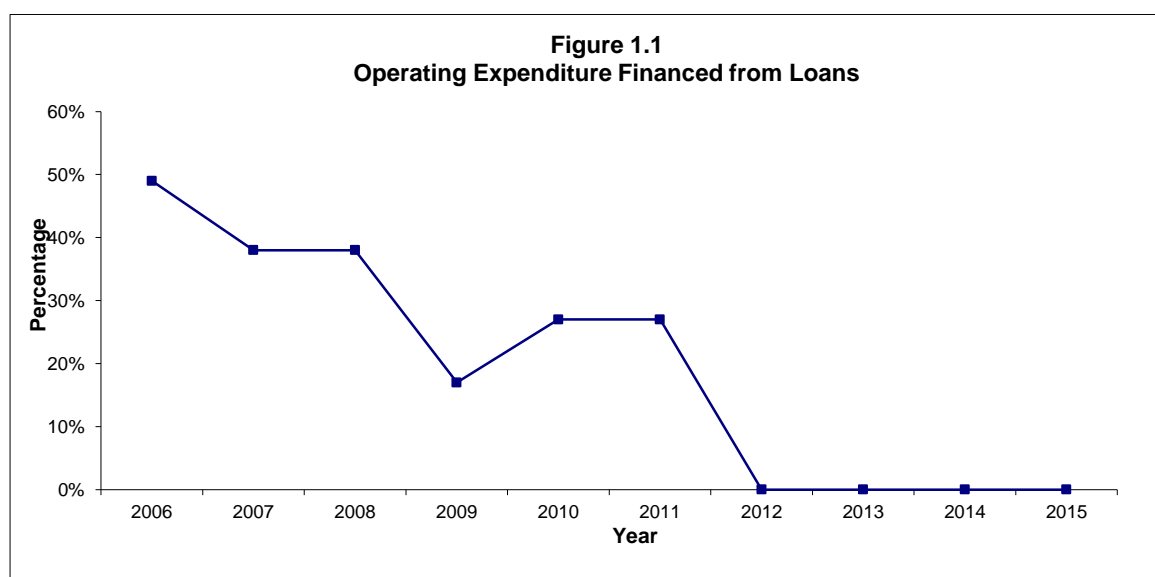
The net deficit for 2015 as a percentage of GDP was 2%, a reduction of 0.6% from the budgeted net deficit of 2.6%.

## 1.4 Financing of Operating Expenditure

It is generally accepted that capital works should be funded by loans. The funding of operating expenditure by loan would be a concern if effort was not taken to reduce operating expenditure.

Figure 1.1 and Table 1.2 shows the percentage of loan that was used in meeting government's operating expenditure over the last 10 years.

<sup>2</sup> Schedule 1 of the 2015 Appropriation Act 2014

**Table 1.2: Operating Expenditure Financed from Loans**

Details	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)	2009 (\$'000)	2010 ('000)	2011 ('000)	2012 (\$000)	2013 (\$000)	2014 (\$000)	2015 (000)
Total Loans (Domestic & Overseas)	417,810	334,937	345,649	405,390	462,965	693,707	329,655	272,745	353,647	801,792
Less Capital Expenditures *	212,642	206,933	212,748	335,014	339,654	503,910	534,842	586,349	930,115	1,045,504
Balance for Operating Expenditures	205,168	128,004	132,901	70,376	123,311	189,797	---	---	---	---
% Loans Utilized for Operating Expenditures	49%	38%	38%	17%	27%	27%	---	---	---	---

From 2012 to 2015, loans funds were used solely for capital expenditures.

## 1.5 Treasury Bills

Domestic loans were raised in accordance with the approved budgets while the excess borrowings were in the form of Treasury Bills.

The outstanding Treasury bills at the beginning of the year totalled \$128.6 million. Treasury Bills raised during the year amounted to \$336.0 million and \$143.3 million was outstanding as at 31/12/15. Table 1.3 details the loans raised by government to finance its budget deficits over the last 10 years.



**Table 1.3: Original Budget Deficit vs. Loans Raised**

Details	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)
<b>Gross Deficit</b>	<b>394,450,200</b>	<b>369,552,279</b>	<b>225,554,800</b>	<b>498,557,100</b>	<b>363,566,600</b>	<b>302,976,000</b>	<b>338,436,800</b>	<b>398,973,400</b>	<b>385,435,100</b>	<b>363,522,000</b>
Domestic Loans	356,778,570	100,536,321	341,266,932	404,239,758	452,734,100	81,470,500	192,102,000	172,822,000	233,405,800	257,356,129
Overseas Loans	283,258,700	19,855,800	20,802,800	25,476,800	61,949,500	569,043,100	136,428,700	99,466,291	120,241,251	<b>544,436,074</b>
Treasury Bills	528,715,400	685,889,200	391,725,900	253,821,700	687,313,100	411,970,900	306,664,500	138,122,146	306,883,399	336,000,000
<b>Loans</b>	<b>1,168,752,670</b>	<b>806,281,321</b>	<b>753,795,632</b>	<b>683,538,258</b>	<b>1,201,996,700</b>	<b>1,062,484,500</b>	<b>635,195,200</b>	<b>410,410,437</b>	<b>660,527,650</b>	<b>1,137,792,203</b>
<b>Deficit %</b>	<b>296%</b>	<b>218%</b>	<b>334%</b>	<b>137%</b>	<b>331%</b>	<b>351%</b>	<b>188%</b>	<b>103%</b>	<b>171%</b>	<b>313%</b>
<b>Excessive Borrowings %</b>	<b>(196%)</b>	<b>(118%)</b>	<b>(234%)</b>	<b>(37%)</b>	<b>(231%)</b>	<b>(251%)</b>	<b>(88%)</b>	<b>(3%)</b>	<b>(71%)</b>	<b>(213%)</b>

The 2015 budget funding programme<sup>3</sup> appropriated \$363.5 million (equal to the forecasted gross deficit) in loan funds to finance the gross deficit. However, in 2015 a total of \$1,137.8 million was raised in loan funds resulting in borrowing of \$230.3 million more than the budgeted amount. The Gross Deficit in 2015 was revised to \$907,465,749 to accommodate the borrowing to pay the global bond that was not included in the original budget.

Furthermore, the budgeted gross deficit was \$363.5 million while the actual gross deficit was \$859.1 million; an increase by \$495.6 million for 2015.

## 2.0 CASH AND CASH EQUIVALENTS

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

The Cash and cash equivalent balance decreased from \$224,560,999 in 2014 to \$224,036,754 in 2015. Table 2.1 shows changes including decrease in overseas cash by-18%. In addition, there was an increase in Trust Fund bank balances and Trading & Manufacturing Account bank balances by 18% and 14%, respectively while net domestic cash increased by 187%.

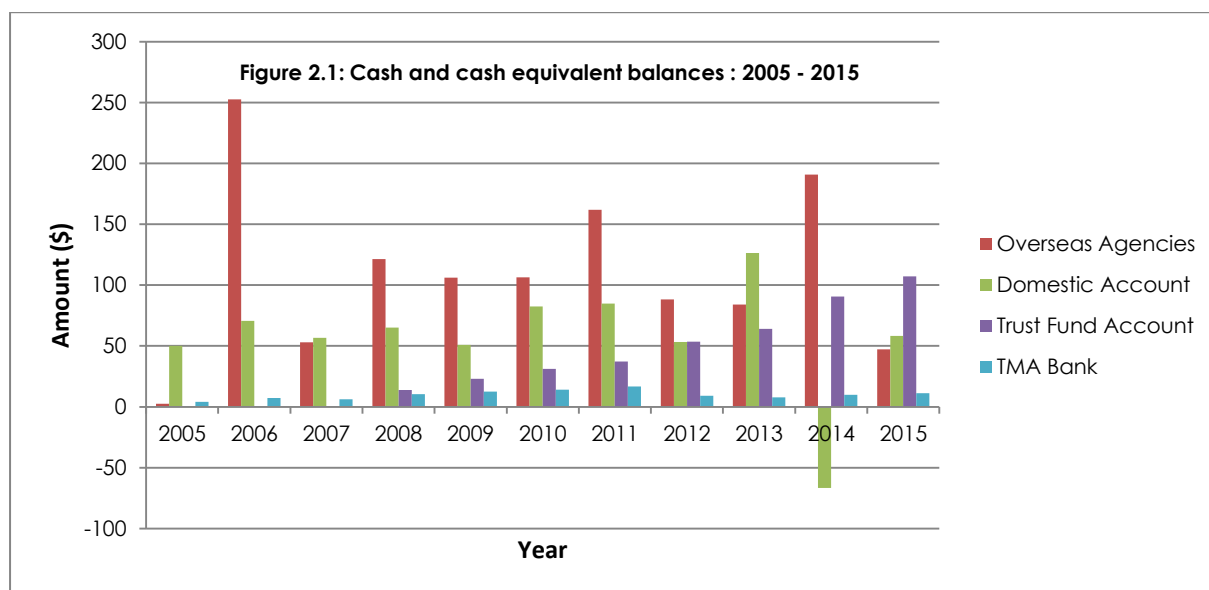
**Table 2.1: Cash at Bank Balance as at 31 December 2015**

Account	2015 Balances (\$)	2014 Balances (\$)	Variance (\$)	% Change
Overseas Agencies	47,221,824	190,762,569	(143,540,745)	(75)
Domestic Account	113,160,579	71,312,510	41,848,069	59
Trust Fund Account	107,297,355	90,552,945	16,744,410	18
Trading & Manufacturing Account (TMA)	11,253,488	9,909,833	1,343,655	14
Unpresented Cheques	(54,896,492)	(137,976,858)	83,080,366	(60)
<b>Net Cash</b>	<b>224,036,754</b>	<b>224,560,999</b>	<b>524,245</b>	<b>(0.2)</b>

<sup>3</sup> 2015 Budget Estimate - Page 8.

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

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



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

## 2.1 Decrease in Unpresented Cheques

The drawings accounts balances (credits) for Ministries and Departments represent the total value of cheques that were issued but were not presented to banks as at 31/12/15.

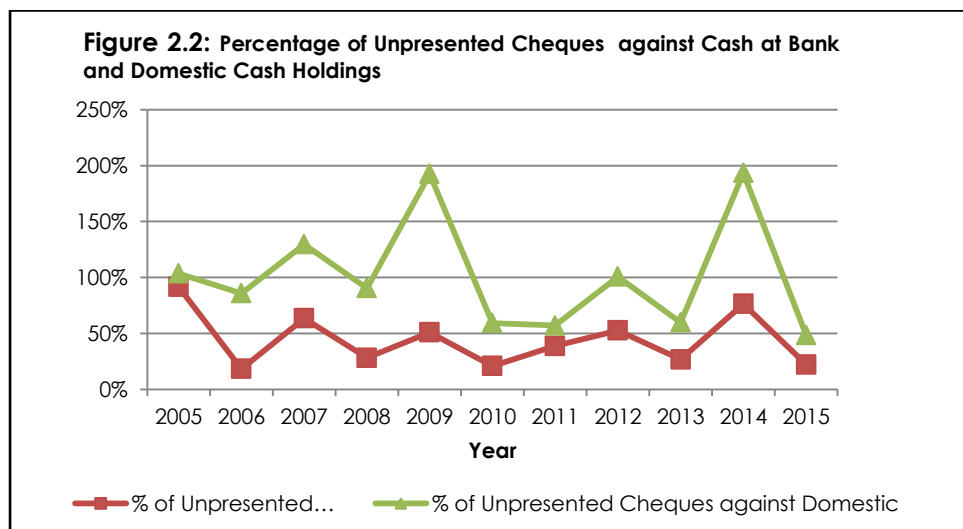
A review of the unpresented cheques balances over the past 10 years provided in Table 2.2 and Figure 2.2 indicate that it accounted for a significant portion of the domestic cash holdings of Government as at 31/12/15. However, significant decreases were noted in unpresented cheque balances in 2015 compared to 2014.

**Table 2.2: Unpresented Cheques**

Year	Unpresented Cheques (\$)	Cash at Bank (\$)	% of Unpresented Cheques Against Cash at Bank	Domestic Cash Holding (\$)	% of Unpresented Cheques against Domestic
2005	51,889,269	56,633,778	92	50,071,389*	104
2006	60,501,189	330,250,882	18	70,524,396*	86
2007	73,586,193	115,983,879	63	56,774,511*	130
2008	59,570,322	211,202,847	28	65,865,376	90
2009	97,864,276	192,376,274	51	50,840,686	192
2010	48,770,140	234,213,755	21	82,425,719	59
2011	51,112,309	131,744,668	39	89,553,394	57
2012	107,360,277	203,957,283	53	106,660,817*	101
2013	75,572,051	282,316,760	27	126,382,089*	60
2014	137,976,858	180,529,168	76	71,312,510	193

Year	Unpresented Cheques (\$)	Cash at Bank (\$)	% of Unpresented Cheques Against Cash at Bank	Domestic Cash Holding (\$)	% of Unpresented Cheques against Domestic
2015	54,896,492	278,933,246	20	113,160,579	49

\* Includes the cash balance of Trust Fund Account



A decrease of \$83,080,366 or 60% was noted in unpresented cheque balance for 2015 compared to 2014. However, unpresented cheque balance for Ministry of Infrastructure and Transport accounted for 70% of the total unpresented cheque balance as at 31/12/15 which is significant. Refer to Table 2.3 for details.

**Table 2.3 Ministries/Department with significant unpresented cheque balances**

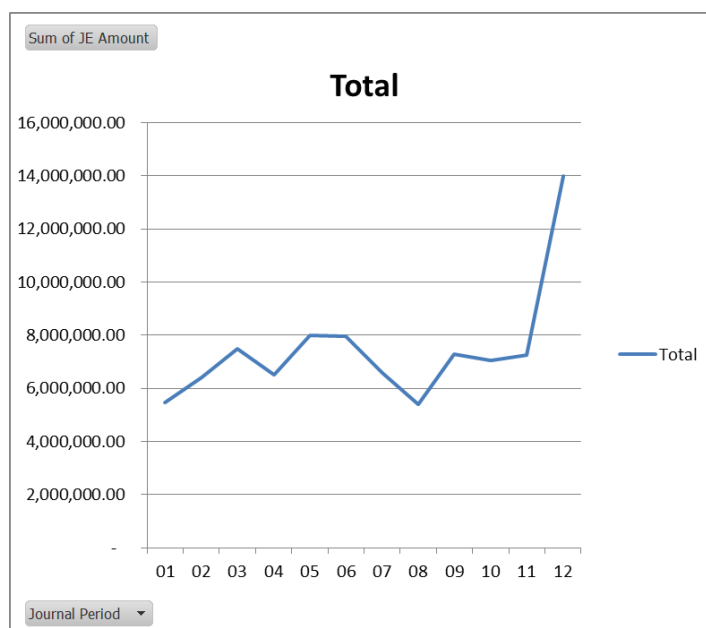
Ministry/Department	Amount (\$)	% of Total
Office of the President	1,059,236	2
Office of the Prime Minister	860,864	2
Treasury	4,400,164	8
Rural Maritime	1,011,361	2
Education	4,027,440	7
Infrastructure and Transport	38,332,588	70
Others	5,204,658	9
<b>Total</b>	<b>54,896,311</b>	<b>100</b>

Even though monthly spending for SEG 5 for all ministries and department in the first eleven months of the year averaged around \$6.9 million, the surge to about \$14 million in December may imply the rush to utilise unspent budget allocations.



**Table 2.4: Monthly Purchases for SEG 5 at Whole of Government level.**

Period	Amount (\$)
01	5,471,100
02	6,412,925
03	7,495,111
04	6,529,933
05	7,985,609
06	7,963,439
07	6,568,474
08	5,395,827
09	7,296,772
10	7,066,336
11	7,268,558
12	13,995,020
<b>Grand Total</b>	<b>89,449,104</b>



The large unrepresented cheques balances indicated that spending for some Ministries and Departments is concentrated towards the end of the year which will affect the cash flow for the initial months in the following year.

### **Recommendations**

- **Ministries/Departments should be encouraged to plan their expenditures well in order to avoid the accumulation of unrepresented cheques at year end.**
- **The Ministry should monitor end of year purchases to ensure that bulk spending at year end is avoided. Explanations and justification for large spending should be obtained from Accounting Heads.**

### **Ministry's Comments**

*The MoE always stressed the importance of timely presentation and clearance of cheques through closing of accounts circular that are issued during the last quarter of every year.*

## **2.2 Drawings Account Variance**

The Accounting Heads are responsible for submitting their monthly drawings reconciliation statements within the stipulated time frame to the Ministry of Finance.<sup>5</sup> The Accounting Head must verify balances in the bank reconciliation to the cashbook, bank statements, unrepresented cheque list and the previous month's bank reconciliation before certifying it.<sup>6</sup>

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

<sup>6</sup> Ministry of Finance, Pro-forma Finance Manual 2011 Section 7.4.11

The following anomalies were noted:

- At the end of 2015, variance exists between departments' drawings reconciliations and general ledger balance for some ministries and departments. No proper explanation or any adjustments was provided by ministries/departments for the variance noted.

Table 2.5 highlight ministries and departments that had variances between their Drawings Accounts reconciliation and the Ministry of Finance General Ledger balances as at 31/12/15.

**Table 2.5: Variance of Ministries/Department Drawings Account and FMIS General Ledger**

Ministry / Department	Reconciliation Balance (\$)	General Ledger Balance (\$)	Difference (\$)	General Ledger Overstated /Understated
Immigration	13,520	12,912	608	Understated
Youths & Sports	81,151	80,524	627	
Fisheries & Forests	543,371	327,338	216,033	
Sugar	582,627	572,236	10,391	
Meteorological Services	795,256	728,884	66,372	
Transport	91,682	90,710	972	
Energy	1,717,090	1,714,838	2,252	
Water & Sewerage	553,118	553,079	39	
<b>Total</b>	<b>4,377,815</b>	<b>4,080,521</b>	<b>297,294</b>	

In all cases, the General Ledger balance was understated which totalled \$297,294 as at 31/12/15.

- Included in the unrepresented cheque listings, are the stale cheques and Electronic Fund Transfer (EFT) payments. Refer to Table 2.6 below for details.

**Table 2.6: EFT payments included in the unrepresented cheque listings.**

Ministry / Department	Unrepresented Cheques (\$)	EFT / Stale Cheque Balance (\$)	Percentage (%)
Fisheries & Forestry	543,371	57,322	11

Furthermore, Table 2.7 highlights the Ministries and Departments that did not carry out the Board of Survey (BOS) for the unrepresented cheques as at 31/12/15.

**Table 2.7 Details of Ministries/Department that did not carry out the BOS**

Ministry/Department	Reconciliation Balance (\$)
Director of Public Prosecution	62,768
Justice	269,090
Education	4,027,440
<b>Total</b>	<b>4,359,298</b>

The findings indicate the lack of supervision and monitoring by senior officers. As a result, audit could not ascertain the correctness of total Unrepresented Cheques amounting to \$54,896,492 as at 31/12/15.

**Recommendations**

The respective Ministries/Department should ensure that:

- **Ministry of Finance and the individual ministries and departments should investigate and rectify the total variance of \$297,294 as at 31/12/15 so that correct balances are reflected at year end.**
- **Ministry of Finance should closely monitor month end drawings reconciliation and ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.**
- **Board of Survey of the Unpresented Cheques is carried out at the end of the year.**

**Ministry's Comments**

*Issue on Drawings Account variance is noted. Some of the Ministries especially Fisheries and Forest were not able to regularise their charges due to lack of budgetary provisions for 2015, hence the variance in their Drawings account reconciliations.*

*Comments on non-performance of BoS exercise on the various Agencies are noted. However, the Ministry of Economy will be reviewing the need to continue with the BoS exercise now that the payment process has been automated via the FMIS. The BoS exercise was aimed to monitor the issuance of cheques and to ensure that no manual cheques are issued after the closing date. With the FMIS in place, this is no longer a requirement as the system keeps proper periodic control of transactions that are being processed; payments done after the closing date will be processed accordingly under the new period budget.*

**2.3 Anomalies in Cash at Bank Balance**

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

The following anomalies were noted from review of the domestic and overseas cash balances:

- Variances were noted between the bank reconciliation and FMIS general ledger. The general ledger has been overstated by a sum of \$1,619,790 as at 31/12/15. Refer to Table 2.8 for details.

**Table 2.8: Details of variance between Bank Reconciliation and the FMIS General Ledger**

Allocation	Missions	Bank Reconciliation Balance (\$)	FMIS Balance (\$)	Variance (\$)	GL Overstated/ Understated
1-08103-80102-510106	FIJI CONSULATE GENERAL SYDNEY	666,924	758,370	91,446	Overstated
1-08103-80101-510107	FIJI HIGH COMM. CANBERRA	196,208	203,715	7,507	
1-08103-81001-510202	FIJI HIGH COMM. LONDON	39,461	60,371	20,910	
1-08103-80501-510401	FIJI EMBASSY TOKYO DOM CASH	769,891	1,102,869	332,978	
1-08103-80701-510502	FIJI HIGH COM WELLINGTON	296,097	307,103	11,006	
1-08103-80201-510504	FIJI HIGH COMMISSION	10,192	143,804	133,612	

<sup>7</sup> Finance Instructions 2010 Section 32.6

Allocation	Missions	Bank Reconciliation Balance (\$)	FMIS Balance (\$)	Variance (\$)	GL Overstated/ Understated
	BEIJING				
1-08103-80301-510601	FIJI MISSION BRUSSELS	233,312	225,038	(8,274)	Understated
1-08103-81101-510801	FIJI HIGH COMMISSION UN	(173,885)	(10,804)	163,081	Overstated
1-08103-81102-510802	WASHINGTON	193,541	198,279	4,738	
1-08103-80407-510808	FIJI HIGH COMMISSION GENEVA	309,697	402,883	93,186	
1-08103-80405-510900	FIJI EMBASSY ABU DHABI	479,682	155,493	(324,189)	Understated
1-08103-80406-510901	FIJI EMBASSY KOREA	122,027	170,255	48,228	Overstated
1-08103-80601-510901	BANK IN KULAR LUMPUR	374,546	1,804,688	1,430,142	
1-08103-80801-510902	CLOSING BALANCE FOR PNG	318,919	(47,798)	(366,717)	Understated
1-08103-80401-510903	FHC NEW DELHI	27,375	24,094	(3,281)	
1-08103-80402-510905	FIJI EMBASSY INDONESIA	150,080	174,652	24,572	Overstated
1-08103-80403-510905	FIJI EMBASSY BRAZIL	540,857	505,381	(35,476)	Understated
1-08103-80404-510905	FIJI EMBASSY SOUTH AFRICA	285,458	281,779	(3,679)	
<b>Total</b>		<b>4,840,382</b>	<b>6,460,172</b>	<b>1,619,790</b>	<b>Overstated</b>

- A sum of \$600,331 in the scholarship recovery bank account was still reflected in the Ministry of iTaukei Affairs general ledger as at 31/12/15 despite the transfer of the administration of scholarships to the TSLB in 2014.
- Variances totalling \$1,627,016 were noted between the TMA Bank Reconciliation and FMIS general ledger as at 31/12/15. Refer to Table 2.9 for details.

**Table 2.9: Variance between TMA Bank Reconciliation and the FMIS General Ledger (GL)**

Ministry	Variance (\$)	Remarks
Ministry of Agriculture	263,038	GL understated
Government Printing	99,551	GL understated
Fisheries and Forests	20,320	GL Overstated
Infrastructure and Transport	1,244,107	GL Overstated
	<b>1,627,016</b>	

- Variances totalling \$1,351,354 were also noted between the Trust Bank Reconciliation and FMIS general ledger. Refer to Table 2.10 for details.

**Table 2.10: Variance between Trust Bank Reconciliation and the FMIS General Ledger (GL)**

Ministry	Variance (\$)	Remarks
Fisheries and Forests	113,393	GL understated
Ministry of Agriculture	511,584	GL overstated
Judiciary	726,377	GL understated
	<b>1,351,354</b>	

- Furthermore, two Trust cash accounts with a total balance of \$1,027,504 were not recorded in the FMIS general ledger.



**Table 2.11: Trust Cash not reflected in the general ledger**

Ministry	Variance (\$)
Ministry of Justice	836,282
Public Service Commission	191,222
	<b>1,027,504</b>

**Recommendations**

- The responsible Ministries/Departments should strictly comply with section 32(6) of Finance Instructions 2010 which requires that all bank accounts must be reconciled on a monthly basis.

**Ministry's Comments**

*Comments noted. FMIS is currently working with these Ministries in resolving anomalies in their various cash at bank accounts. Issue should be resolved for financial year ending Jan-December 2016.*

**2.4 Overdrawn Bank Balances**

Officers operating official bank accounts shall not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.<sup>8</sup>

Audit noted there were overdrawn general ledger balances totalling \$329,311 as at 31/12/15 for which satisfactory explanations were not provided during audit. Refer to Table 2.12 for details.

**Table 2.12 Details of overdrawn balances**

Cash	GL Account No.	Ministry	Amount (\$)
Overseas	1-08103-81101-510801	Foreign Affairs	(10,804)
	1-08103-80801-510902	Foreign Affairs	(47,798)
Trust	9-22101-22002-520401	Health	(270,709)
<b>Total</b>			<b>(329,311)</b>

**Recommendation**

**Overdrawn bank accounts should be investigated and necessary corrective measures are taken.**

**Ministry's Comments**

*The Ministry of Economy had twice undertaken write off of MoFA bank account imbalances but we felt that the root cause for recurring errors is the process itself. There is a need to revamp MoFA accounting processes especially for transactions relating to foreign missions to avoid such issues from happening in future.*

**2.5 Impact of Error and Omission on Cash at Bank Balance**

The Cash at Bank balance of \$224,036,754 as at 31/12/15 has been misstated in view of the following errors and omissions:

<sup>8</sup> Finance Instructions 2010(5)

**Table 2.13 Errors and Omissions in Statement Of Cash At Bank**

<b>Errors and Omissions</b>	<b>Amount (\$)</b>
Variance in Drawings Account Ending Balance	297,295
EFT payments included in unrepresented cheque listings.	57,322
Variance between Bank Reconciliation and the FMIS General Ledger	1,619,790
Variance between TMA Bank Reconciliation and the FMIS General Ledger	1,627,016
Variance between Trust Bank Reconciliation and the FMIS General Ledger	1,351,354
Overdrawn Balances	329,311
Trust Cash maintained by the Ministry of Justice not recorded in FMIS general ledger.	1,027,504
<b>Total Errors and Omissions</b>	<b>6,309,592</b>

The impact on Cash at Bank of the errors and omissions totalling \$6,309,590 or 2.8% of the total cash at bank balance in the 2015 accounts is substantial and reflects the existence of weak internal controls in cash management.

### **Recommendations**

- **Ministry of Finance in consultation with Ministries/Departments should ensure that bank balances are reconciled.**
- **The errors and omissions highlighted above should be investigated and rectified.**

### **Ministry's Comments**

*The Ministry of Economy had twice undertaken write off of MoFA bank account imbalances but we felt that the root cause for recurring errors is the process itself. There is a need to revamp MoFA accounting processes especially for transactions relating to foreign missions to avoid such issues from happening in future.*

## **3.0 INVESTMENTS**

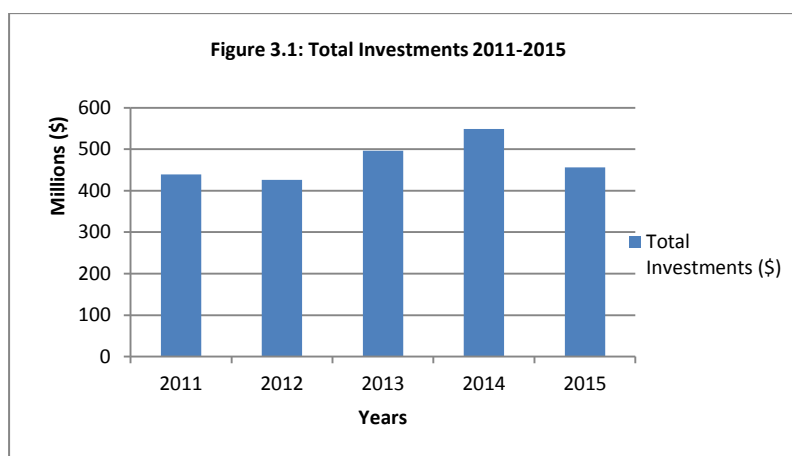
Section 55(1) (b) of the Financial Management Act 2004 empowers the Minister to invest public money (and other money within the meaning of the Act) on deposit with a Bank; in securities issued by a statutory authority; by way of advances authorized by an Act or by resolution of the House of Representatives.

Government shares held in 24 separate entities were valued at \$456,439,892<sup>9</sup> as at 31/12/15; a decrease of \$92,448,913 or 17% compared to 2014. Government investment for the last five years is shown in Figure 3.1 below.

<sup>9</sup> excludes Investments in TMA balance

**Table 3.1 and Figure 3.1: Total Government Investments: 2011 – 2015**

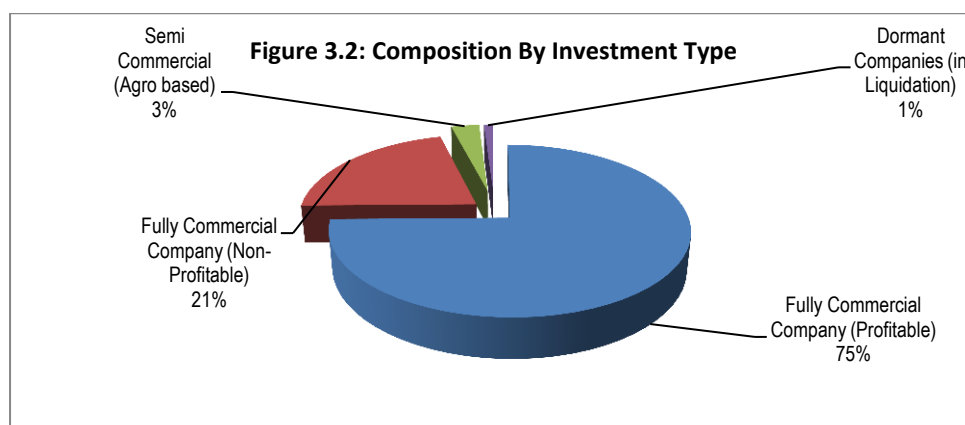
Year	Total Investments (\$)
2011	438,907,122
2012	426,197,586
2013	495,975,041
2014	548,888,805
2015	456,439,892



The decrease in government investments is due to the sale of government shares in Fiji Ports Corporation Limited and Amalgamated Telecom Holdings (ATH).

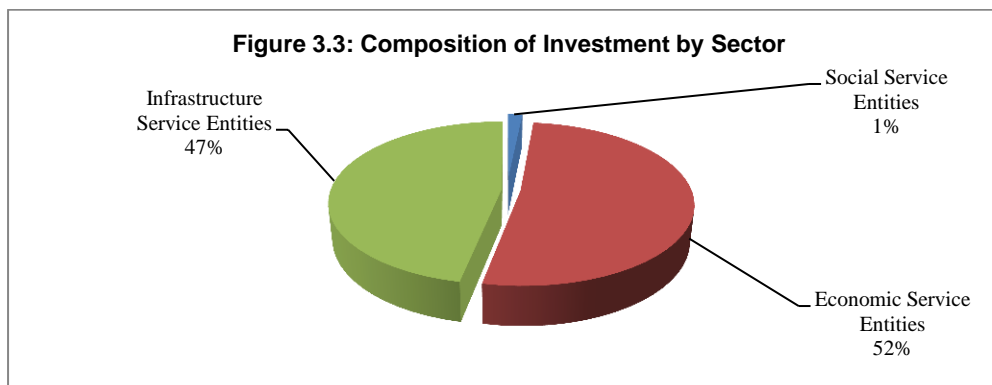
### 3.1 Composition of Government Investments

The composition of Government Investments for 2015 is shown in the Figure 3.2 below:



The major component of Government investments as at 31/12/15 consists of profitable fully commercial companies totalling \$338,706,395 or 75% of total investments. Fully commercial companies that were not profitable accounted for \$97,436,954 or 21% with semi-commercial (agro-based) accounted for \$15,814,933 or 3% whilst the remaining 1% or \$4,481,610 made up of government investments in companies in liquidation.

Government Investments in the Infrastructure sector entities comprises 47% of the total investments totalling \$213,501,328. Investments in the Economic Services sector entities make up 52% or \$235,582,907 whilst the remaining 1% or \$7,355,657 comprises of governments investments in the Social Services sector entities. Refer to Figure 3.3 below.



### 3.2 Return on Investments

Return on investment (ROI) is a performance measure used to evaluate the efficiency of investment. It is a ratio that calculates the profits of an investment as a percentage of the original cost.

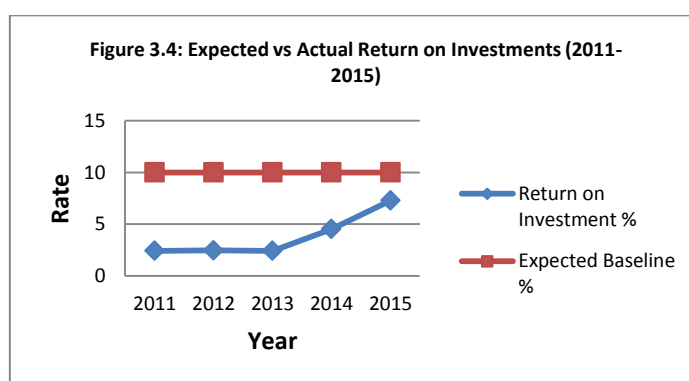
An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders’ funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.<sup>10</sup>

Our analysis of governments return on investments indicates that the overall average rate of return on investment increased to 5% in 2014 and again to 7% in 2015.

Over the five-year period, an overall average rate of return on investments of 3.6% has been recorded with the highest overall average of 7% attained in 2015. Collectively, the 10% baseline as required by the 2003 Corporate Governance Policy Framework has not been achieved. Refer to Table 3.2 and Figure 3.4 which outlines Governments return on capital over the past five years from its shareholding with Government Commercial Companies and Commercial Statutory Authorities.

**Table 3.2 and Figure 3.4: Return on Investments 2011 – 2015**

Year	Total Government Shareholding (\$)	Dividends On Investment (\$)	Return On Investments (%)
2011	438,907,122	10,631,806	2
2012	426,197,586	10,524,101	2
2013	495,975,041	11,980,221	2
2014	548,888,805	24,816,121	5
2015	456,439,892	33,243,215	7



<sup>10</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 22



### 3.3 Analysis of Dividends and Investments

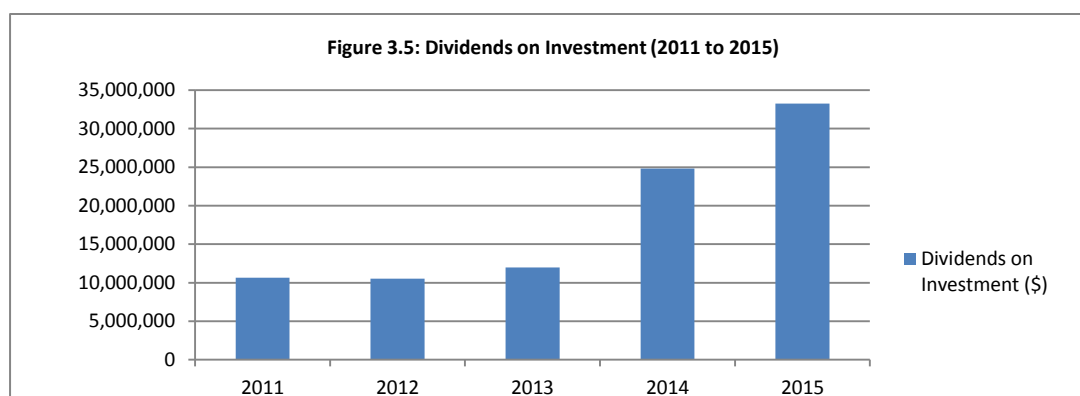
The estimated dividend revenue in 2015 was \$41.29 million<sup>11</sup> while actual dividend revenue received for 2015 totalled \$33.24 million resulting in a shortfall of \$8.05 million or 19%. Refer to Table 3.3 below for details of analysis:

**Table 3.3: Investments and Dividends Received 2011 – 2015**

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% of Dividend Paying Entities
2011	438,907,122	10,631,806	(16)	8	30	27
2012	426,197,586	10,524,101	(1)	6	25	24
2013	495,975,041	11,980,221	14	6	26	23
2014	548,888,805	24,816,121	107	6	24	25
2015	456,439,892	33,243,215	34	5	24	21

Refer to the figure 3.5 below for the graphical analysis of dividends collected over the 5 year period:

**Figure 3.5: Total Dividends Remitted: 2011 – 2015**



Over the past five years, an average number of six (6) entities paid dividends to Government.

### 3.4 Dividends Remitted per Entity

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.<sup>12</sup>

All Government Commercial Companies and Commercial Statutory Authorities pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister for Public Enterprises, Minister of Finance, and relevant Minister.<sup>13</sup>

<sup>11</sup> 2015 Budget Estimate

<sup>12</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 22

<sup>13</sup> Corporate Governance Policy Framework – December 2003, Part II, Section 26

A total of \$33.2 million was received by government as dividends in 2015 from the following entities;

**a) Government Commercial Companies**

1. Post Fiji Ltd (\$1.2m)
2. Fiji Ports Corporation Ltd (\$3.7m)
3. Airports Fiji Limited four (\$17.6m)

**b) Majority owned company**

1. Air Terminal Services Ltd (\$0.5m)

**c) Minority owned company**

1. Amalgamated Telecom Holdings Ltd (\$10.2m)

In addition to dividends received from the above companies, the government also received a sum of \$28.5 million as dividend from Reserve Bank of Fiji .

Refer to Table 3.4 below for details of dividends remitted to government in the past five years.

**Table 3.4 Analysis for Entities that remitted Dividends: 2011 – 2015**

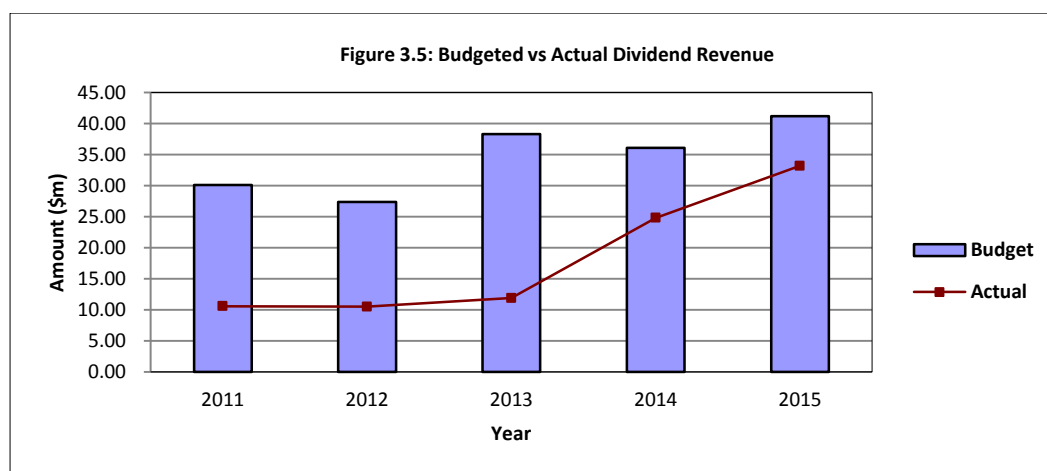
Description	Value of Investments as at 31/12/2015	Dividend for 2015 (\$)	Dividend for 2014 (\$)	Dividend for 2013 (\$)	Dividend for 2012 (\$)	Dividend for 2011 (\$)
Post Fiji Limited	5,600,000	1,249,574	-	-	-	434,820
UTOF (Management) Limited	-	-	119,526	113,574	74,276	-
Air Terminal Services	765,000	528,768	401,006	235,530	496,117	319,651
Yaqara Pastoral Company Ltd	-	-	3,300,000	1,226,124	-	279,287
Fiji Ports Corporation Limited	29,993,490	3,719,191	3,698,979	3,654,877	2,821,102	2,641,643
Airports (Fiji) Limited	92,300,180	17,528,344	10,000,000	-	1,020,640	1,000,000
ATH Limited	91,207,658	10,217,338	7,296,610	6,566,949	4,377,966	4,377,966
FINTEL*	-	-	-	-	1,734,000	1,376,559
Fiji Television Limited*	-	-	-	-	-	201,880
Pacific Forum Line(2006)*	-	-	-	183,167	-	-
<b>Dividends from Investments</b>	<b>219,866,328</b>	<b>33,243,215</b>	<b>24,816,121</b>	<b>11,980,221</b>	<b>10,524,101</b>	<b>10,631,806</b>

\*government shares in these companies have been sold

A graphical representation of budgeted and actual dividend revenue remitted by Government entities over the five year period is outlined in the Table 3.5 and Figure 3.6.:

**Table 3.5: Budgeted vs. Actual Dividend Revenue**

Descriptions	2015	2014	2013	2012	2011
Actual Dividends	33,243,215	24,816,121	11,980,221	10,524,101	10,631,806
Budgeted Dividends	41,290,000	36,121,700	38,281,000	27,356,500	30,149,700
% of Budgeted Dividends collected	81%	69%	31%	38%	35%

**Figure 3.6: Budgeted vs. Actual Dividend Revenue**

In 2015, forty eight (48) per cent of government's total investments of \$456.4 million returned dividend to government. Refer to Table 3.6 below for details of Government entities which paid dividend in year 2015.

**Table 3.6: Government Entities which paid dividend in 2015**

Entity	Value of Investments as at 31/12/15 (\$)	Dividend 2015 (\$)	% of Dividend to total Investments value
Post Fiji Limited	5,600,000	1,249,574	22
Air Terminal Services	765,000	528,768	69
Fiji Ports Corporation Limited	29,993,490	3,719,191	12
Amalgamated Telecom Holding Limited	*91,207,658	10,217,338	11
Airports Fiji Limited	92,300,180	17,528,344	19
<b>Total</b>	<b>219,866,328</b>	<b>33,243,215</b>	<b>15</b>

\*measured at fair value

All these entities have met the required 10% Return on Investment in accordance with Public Enterprises Corporate Governance Policy Framework.

### 3.5 Investment records not updated

The Accounting Head is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>14</sup>

The investment records are maintained and amended by Ministry of Finance when share certificates are received and proper verifications are undertaken to confirm the increase or the reduction in shares numbers and value when sold.

The Ministry of Finance records show a total share capital of \$2 with the entity, which is confirmed by its share certificates.

<sup>14</sup> Pro-forma Finance Manual 2011, Section 16

The audit noted a variance of \$200,000 between the Ministry's record<sup>15</sup> and the investment confirmation received from the Fiji Broadcasting Corporation Limited.

Variance between the Ministry's records and the entities in which shares are held has been a recurring issue which denotes lack of follow up action and inadequate record keeping leading to possible misstatement of investments by \$200,000.

### **Recommendation**

**The Ministry of Finance should liaise with the Fiji Broadcasting Corporation Ltd and update the records of government investments accordingly.**

### **Ministry's Comments**

*The Ministry valuation of \$2 is based on the share certificate that is currently with the Ministry. We are aware of the difference and we had for a number of occasions requested FBC to provide the basis for their valuation but they have not been able to do so. Until the Ministry of Economy (Finance) received share certificate from FBC to vouch for the \$200,000 reflected in their accounts, we will not change the valuation of FBC in our books.*

## **4.0 TRUST FUND ACCOUNT**

### **4.1 Main Trust Fund Account**

Section 25 of the Financial Management Act (2004) states that trust moneys should be accounted for separately from the public monies and kept in a separate bank account.<sup>16</sup> Trust money is to be kept in a separate bank account pending its withdrawal (including withdrawal for use or investment).<sup>17</sup> Trust money is to be kept in a separate bank account.<sup>18</sup>

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>19</sup>

The Main Trust Fund Account balance totalled \$107,789,102 as at 31 December 2015 which increased by \$20,798,391 or 24% from \$86,990,711 as the balance as at 31 December 2014. The increase in the account was a result of increases in Telecommunication, Suitsors, Rural Electrification, Immigration, and Performance Bond Trust Funds.

Audit of several Ministries/ Departments revealed that balances in Trust Fund Accounts general ledgers did not reconcile with balances in the respective Cash Account general ledgers. Refer Table 4.1 for details.

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<sup>15</sup> Total Share Capital of \$2 as confirmed by the share certificate

<sup>16</sup> Financial Management Act 2004 Section 25(1)

<sup>17</sup> Financial Management Act 2004 Section 25(2)

<sup>18</sup> Finance Instruction 2010 – Section 32(3)

<sup>19</sup> Finance Instruction 2010 – Part 9, Section 58(3)



**Table 4.1: Reconciliation of Main Trust Account**

Head	Ministries / Department	Allocation	Account Description	Cash Trust Account SAG 52 (\$)	Liability Trust Account SLG 89 (\$)	Variance (\$)
30	Ministry of Agriculture	9-30101-30065-895012	RETENTION FUNDS LWRM	968,582	952,185	16,397
30		9-30101-30075-895013	RENTIONS FUNDS ALTA LEASE	-	2,530	(2,530)
32	Ministry of Fisheries and Forests	9-32301-76068-895005	FISHERIES	79,641	78,337	1,304
33	Ministry of Lands and Mineral Resources	9-33101-79001-895051	LANDS TRUST FUND ACCOUNT	5,505,604	5,565,571	59,967
37	Ministry of Local Government, Housing and Environment	9-37301-37999-895009	ODS FINES ENVIRONMENT	2,949,352	1,880,740	54,746
		9-37301-37999-895010	TF HUD LITTER DECREE		353,882	
		9-37301-37999-895011	ENVIRONMENT TRUST		298,732	
		9-37301-37999-895050	CITES TRUST		361,252	
<b>TOTAL</b>				<b>9,503,179</b>	<b>9,493,229</b>	<b>9,950</b>

As a result of the above, Trust Fund Account general ledger balance has been understated by \$9,950. Furthermore, Ministry of Finance passed journal entries to write-off Trust Liability Accounts without any proper substantiation. Refer to Table 4.2 below for details of the write-offs of Trust Account.

**Table 4.2: Write-Offs of Main Trust Account**

Ministries	Account	Account Descriptions	Amount (\$)
<b>Elections Office</b>	9-10000-00000-890000	Consolidated Trust Fund	560,356
<b>Information</b>	9-16300-00000-890000	Consolidated Trust Fund	(7,119,801)
<b>Rural &amp; Maritime</b>	9-18000-00000-890000	Consolidated Trust Fund	(551,293)
<b>Health</b>	9-22000-00000-890000	Consolidated Trust Fund	98,541
<b>Agriculture</b>	9-30000-00000-890000	Consolidated Trust Fund	(371,192)
<b>Industry and Trade</b>	1-34000-00000-890000	Consolidated Trust Fund	53,834
<b>Lands</b>	9-33000-00000-890000	Consolidated Trust Fund	170,101
<b>Infrastructure &amp; Transport</b>	9-40000-00000-890000	Consolidated Trust Fund	889,161
		<b>TOTAL</b>	<b>(6,270,293)</b>

The above anomaly is an indication of the poor maintenance of Main Trust Funds.

Lack of proper reconciliation, poor control, and lack of input controls in general ledger posting has resulted in misposting and unreconciled variances for which approval of the Ministry for Economy have been obtained for write-off. There is high risk that fraud and thefts may exist in these accounts.

## 4.2 Operating Trust Fund Account

*Operating Trust Fund Accounts* facilitate transactions relating to the Ministry/Department's administrative role as an employer. These transactions are authorised and allowable payroll deductions from employees' salaries/wages with regards to compulsory deductions and contributions, housing loan repayments, insurance premiums and other payroll deductions for onward payment to the relevant authorities and entities. Operating trust fund account balances are unpaid liabilities awaiting payments to relevant authorities.

Balance in the Operating Trust Fund Account increased by \$10,987,730 or 73% from \$15,001,773 in 2014 to \$25,989,503 as the 31 December 2015.

It was noted that during 2015, unsubstantiated balances in the Operating Trust Fund Account were written-off by Ministry for Economy. Refer Table 4.3 below for details.

As result of write-offs, there is a high possibility that genuine deductions from civil servants' pay may not have been paid to relevant authorities as agreed to by the employees.

**Table 4.3: Write-Offs of Operating Trust Account**

Ministries	Account	Account Descriptions	Amount (\$)
Prime Minister's Office	1-02100-00000-860000	Deposit, Deduction & Retention Money	841
Fisheries & Forest	9-32000-00000-860000	Deposit, Deduction & Retention Money	15,310
<b>TOTAL</b>			<b>16,151</b>

The above anomaly indicates poor maintenance, lack of timely reconciliations and quality reviews of Operating Trust Fund Account. As such, this account may be susceptible to theft and fraud.

### **Recommendation:**

**The Ministry for Economy ensure that genuine deductions from civil servants are paid to respective authorities/agencies on a timely basis.**

### **Management comments**

*Write offs were done mostly on balances that are long outstanding in various Ministries trust accounts. The Ministry usually conducted due assessment prior to any write offs being made both with the Ministries as well as the institutions concerned. For the past 3 years we had been doing write offs, we have never received any complaints of any deductions made that were not remitted to the institution.*

## 5.0 REVENUE

The total forecasted revenue by government in 2015 amounted to \$3,122,438,400 which comprised of \$2,612,702,300 in operating revenue and \$509,736,100 in investing revenue.<sup>20</sup> No forecast was provided for revenue generated from government Trading and Manufacturing Activity operations.

However, actual revenue collections by government in 2015 from its normal operations totaled \$2,800,234,786<sup>21</sup> thus recording a shortfall of \$322,203,614 or 10% of the total estimated revenue collections. The key contributing factor to the shortfall was that the budgeted revenue was based on the

<sup>20</sup> National Budget Book 2015

<sup>21</sup> Excludes revenue from TMA Operations

planned disposal of government shares in government owned entities (FEA, AFL, Government Printery and KTFZ) which did not eventuate in 2015. Table 5.1 shows the actual revenue collected over the last five years.

**Table 5.1: Revenue by Type over the Last 5 years**

Year	Investing Revenue – Actual (\$)	Operating Revenue – Actual (\$)	Total Actual [a] (\$)	Investing Revenue – Budgeted (\$)	Operating Revenue – Budgeted (\$)	Total Budgeted [b] (\$)	Variance [a-b] (\$)
2011	29,699,034	1,774,878,062	1,804,577,096	79,675,200	1,667,797,412	1,747,472,612	(57,104,484)
2012	86,043,083	1,854,766,943	1,940,810,026	35,819,200	1,906,987,800	1,942,807,000	1,996,974
2013	59,894,427	2,038,833,496	2,098,727,923	75,744,230	2,032,634,700	2,108,378,930	9,651,007
2014	80,723,993	2,290,281,755	2,371,005,748	513,955,960	2,207,821,990	2,721,777,950	350,772,202
<b>2015</b>	<b>255,471,929</b>	<b>2,544,762,857</b>	<b>2,800,234,786</b>	<b>551,026,138</b>	<b>2,571,412,262</b>	<b>3,122,438,400</b>	<b>322,203,614</b>

In addition, government also recorded \$22,745,668 from operation of Trading and Manufacturing Accounts.

## 5.1 Anomalies in the calculation of receipts in Statement of Cash Flows

To determine net cash flow from operating activities, entities eliminate the effects of income statement transaction that do not result in an increase or decrease in cash. The indirect method for creating a statement of cash flows uses accrual accounting information to present the cash flows from the operations section of the cash flow statement.

The audit noted that the RFMF did not include the Trust Fund Account Statement of Receipt and Payments for RFMF Engineers Project Fund Account with receipts totalling \$1,985,410 and payments totalling \$2,921,204 in its Special Purpose Financial Statements for the year ended 31/12/15. The Project Fund Account transactions were also not recorded in the FMIS general ledger.

The above resulted in the misstatement of revenue.

### Recommendations

- **Ministries/Departments affected should prepare revenue reconciliation on a monthly basis and ensure that balances are corrected in the relevant revenue accounts.**
- **Stringent measures should be enforced on Ministries/ Departments to ensure that accurate revenue amounts are reflected at Whole of Government level.**

### Ministry's Comments

*Comments noted. The Ministry of Economy had already begun this exercise with the major revenue items such as taxes, water fees and LTA fees and we would soon also perform similar reconciliations for other revenue streams.*

## 5.2 Arrears of Revenue

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

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

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

### **5.2.1 Analysis of Arrears of Revenue for 2015**

Total arrears of revenue increased by \$585,679 or 0.4% from \$150,840,876 as at 31/12/2014 to \$151,426,555 as at 31/12/2015.

The following anomalies were noted:

- (i) The audit noted that debt owed to Ministries and Departments for more than five years amounted to 37,584,996 or 25% of the total arrears. Although some Ministries/ Departments have indicated in the past that that write offs would be pursued, this is yet to occur. Resource constraints have also been indicated as one of the reasons contributing to delay in recovery of arrears.
- (ii) The Ministry for Economy-Pension, Judiciary, Agriculture and Infrastructure had more than 50% of their respective total arrears aging more than five years. Entities having about 25% to 50% of total arrears included the Fiji Police Force (43.8%), Water of Authority (36.9%), Ministry of Infrastructure (35.5%), Ministry of Finance-FRCA Customs (31%) and Ministry of Lands and Mineral Resources (30.4%). Refer to Appendix 2 for details.

### **Recommendation**

- **Ministries and Departments should review their debt recovery strategies to ensure that all avenues to recover debts are exhausted and irrecoverable debts are reduced.**
- **The Ministry for Economy should consider providing provision for doubtful debts into the accounts as it moves to accrual accounting as a matter of prudence in the financial reporting of government funds.**

### **Management Comment**

*DCFMU continues to monitor the Whole of Governments Revenue Arrears and at same time act as Secretariat to the Revenue Taskforce. It's important to note that key institutions to reduce the arrears are the agencies themselves. There has been significant improvement to arrears collection following establishment of taskforce. Reduction in revenue arrears are noted in Lands, FRCA Customs, and WAFs. The Minister also endorsed the write off for arrears aging more than 5 years; the agencies include Pension Office, OAG and Ministry of Agriculture. It is the responsibility of the agencies to notify and provide the necessary paper to Ministry of Economy for write off consideration.*

### **5.2.2 Significant Balances Owed by Ministries and Departments**

Audit review of the Arrears of Revenue for Ministries and Department revealed continuous increase and significant balances from Ministry of Finance-Pension, Communication, Education, Health Government Printing and Peace Keeping as tabulated below:



**Table 5.2: Significant Arrears of Revenue Over 5 Years by Ministry/Department**

Year	Min Of Finance – Pensions (\$)	Min of Communications – TAF (\$)	ITC Services (\$)	Min of Education (\$)	Min. of Health & MS (\$)	Govt Printing (\$)	Peacekeeping Missions (\$)
2011	2,651	1,299,929	1,014	16,144	427,160	113,192	1,573,273
2012	15,589	3,994,537	1,862	8,119	451,365	641,013	6,133,366
2013	62,036	5,831,427	-	16,330	210,647	368,368	1,623,583
2014	159,883	8,837,731	30	12,180	208,800	634,344	1,587,290
2015	218,095	11,429,826	1,486	13,984	330,756	743,936	1,855,323

Audit also noted that Income Tax, VAT and Custom arrears for Fiji Revenue & Customs Authority totalling \$64,960,501.94 or 43% followed by Public Utilities (Water Authority of Fiji) of \$29,023,661 or 19% and Lands of \$ 26,980,319 or 18% which had decreased but the arrears of revenue was still substantial.

The non-recovery of much needed revenue by Ministries and Departments deprives government the necessary revenue needed to fund daily government cash flows needs and forces government to short term borrowing to meet its needs.

The increasing rate of arrears of revenue also reflects that revenue recovery strategies deployed by government may not be working effectively.

### **Recommendation**

- **Ministries and Departments should review the debt recovery strategies to ensure that all avenues to recover debts are exhausted and irrecoverable debts are reduced.**
- **The Ministry should consider providing provision for doubtful debts into the accounts as it moves to accrual accounting as a matter of prudence in the financial reporting of government funds.**

### **Management Comment**

*DCFMU continues to monitor the Whole of Governments' Revenue Arrears and at same time act as Secretariat to the Revenue Taskforce. It's important to note that key institutions to reduce the arrears are the agencies themselves to ensure proper mechanism is in place. There has been significant improvement to arrears collection following establishment of taskforce. Reduction in revenue arrears are noted in Lands, FRCA Customs, and WAFs. The Minister also endorsed the write off for arrears aging more than 5 years; the agencies include Pension Office, OAG and Ministry of Agriculture. It is the responsibility of the agencies to notify and provide the necessary paper to Ministry of Economy for write off consideration.*

## 6.0 EXPENDITURE

### 6.1 Overview of 2015 Government's Budgeted and Actual Expenditures

The expenditure budget for financial year 2015, as approved by Parliament, totalled \$4,029,904,149 increased by \$922,690,849 or 30% from \$3,107,213,300 budgeted for 2014.

As at 31/12/15, government incurred a total expenditure of \$3,970,769,776 thus recording a budget savings of \$59,134,373 or 1.5%. The significant budget saving was mainly due to the savings recorded in capital budgets across ministries and departments.

**Table 6.1: Overview of the 2015 Budget and Actual Expenditure**

2015 Original Budget	Virements	2015 Revised Budget	Expenditure	Actual Expenditure 2015	2015 Budget Saving/ (Overspending)	Actual Expenditure 2014	Increase / (Decrease) in Actual Expenditure	% Increase / (Decrease)
(\$)	(\$)	[a] (\$)		[b] (\$)	[a-b] (\$)	(\$)	(\$)	
1,615,462,200	2,944,961	1,618,407,161	Operating <sup>22</sup>	1,540,173,910	78,233,251	1,434,490,110	105,683,800	7
1,321,877,400	(1,684,624)	1,320,192,776	Capital <sup>23</sup>	1,045,503,540	274,689,236	930,115,814	115,387,726	12
75,558,500	(1,260,320)	74,298,180	VAT Payments <sup>24</sup>	55,636,374	18,661,806	57,395,410	(1,759,036)	(3)
42,343,300	---	42,343,300	Pension Payments <sup>25</sup>	38,878,319	3,464,981	36,785,353	2,092,966	6
281,050,700	15,586,505	296,637,205	Interest on Loans <sup>26</sup>	295,147,698	1,489,507	264,309,159	30,838,539	12
149,668,300	528,357,227	678,025,527	Principal on Loans <sup>27</sup>	677,261,695	763,832	202,166,704	475,094,991	235
---	---	---	Redemption of Treasury Bill	318,168,240	(318,168,240)	280,578,002	37,590,238	13
<b>3,485,960,400</b>	<b>543,943,749</b>	<b>4,029,904,149</b>	<b>Total Government Expenditure</b>	<b>3,970,769,776</b>	<b>59,134,373</b>	<b>3,205,840,552</b>	<b>764,929,224</b>	<b>24</b>

Majority of government spending were on Operating Expenditure which accounted for 39% of the total spending. Principal and Interest on Loan Repayments accounted for 24% while Capital Expenditure accounted for 26% of total expenditure. The remaining 11% was for other payments. Refer Figure 6.1 below for percentage of types of expenditure in year 2015.

<sup>22</sup> SEG 1,2,3,4,5,6 & 7

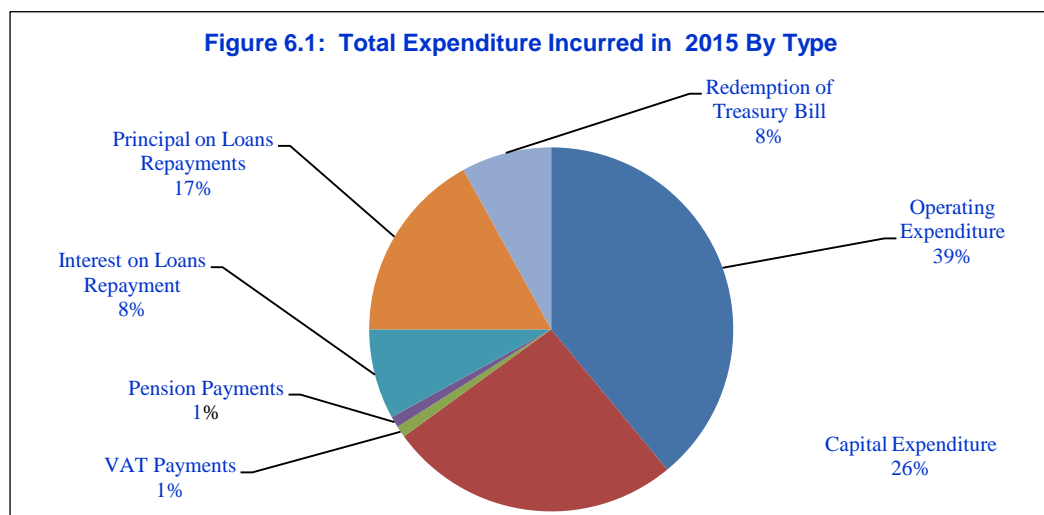
<sup>23</sup> SEG 8,9 & 10

<sup>24</sup> SEG 13

<sup>25</sup> SEG 11

<sup>26</sup> SEG 12,14 & 15

<sup>27</sup> Reducing balance of SLG 81 & 82



In 2015, total expenditure increased by \$764,929,224 or 24% compared to the total expenditure of \$3,205,840,552 incurred in 2014 due to increases noted in Principal Loan Repayments (\$475,094,991 or 235%), redemption of Treasury Bills (\$37,590,238 or 13%), interest payments of loans (\$30,838,539 or 12%) and capital expenditure (\$115,387,726 or 12%).

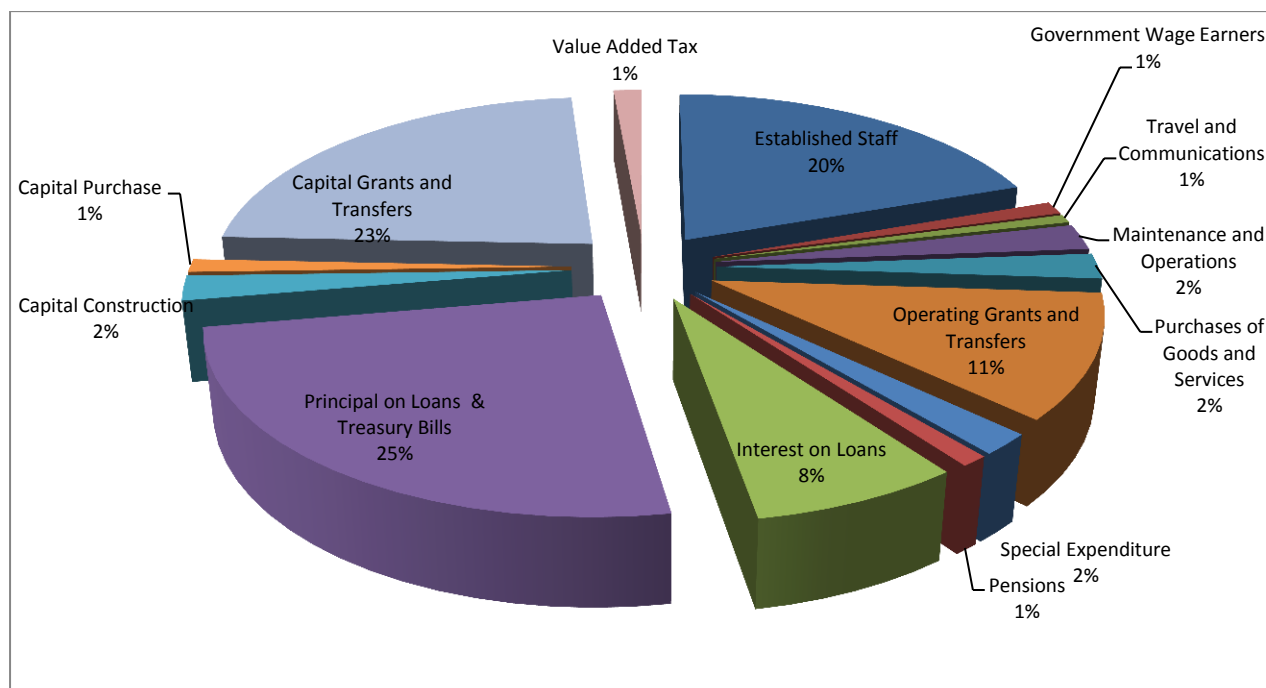
In addition to the total expenditure, the Trading & Manufacturing Account (TMA) as the trading arm of Government incurred a total expenditure of \$14,911,192.

## 6.2 Overall 2015 Budget Utilisation by Standard Expenditure Groups

Government expenditure in 2015, when categorised into expenditure groups showed that 25 of the funds were spent on repayment of loans & treasury bills, 23% on capital grants and transfers, and 20% on established staff.

Principal repayments of loans relates to repayments of overseas loan, domestic bonds and treasury bills. Capital Grants and Transfers include any grants and transfers to statutory authorities for capital projects. Established Staff includes staff personal emoluments.

Refer to Figure 6.2 for percentage utilisation by categories of expenditures groups.

**Figure 6.2: 2015 Government Expenditure by Standard Expenditure Group**


Furthermore, summarised in Table 6.2 below is the approved budget allocation and its utilisation for the financial year 2015 by expenditure groups.

**Table 6.2: Budget Utilisation For 2015**

Revised Forecast		Standard Expenditure Group	Actual Expenditure		Budget Savings/(Overspending)	
[A]			[B]		[A-B]	
Budget 2014 (\$)	Budget 2015 (\$)		31/12/2015 (\$)	31/12/2014 (\$)	31/12/2015 (\$)	31/12/2014 (\$)
727,724,809	799,642,518	Established Staff	773,262,555	719,735,059	26,379,963	7,989,750
46,128,475	43,736,987	Government Wage Earners	45,089,205	45,253,662	(1,352,218)	874,813
30,691,391	32,345,338	Travel and Communications	29,437,580	28,713,649	2,907,758	1,977,742
95,465,909	101,863,441	Maintenance and Operations	91,109,340	90,243,818	10,754,101	5,222,091
91,061,481	103,663,237	Purchases of Goods and Services	89,620,229	82,305,459	14,043,008	8,756,022
407,363,682	443,296,338	Operating Grants and Transfers	436,078,259	400,163,862	7,218,079	7,199,820
87,291,020	93,859,302	Special Expenditure	75,576,742	68,074,600	18,282,560	19,216,420
<b>1,485,726,767</b>	<b>1,618,407,161</b>	<b>Total Departmental Operating Expenditure</b>	<b>1,540,173,910</b>	<b>1,434,490,109</b>	<b>78,233,251</b>	<b>51,236,658</b>
39,747,400	42,343,300	Pensions, Gratuities and Compassionate Allowance	38,878,319	36,785,353	3,464,981	2,962,047



Revised Forecast		Standard Expenditure Group	Actual Expenditure		Budget Savings/(Overspending)	
[A]			[B]		[A-B]	
Budget 2014 (\$)	Budget 2015 (\$)		31/12/2015 (\$)	31/12/2014 (\$)	31/12/2015 (\$)	31/12/2014 (\$)
278,960,850	296,637,205	Interest on Loans	295,147,698	264,309,159	1,489,507	14,651,691
224,556,416	678,025,527	Principal on Loans	677,261,695	202,166,704	763,832	22,389,712
0	0	Redemption of Treasury Bill	318,168,240	280,578,002	(318,168,240)	(280,578,002)
<b>543,264,666</b>	<b>1,017,006,032</b>	<b>Total Un-allocable Operating Expenditure</b>	<b>1,329,455,952</b>	<b>783,839,218</b>	<b>(312,449,920)</b>	<b>(240,574,552)</b>
110,715,378	149,316,946	Capital Construction	87,471,076	83,464,462	61,845,870	27,250,916
61,697,041	60,396,056	Capital Purchase	45,824,720	45,199,392	14,571,336	16,497,649
839,173,866	1,110,479,774	Capital Grants and Transfers	912,207,744	801,451,961	198,272,030	37,721,905
<b>1,011,586,285</b>	<b>1,320,192,776</b>	<b>Total Capital Expenditures</b>	<b>1,045,503,540</b>	<b>930,115,815</b>	<b>274,689,236</b>	<b>81,470,470</b>
66,635,793	74,298,180	Value Added Tax	55,636,374	57,395,410	18,661,806	9,240,383
<b>3,107,213,511</b>	<b>4,029,904,149</b>	<b>TOTAL EXPENDITURE</b>	<b>3,970,769,776</b>	<b>3,205,840,552</b>	<b>59,134,373</b>	<b>(98,627,041)</b>

A total budget savings of \$59.1 million or 1.5% was recorded by government in 2015 due to savings in various standard expenditure group allocations.

### 6.3 Government Expenditures in the Last 5 years

Government's expenditure for the last five years has been increasing and majority of the spending were on operating expenditures.

Total expenditure in 2015 increased by 24% or \$764,929,224 compared to the increase of 30% or \$742,627,969 in 2014. Overall there was a 6% decrease in the percentage between the two financial years.

**Table 6.3: Government Expenditure for the Last 5 Years**

Expenditures	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)
Operating <sup>28</sup>	1,088,155,668	1,163,505,072	1,212,492,362	1,434,490,110	1,540,173,910
Capital <sup>29</sup>	494,534,923	533,838,990	586,349,201	930,115,814	1,045,503,540
Vat Payments <sup>30</sup>	43,978,964	50,043,665	41,682,412	57,395,410	55,636,374
Pension Payments <sup>31</sup>	33,374,303	36,371,123	35,340,641	36,785,353	38,878,319
Interest on Loans <sup>32</sup>	267,218,638	260,860,919	260,450,670	264,309,159	295,147,698
Principal on Loans <sup>33</sup>	503,003,259	249,483,884	179,320,244	202,166,704	677,261,695
Redemption of Treasury Bills	416,019,281	265,852,974	147,577,053	280,578,002	318,168,240
<b>Total</b>	<b>2,846,285,036</b>	<b>2,559,956,627</b>	<b>2,463,212,583</b>	<b>3,205,840,552</b>	<b>3,970,769,776</b>

<sup>28</sup> SEG 1,2,3,4,5,6 & 7

<sup>29</sup> SEG 8,9 & 10

<sup>30</sup> SEG 13

<sup>31</sup> SEG 11

<sup>32</sup> SEG 12,14 & 15

<sup>33</sup> SEG 14,15 & Reducing Balance of SLG 81& 82

Expenditures	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)
Increase/(Decrease)		(286,328,409)	(96,744,044)	742,627,969	764,929,224
% Change		(10%)	(4%)	30%	24%

## 6.4 Budget Savings

The budget estimates and budget statements are to be prepared as far as practicable in accordance with internationally accepted standards.<sup>34</sup>

Review of budget against actual expenditure shows that all ministries and departments have budget savings in 2015. This was attributed mainly from savings in their capital expenditure budget. Refer to Table 6.4 below for details.

**Table 6.4: Government Budget Savings for the Year 2015**

Expenditure	Budget Savings (\$)
Capital Expenditure <sup>35</sup>	274,689,236
Operating Expenditure <sup>36</sup>	78,233,251
Value Added Tax	18,661,806
<b>Total</b>	<b>371,584,293</b>

The pie chart illustrates the 2015 Budget Savings, which are categorized into three main areas: Capital Expenditure (74%), Operating Expenditure (21%), and Value Added Tax (5%). The chart uses a color-coded legend: blue for Capital Expenditure, red for Operating Expenditure, and green for Value Added Tax.

The attributing factors common to Ministries and Departments which resulted in capital budget savings were attributed to non-implementation of capital projects or incomplete capital projects. These were caused by the following contributing factors.

- Lack of proper preliminary assessment and planning;
- Procurement processes not followed;
- Delay in Tender Process;
- No proper contractual agreement;
- Lack of monitoring and supervision of projects; and
- No acquittals.

Refer [Appendix 3](#) for detailed summary for deficiencies noted Ministries and Departments capital expenditures during audit.

Also notable in the monthly trends for spending across Ministries and Departments is the increase in end of the year procurements in period 12 (December) to utilise unspent budgets. Table 6.5 below shows the surge in December 2015 to utilise SEG 5 - Purchase of Good and Services budget.

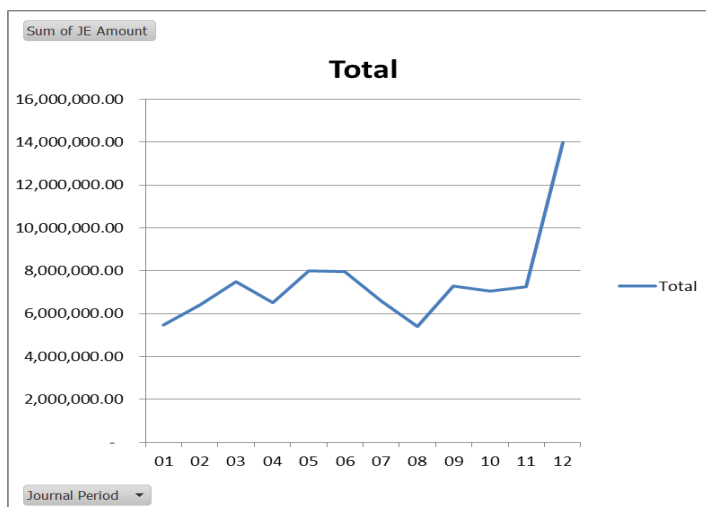
<sup>34</sup> Financial Management Act 2004 – Section 13 (3)

<sup>35</sup> Includes SEG 8,9 & 10

<sup>36</sup> Includes SEG 1,2,3,4,5,6 & 7

**Table 6.5: Periodic Purchases for SEG 5 at Whole of Government level.**

Period	Amount (\$)
01	5,471,100
02	6,412,925
03	7,495,111
04	6,529,933
05	7,985,609
06	7,963,439
07	6,568,474
08	5,395,827
09	7,296,772
10	7,066,336
11	7,268,558
12	13,995,020
<b>Grand Total</b>	<b>89,449,104</b>



Even though monthly average spending for SEG 5 for all Ministries and Departments in the first eleven months of the year averaged around \$6.9 million, the surge to about \$14 million in December shows the rush to utilise unspent budget allocations before the end of the year. This indicates that SEG 5 budgets may have been overstated for some Ministries and Departments. Budgeting of expenses based on previous year's budget figures may have caused some over budgeting for some Ministries and Departments.

Non-adherence to the procurement plan and lack of capacity for project management has been identified as a major contributing factor to underutilisation of capital budgets.

### **Recommendations**

- **Capacity development for capital project managements across Ministries and Departments should be supported. Engagement of appropriate capital project expertise should also be considered.**
- **Operating budgets across Ministries and Departments should be reviewed for any over-budgeting.**

### **Ministry's Comments**

*Whilst some of the factors as mentioned in 6.4 above are genuine, attention should also be drawn to the fact that most of these are outside the control of these implementing agencies. Some of the common ones we had identified are adverse weather conditions or sudden changes in prices etc.*

*Trainings are usually done by our Fiji Procurement Office to up skill Agencies on the existing procurement regulations as well as the new guidelines.*

## **6.5 Over-Expenditure by expenditure group at Ministry level**

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the proper authorization of the Ministry of Finance, pending approval by Parliament.<sup>37</sup>

<sup>37</sup> Finance Instruction 2010 – Part 3, Division 1 (7)

The audit noted that three Ministries overspent their approved budget allocation for certain SEGs in 2015 while one Ministry understated one of its SEG, avoiding the disclosure of over-expenditure.

Refer Table 6.6 and commentaries below for details.

**Table 6.6: Ministries Overspending its Approved Budget Allocation for 2015**

Head	Ministry	SEG	Description	Revised Budget [A] (\$)	Actual Expenditure [B] (\$)	Savings / (Overspent) [A-B] (\$)
8	Ministry of Foreign Affairs	9	Capital Purchase	528,443	562,340	(33,897)
21	Ministry of Education, National Heritage, Culture and Arts	1	Established Staff	259,341,004	267,580,510	(8,239,506)
		2	Government Wage Earners	2,493,300	4,673,078	(2,179,778)

The following were noted from the review of actual expenditures of the three Heads of Appropriation:

1. Ministry of Foreign Affairs overspent its capital purchase budget, in particular the new diplomatic vehicle vote. The overspending in this expenditure vote was due to incorrect posting by the Ministry's Finance Division.
2. Ministry of Education, National Heritage, Culture, and Arts overspent its payroll expenditure allocations, SEG 1 & 2.
3. In addition to the above, it was noted that for the Ministry of Employment, Productivity and Industrial Relations, certain payroll expenditure were charged to Trust Fund and VAT allocations thus SEG 1 was understated by \$782,167. In effect the SEG 1 allocation for the ministry was overspent by \$763,050 being the difference between the understated amount and the SEG 1 surplus stated in the Ministry's Agency Financial Statement for 2015.

The above indicate that proper procedures to request for additional funds were not followed. Moreover, overspending of budgetary allocations lacked approval from Ministry for Economy hence was unauthorised.

### **Recommendations**

- **Proper approval should be obtained for virement or redeployment of funds to meet shortfall in appropriations.**
- **Stringent measures to restrict unauthorised utilisation of funds should be placed in the system.**

### **Ministry's Comments**

*Comments is noted, efforts will be made to ensure that mentioned issues are avoided in future.*

## 6.6 Misstatement of Expenditure due to non-clearance of Remittance Between Chests (RBC) accounts and Accountable Advance

Remittance Between Chests (RBC) account is used to facilitate remittance to Fiji Overseas Mission. Ministries and Departments are to reconcile and clear their RBC by making necessary adjustment to its expenditure or revenue allocation.

Upon clearance of the advance, AAO Advance shall update the debtors register, offset the advance account and debit the appropriate expenditure account.<sup>38</sup>

The Ministry of Foreign Affairs RBC account had a credit balance of \$1,394,547. The Ministry passed a journal entry to write-off this balance to the Equity Account instead of conducting reconciliations and investigating the credit balance prior to making adjustments.

In addition, it was also noted that some Ministries and Departments did not clear their accountable advance accounts (1-00000-00000-570000) resulting in outstanding balance of \$3,605,965 as at the end of the financial year. As a result, expenditures for the year have been understated by the amount of outstanding advance. Refer Appendix 4 for details.

The above anomalies have resulted in misstatement of expenditure.

### Recommendations

- **Ministry of Foreign Affairs should prepare RBC Account reconciliation on a monthly basis and ensure that balances are correctly cleared to relevant expenditure accounts.**
- **Stringent measures should be enforced on Ministries and Departments to clear all advance accounts within the 7 days deadline. Outstanding balances should be recovered from officers concerned.**

### Ministry's Comments

*No written comments received.*

## 6.7 Budget Loading

A sum of \$3,025,006,500 is to be issued from the Consolidated Fund or other funds of the State, and applied to the ordinary services of the Government for the year ending 31st December, 2015, and such sum is to be appropriated for the purposes specified in Schedules 1 and 2 and also the 2015 Budget Estimates<sup>39</sup>.

An amount of \$152,158,300 was approved by Parliament for Capital Construction under Standard Expenditure Group (SEG) 8 across Ministries and Departments for 2015.

The audit noted that the budget amount loaded into the FMIS general ledger was \$151,858,260 resulting in a shortfall of \$300,040 in budget for SEG 8 for Capital Construction.

As a result, funding for made available in FMIS general ledger was less than what was appropriated by Parliament for capital expenditures in the 2015 Budget Estimates.

<sup>38</sup> Section 10.1.15 2011 Pro Forma Finance Manual

<sup>39</sup> 2015 Appropriation Act 2014 sec 2



**Recommendations**

- **The Ministry for Economy should ensure that budget loaded into the FMIS are consistent with the Appropriation Act and the Budget Estimates**

**Ministry’s Comments**

*Comments noted. This is a very rare slip; as a result, FMIS has come up with a reconciliation tool to check that budget loading ties exactly with the Appropriation Act, in terms of allocations and amounts.*

**7.0 BORROWING FUND ACCOUNT**

The Minister may, on behalf of the State, borrow money:

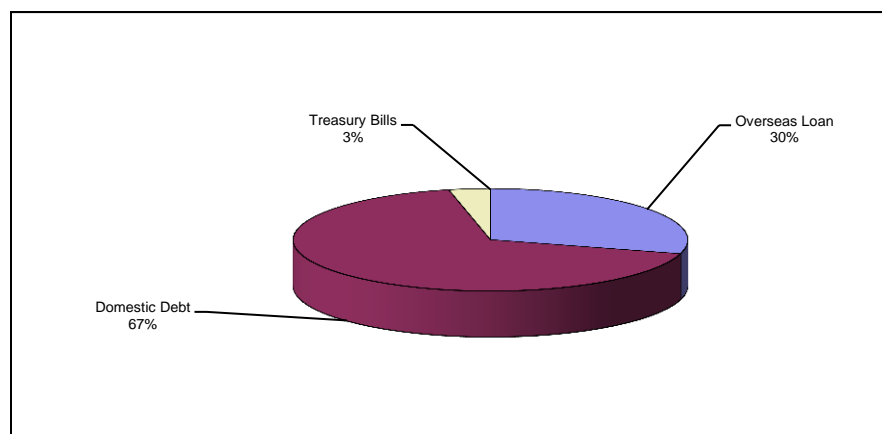
- (a) by raising loans of such amounts as may be necessary for the purpose of funding the budget deficit from time to time and any standing or other appropriations;
- (b) by raising loans of such amounts and for such purposes as the House of Representatives may authorise by resolution; and
- (c) by means of overdrafts or advances, but so that the total amount outstanding by way of overdrafts and advances under this paragraph does not at any one time exceed \$20 million or such greater amount as the House of Representatives may determine by resolution;

on such terms and conditions as the Minister thinks fit and whether within or outside Fiji.<sup>40</sup>

Public debt in 2015 totalled \$4,221,151,867 and comprised of domestic borrowings of \$2,836,488,629 or 67% of total debt; overseas borrowings of \$1,241,407,386 or 30%; and Treasury Bills \$143,255,852<sup>41</sup> or 3%.

These are illustrated in Figure 7.1 below.

**Figure 7.1: Composition of Public Debt in 2015**



In addition to the overseas borrowings, an amount of \$69,895,490<sup>42</sup> was accrued in expenditure and recorded under accounts payable.

<sup>40</sup> Section 59 (1) Financial Management Act, 2004

<sup>41</sup> This is the discounted value after discount of \$2,344,148

<sup>42</sup> Direct disbursement made in 2016.

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

During the year, Government had utilised \$55,500,000 of this facility through RBF.

## 7.1 Trends in Government Borrowing by Category

The total public debt at the end of each year from 2001 to 2015 and its composition for the last 15 years are summarised in Table 7.1

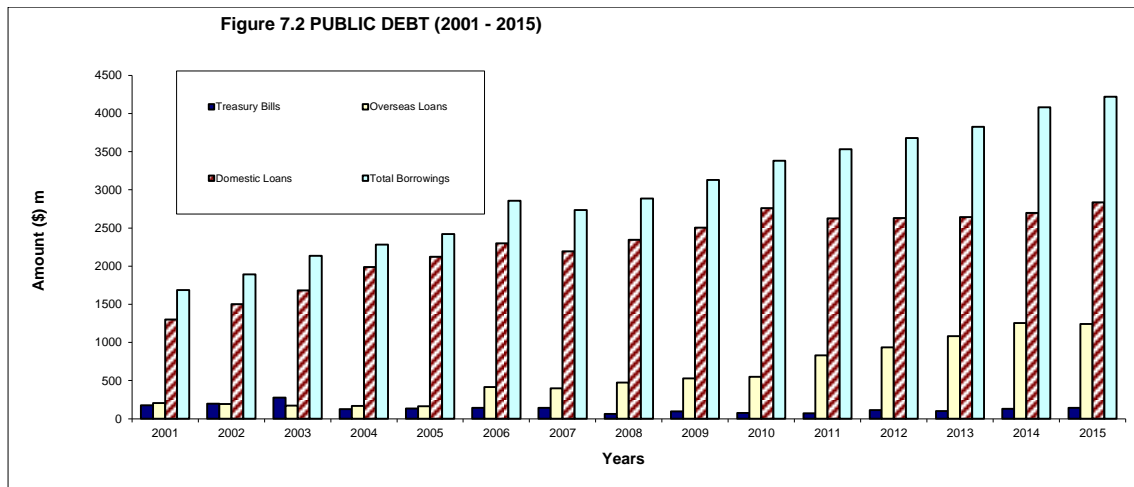
**Table 7.1: Government Debt (2001 – 2015)**

Year	Domestic Bond (\$)	% of Total Borrowing	Treasury Bills (\$)	% of Total	Overseas Loan (\$)	% of Total Borrowing	Total (\$)
2001	1,302,595,650	77	176,604,613	10	206,889,315	12	1,686,089,578
2002	1,501,095,650	79	196,432,453	10	193,505,879	10	1,891,033,982
2003	1,682,718,650	79	276,925,838	13	174,125,752	8	2,133,770,240
2004	1,986,515,650	87	126,987,822	6	168,665,379	7	2,282,168,851
2005	2,121,422,650	88	136,018,387	6	164,050,924	7	2,421,491,961
2006	2,300,672,650	80	141,311,687	5	416,729,200	15	2,858,713,537
2007	2,196,208,150	80	141,160,433	5	397,103,384	15	2,734,471,967
2008	2,346,258,150	81	64,552,990	2	475,994,415	16	2,886,805,555
2009	2,505,092,150	80	97,721,294	3	527,248,475	17	3,130,061,919
2010	2,759,292,150	82	74,969,800	2	548,461,798	16	3,382,723,748
2011	2,627,382,087	74	70,921,393	2	832,147,793	24	3,530,451,273
2012	2,631,565,650	72	111,732,963	3	935,530,587	25	3,678,829,200
2013	2,641,564,500	69	102,278,056	3	1,081,097,414	28	3,824,939,970
2014	2,698,317,500	66	130,600,000	3	1,254,277,326	31	4,083,194,826
2015	2,836,488,629	67	143,255,852	3	1,241,407,386	29	4,221,151,867

The government bonds mature between 3 to 15 years. In contrast, the term of Treasury Bills which constitute 3% of the borrowings ranges between 14 days to 390 days.

Over the last 15 years, the percentage of overseas borrowings constituted an average 17% of the borrowings. A graphical representation of the outstanding government borrowings position is provided in Figure 7.2.

**Figure 7.2: Public Debt Trend 2001 - 2015**



Public debt has been increasing over the years and in 2015, a further increase of 3% or \$137,957,041 was noted when compared to the debt of \$4,083,194,826 owed in 2014. The increase was due to an increase in domestic debt by \$165.2 million and Treasury Bills by \$12.7 million. Overseas borrowings decreased by \$12.9 million in 2015 compared to 2014.

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

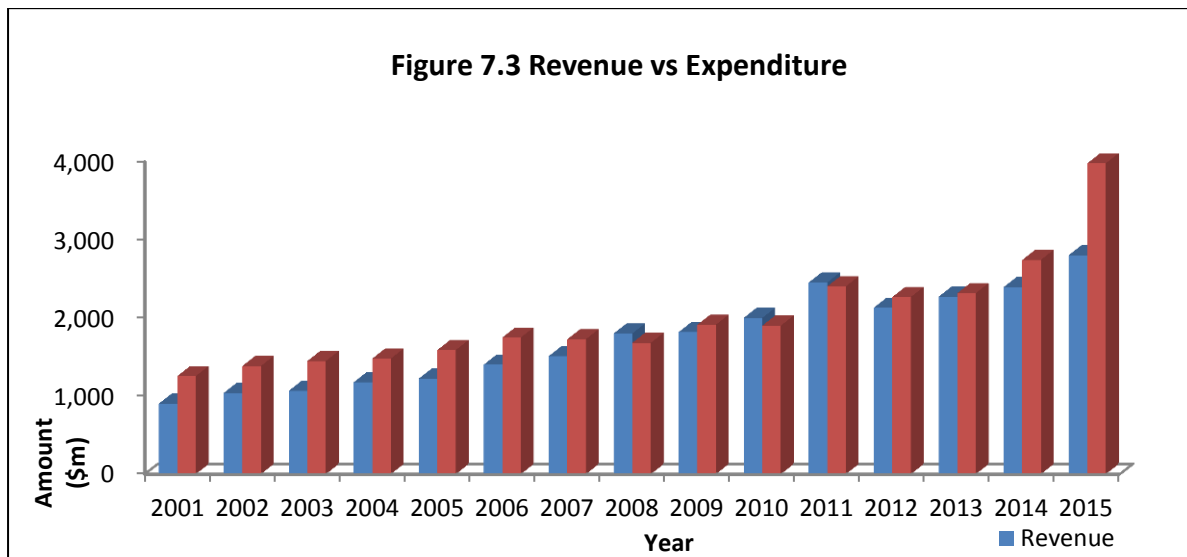
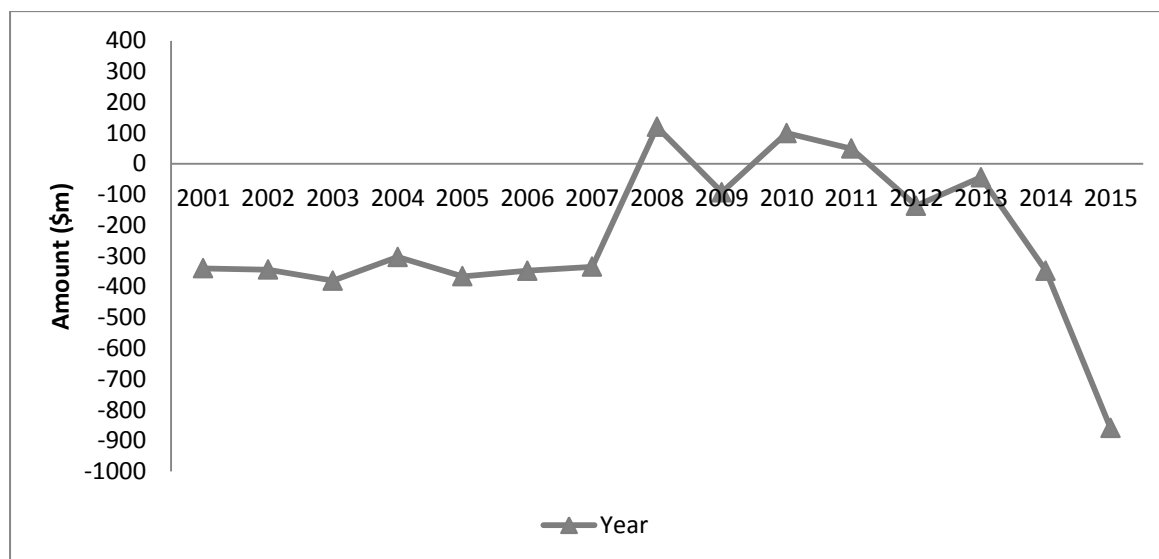


Figure 7.4 reveals that government expenditure of \$3,652,601,500 exceeded revenue \$2,793,515,400 during 2015 resulting in a gross deficit of \$859,086,100 for the year 2015.

Total expenditures noted above include debt repayment of \$677,261,700 for overseas and domestic borrowings.

**Figure 7.4: Deficit Financed From Borrowings**

## 7.2 Borrowings over the 15 Year Period

The composition of government debt over the last 15 years is summarised in Table 7.2

Government borrowed a total of \$1,067,628,101 in 2015 which increased by \$407,100,451 or 62% from a total of \$660,527,650 borrowed in 2014.

Of the total amount borrowed in 2015, 44% or \$474,271,972 was borrowed from Overseas, 31%, or \$336,000,000 from Treasury Bills and 25% or \$257,356,129 was borrowed through domestic bonds.

Tabulated below are the total amount borrowed by government from 2001 to 2015.

**Table 7.2: Government Borrowing Composition - 2001 – 2015**

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
2001	229,000.9	9	10,247.0	(32)	424,654.9	229	663,902.8	87
2002	299,000.0	31	26,196.7	156	437,465.8	3	762,662.5	15
2003	291,000.0	(3)	28,745.3	10	580,634.6	33	900,379.9	18
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	474,272.0	294	336,000.0	9	1,067,628.1	62

The increase in government borrowing was noted for both overseas and domestic borrowings. Overseas borrowing increased by 294% in 2015 from a total of \$120,241,251 borrowed in 2014 while domestic borrowings increased by 10% from \$233,405,800 in 2014. Treasury bills raised in 2015 increased by 9% from \$306,883,399 raised in 2014.

The increase in overseas borrowing in 2015 was due to the refinancing of global bonds.

### 7.3 Loan Repayments

There is an annual obligation for the Government of Fiji to redeem the borrowings which become due for payment. The terms and conditions of the borrowings are stipulated in the Loan Agreements between the Government of Fiji and the Lending Agency.

The repayment of the borrowings of the Government of Fiji over the past 15 years is represented in Table 7.3.

**Table 7.3: Repayment of Borrowings per Year 2001 – 2015**

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total Repayment (\$)
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	
2001	87,000,000	88,493,634	20,294,173	9,755,046	320,504,093	2,207,889	528,254,835
2002	100,500,000	95,284,124	20,772,240	9,297,644	417,637,927	2,362,073	645,854,008
2003	109,377,000	101,997,794	16,265,941	7,150,813	500,141,175	2,597,656	737,530,379
2004	145,403,000	108,597,234	11,173,546	6,114,485	339,194,733	4,310,352	614,793,350
2005	185,058,000	120,220,533	12,721,412	5,473,517	317,920,558	2,392,788	643,786,808
2006	177,500,000	129,455,783	13,459,979	5,737,600	523,422,114	5,746,278	855,321,754
2007	204,992,000	148,023,033	17,126,498	22,201,747	686,040,488	10,514,012	1,088,897,778
2008	191,210,000	147,383,717	12,473,769	20,787,406	468,333,380	566,620	840,754,892
2009	245,405,000	165,287,007	21,211,637	24,410,365	220,653,349	1,971,651	678,939,009
2010	198,540,500	190,736,707	32,850,575	22,901,709	710,064,626	4,295,961	1,159,390,078
2011	213,380,000	213,248,464	291,113,603	43,104,766	416,019,281	2,081,244	1,178,947,358
2012	233,268,000	210,534,849	19,274,087	46,264,569	265,852,974	850,851	776,045,330
2013	159,668,000	207,506,356	19,652,246	51,976,719	147,577,053	967,595	587,347,969
2014	176,650,000	209,451,828	25,516,704	53,809,084	280,578,002	921,998	746,927,616
2015	119,185,000	210,353,664	558,076,695	77,497,979	318,168,240	2,831,760	1,286,113,338

Principal payments for 2015 for government borrowings totalled \$995,429,935 whilst interest payments amounted to \$290,683,403. Refer to Table 7.4 below for details.

**Table 7.4: Total Principal and Interest Repayments in 2015**

Description	Principal Repayment (\$)	Interest Repayment (\$)
Domestic Bonds	119,185,000	210,353,664
Overseas Borrowings	558,076,695	77,497,979
Treasury Bills	318,168,240	2,831,760
<b>Total</b>	<b>995,429,935</b>	<b>290,683,403</b>

The interest repayment in 2015 on Domestic Borrowings for 2015 was \$210,353,664 compared to \$77,497,979 for Overseas Borrowings and \$2,831,760 for Treasury bills. The interest rate on domestic borrowings ranges from 1% to 6% whilst interest rates for overseas borrowings range from 1% to 3%.



## 7.4 Domestic Bonds

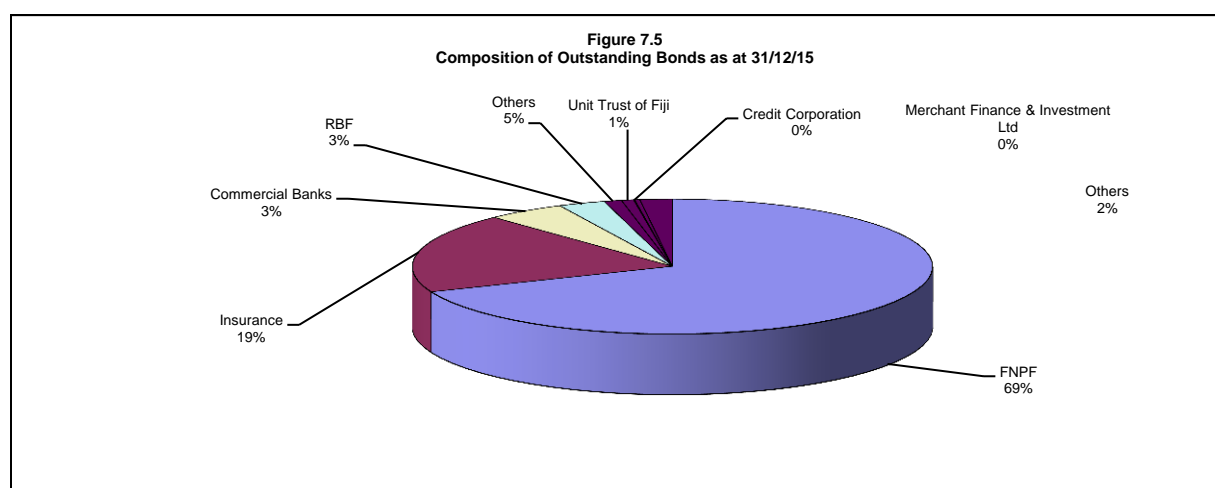
The total domestic bonds as at 31/12/15 amounted to \$2,836,480,500 or 67% of total Government borrowings. This is inclusive of \$8,129 as unamortised premium. Table 7.5 shows the amounts that are owed by the Government of Fiji to bond holders.

**Table 7.5: Composition of Outstanding Government Bonds**

Bond Holder	Amount (\$)	% of Outstanding Debt
FNPF	1,952,156,500	69
Insurance Companies	542,656,000	19
Commercial Banks	139,120,000	5
RBF	82,761,000	3
Trust Fund (excluding UTOF)	30,728,950	1
Unit Trust of Fiji	21,670,000	1
Credit Corporation	1,400,000	0
Merchant Finance & Investment Ltd	9,250,000	0
Others	56,738,050	2
<b>Total</b>	<b>2,836,480,500</b>	<b>100</b>

Fiji National Provident Fund (FNPF) held 69% of the bonds as at 31/12/15; Insurance Companies 19%; Commercial Banks 5%; RBF 3%; the remaining 4% of the bonds are held by Trust Fund, Unit Trust of Fiji, Merchant Bank of Fiji, Credit Corporation and others.

The composition of outstanding government bonds is shown in Figure 7.5



## 7.5 Borrowings & Interest Payments

Details of outstanding borrowings over the past 15 years with the total interest paid and its budgetary provision is shown in Table 7.6. Interest payments are made every six months.

**Table 7.6: Domestic Borrowings Outstanding, Interest PAID, and Budgetary Provisions**

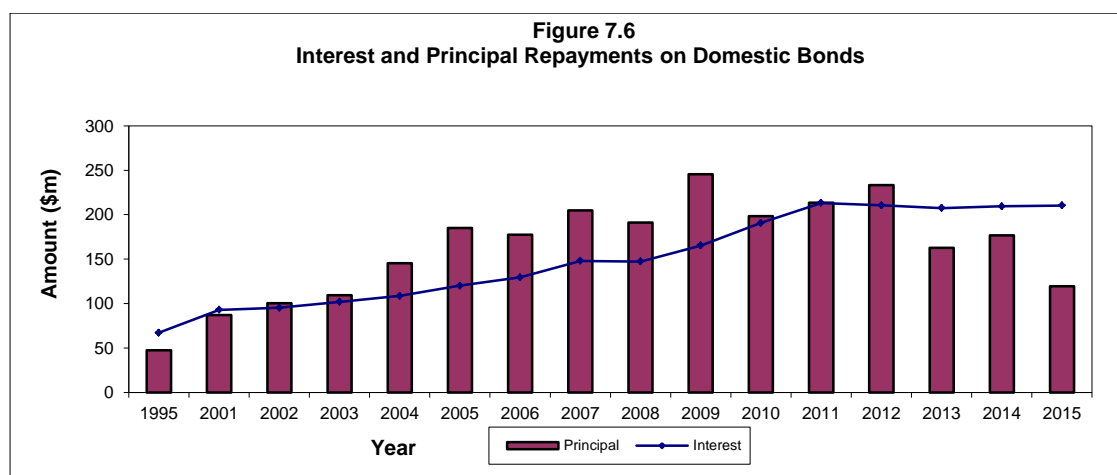
Year	Domestic Borrowings (\$m)	% Increase / (Decrease)	Interest Paid (\$m)	% Increase/ (Decrease)	Budgetary Provision (\$m)	% Change
2001	1,302.6	12	88.3	8	92.7	4
2002	1,501.1	15	95.3	8	102.0	10
2003	1,682.7	12	102.0	7	110.0	8
2004	1,986.5	18	108.6	6	121.5	10
2005	2,121.4	7	120.2	11	124.0	2
2006	2,300.7	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

Total domestic borrowings outstanding increased by \$138.10 million or 5% in 2015 compared to 2014. Interest paid on domestic borrowings increased by 1% or by \$0.9 million.

The Government had allocated \$210.5 million in the 2015 Budget for interest payments of which \$210.3 million was paid during the year.

The interest expense and the principal repayments over the past 15 years are shown in Figure 7.6.

**Figure 7.6: Interest and Principal Repayments on Domestic Bonds**



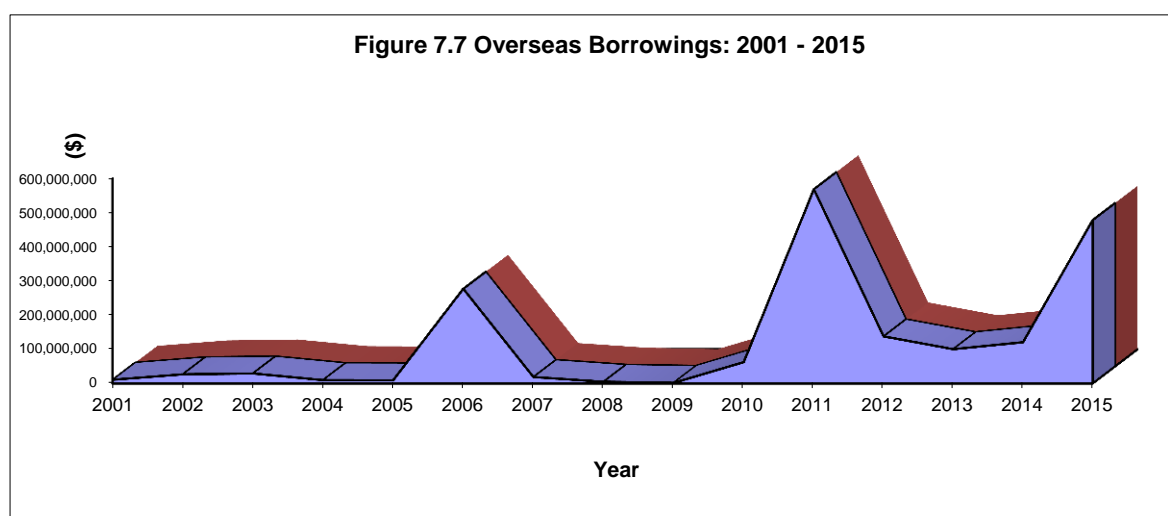
## 7.6 Overseas Borrowings

The total outstanding overseas borrowing of Government as at 31 December 2015 was \$1,241,407,386 which represents 29% of the total outstanding borrowings. Majority of the overseas borrowings obtained were to finance capital projects.

### 7.6.1 Yearly Overseas Borrowings

Figure 7.7 shows the trend of the yearly cash overseas borrowings over the past 15 years.

**Figure 7.7: Yearly Overseas Borrowings 2001 -2015**



There were marked increases in overseas borrowing in years 2006 and 2011. In 2015, overseas borrowings increased again due to issuance of \$US150 million, \$US250 million and the \$US200 million in global bonds.

The Government borrowed a total of \$478,804,784 from overseas. Of the total amount borrowed, \$268,612 was in the form of interest capitalisation and direct disbursement. Overseas loan repayments totalling \$635,574,673 were made in 2015, which comprises of \$77,497,979 in interest and \$558,076,694 in principal payments as shown in Table 7.7

Refer to Table 7.7 for the details of overseas borrowings raised in year 2015.

**Table 7.7: Overseas Loan Disbursements for 2015**

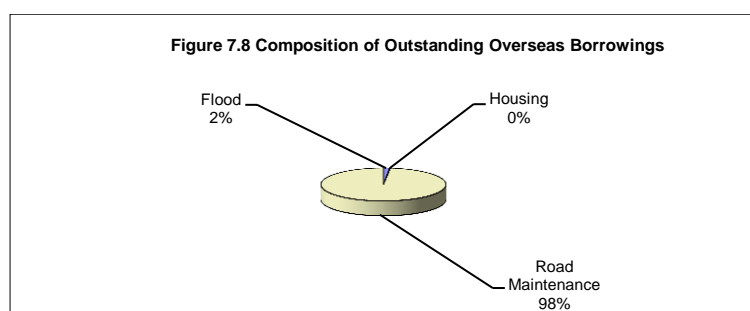
Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	Total (\$)
<b>Road Upgrading Project</b>				
Buca/ Moto Roads	---	---	12,429,878	12,429,878
Sigatoka / Serea Roads	---	---	8,039,335	8,039,335
Nabouwalu/ Dreketi	---	---	91,864,224	91,864,224
<b>Flood Recovery Loan</b>				
Emergency Flood Recovery Loan	---	---	1,773,182	1,773,182
<b>Housing Project</b>				
2014 ADB/ Transport and Infrastructure Project		268,612		268,612
<b>Total</b>	---	<b>268,612</b>	<b>114,106,619</b>	<b>114,375,231</b>

Further details of outstanding borrowings by Government as at 31/12/15 are outlined as follows:

- (a) Borrowings in relation to the Road Upgrading Project comprised of 98% or \$112.3 million of the total outstanding overseas borrowings. The funds obtained for this project were to be used for road upgrading, rehabilitation, and the management of road assets and sector resources.
- (b) Emergency Flood Recovery loan totalled \$1.7 million or 2% of the overseas loan outstanding as at 31/12/15.

The composition of the overseas Borrowings is illustrated in Figure 7.8

**Figure 7.8: Composition of Outstanding Overseas Borrowings**



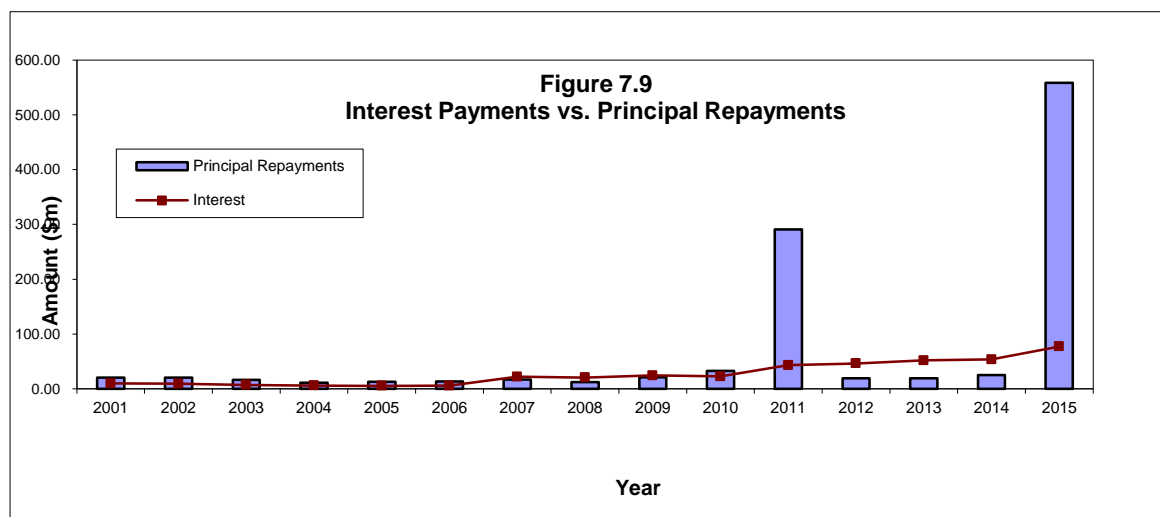
## 7.6.2 Overseas Borrowings Outstanding & Interest Paid

Table 7.8 provides details of overseas borrowings outstanding over the past 15 years with the total interest paid each year.

**Table 7.8: Overseas Borrowings Outstanding, Interest Paid and Budgetary Provision**

Year	Overseas Borrowings (\$m)	% Increase/ (Decrease)	Interest Paid (\$m)	% Increase/ (Decrease)	Budgetary Provision (\$m)	Variance (\$m)
2001	206.9	0	9.8	14	10.6	0.8
2002	193.5	(6)	9.3	(5)	10.0	(6)
2003	174.1	(10)	7.2	(23)	9.4	(6)
2004	168.7	(3)	6.1	(15)	7.0	(26)
2005	164.1	(3)	5.5	(10)	6.7	(4)
2006	416.7	154	5.7	4	6.4	(4)
2007	397.1	(5)	22.2	289	23.4	266
2008	476.0	20	20.8	(6)	24.8	6
2009	527.2	11	24.4	17	29.1	17
2010	548.5	4	22.9	(6)	28.2	(3)
2011	832.1	52	43.1	88	45.1	60
2012	935.5	12	46.3	7	51.4	14
2013	1,081.0	16	51.9	12	57.6	12
2014	1,254.3	16	53.8	4	63.4	10
2015	1,241.40	(1)	77.4	44	91.6	44

In 2015, the outstanding overseas borrowings decreased by 1% compared to 2014. A sum of \$91,694,404 was provided in the 2015 Budget Estimates (revised) for interest expense of which \$77,497,979 was actual interest payment made in 2015.



The principal and interest payments are illustrated in Figure 7.9

Principal repayment for overseas loans in 2015 amounted to \$558.1 million while interest payment totalled \$77,497,979. This is an increase by \$5.86 million or 30% compared to 2015.

### 7.6.3 Revaluation of Overseas Borrowings

Overseas borrowings are revalued at year end using the RBF exchange rate as at 31/12/15 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.

Table 7.9 outlines the amounts attributed to overseas borrowings due to revaluation over a 15 year period.

**Table 7.9: Revaluation of Overseas Borrowings & Unrealised Exchange Gains/Loss**

Year	Revaluation Increase/ (Decrease)	Overseas Borrowings	Unrealised Exchange (Gain)/Loss as a % of Overseas Borrowings
	(\$)	(\$)	
2001	(9,239,298)	206,889,315	(4)
2002	(18,905,125)	193,505,881	(10)
2003	(31,859,534)	174,125,752	(18)
2004	(3,554,545)	168,665,379	(2)
2005	(534,342)	164,050,924	(0.3)
2006	(17,120,505)	416,729,200	(4)
2007	(21,844,864)	397,103,384	(6)
2008	70,352,312	475,994,415	15
2009	46,988,862	527,248,475	9
2010	22,885,617	548,461,798	4
2011	1,537,285	832,147,104	0.2
2012	14,895,650	935,530,587	2
2013	65,295,314	1,081,097,414	6
2014	65,340,835	1,254,277,326	5
2015	70,570,698	1,241,407,386	6



The value of the overseas borrowings increased by \$70,570,698 or 6% due to floating exchange rates<sup>43</sup> in 2015.

## 7.7 Treasury Bills

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

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

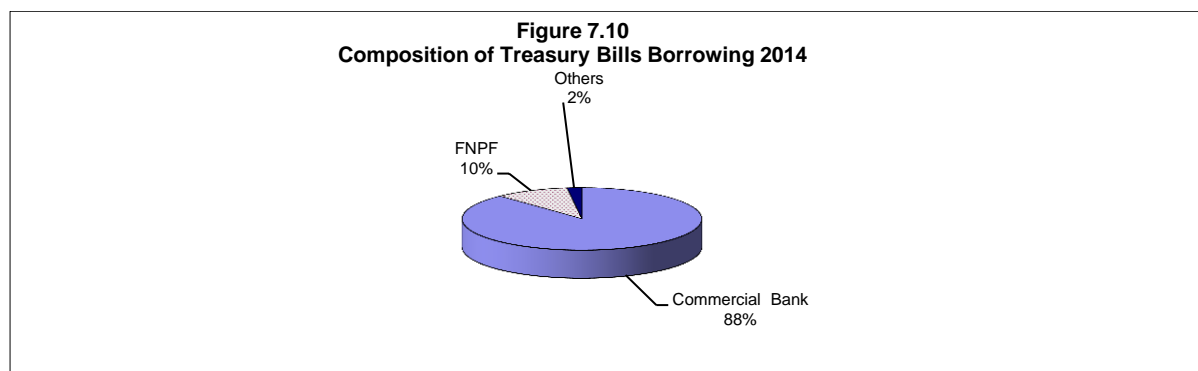
During the year, the government raised \$336,000,000 in Treasury bills of which \$332,840,640 constituted net borrowings by the government whilst \$3,159,360 represented discount, as summarised in Table 7.10.

**Table 7.10: Treasury bill Holders for Bills Issued In 2015**

Bank	Face Value	% of Total	Discount (\$)	% Total	Net Receipts (\$)	% of Total
Commercial Banks	294,320,000	88	2,438,782	77	291,881,218	88
FNPF	33,880,000	10	594,108	19	33,285,892	10
Others	7,800,000	2	126,470	4	7,673,530	2
<b>Total</b>	<b>336,000,000</b>	<b>100</b>	<b>3,159,360</b>	<b>100</b>	<b>332,840,640</b>	<b>100</b>

Of the total Treasury bills issued in 2015, 88% were purchased by commercial banks, 10% by FNPF, and the remaining 2% was purchased by other entities and individuals. This composition is graphed below.

**Figure 7.10: Composition of Treasury Bills Borrowed for 2015**



The Treasury bills are issued by the Government through the RBF and have maturity periods ranging from 14 to 392 days.

Table 7.11 details the total Treasury bills raised in the year together with their maturity dates and discount.

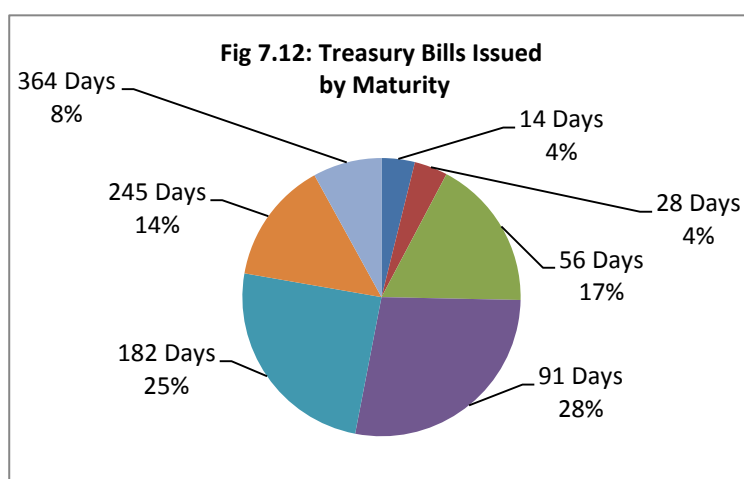
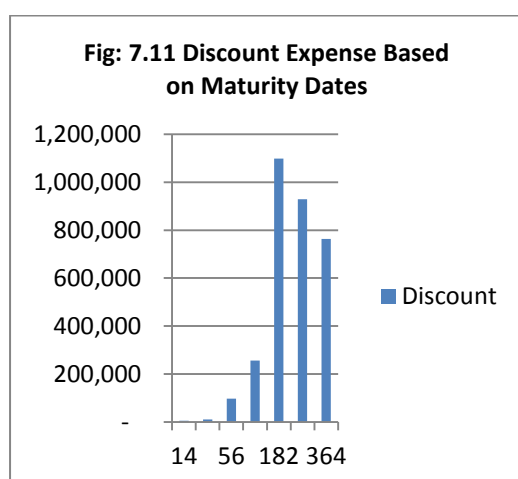
<sup>43</sup> In a floating rate system, the exchange rate is determined directly by market forces, and is liable to fluctuate continually.

**Table 7.11: Maturity of Treasury bills issued in 2015**

Maturity in Days	Face Value (\$)	Discount (\$)	Treasury Bill Cost (\$)
14	13,000,000	4,984	12,995,016
28	13,000,000	10,539	12,989,461
56	59,100,000	97,052	59,002,948
91	93,100,000	255,947	92,844,053
182	83,000,000	1,098,679	81,901,321
245	47,900,000	928,660	46,971,340
364	26,900,000	763,499	26,136,502
<b>Total</b>	<b>336,000,000</b>	<b>3,159,360</b>	<b>332,840,640</b>

The discount increases as the maturity date increases.

Refer to Figures 7.11 and 7.12 for these details:



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

Treasury bills issued and redeemed over the last 15 years is summarised in Table 7.12.

**Table 7.12: Treasury Bills 2000 – 2015**

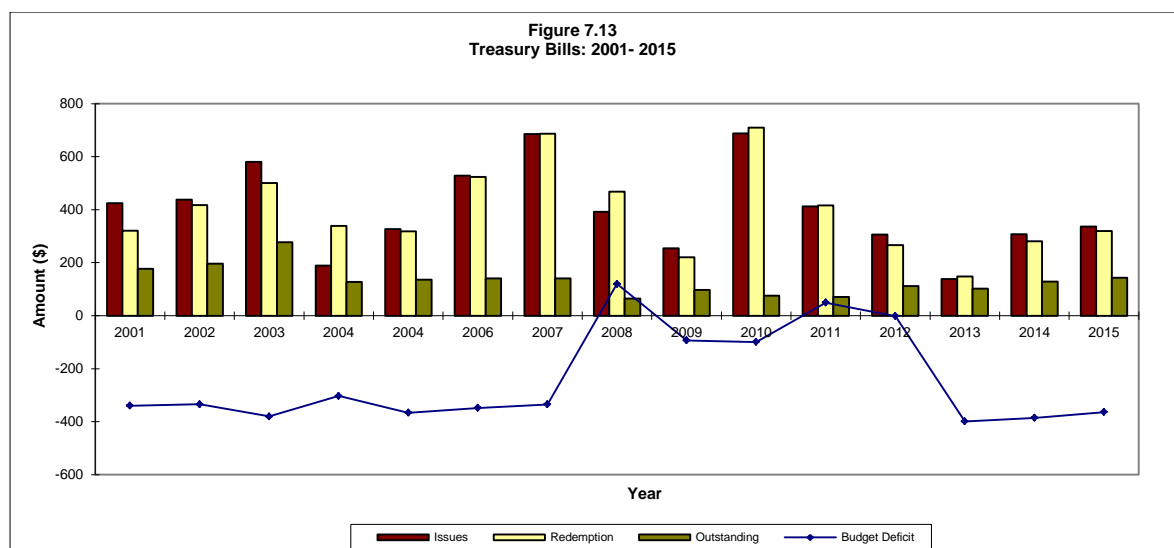
Year	Balance Brought Forward (\$)	Issues (\$)	Redemption (\$)	Outstanding (\$)
2000	117,231,671	129,129,145	173,910,978	72,449,838
2001	72,449,838	424,654,868	320,500,093	176,604,613
2002	176,604,613	437,465,767	417,637,927	196,432,453
2003	196,432,453	580,634,561	500,141,176	276,925,838
2004	276,925,838	189,256,716	339,194,733	126,987,821
2005	126,987,822	326,951,124	317,920,558	136,018,388
2006	136,018,388	528,715,414	523,422,114	141,311,688
2007	141,311,687	685,889,234	686,040,488	141,160,433
2008	141,160,433	391,725,937	468,333,380	64,552,990
2009	64,552,990	253,821,653	220,653,349	97,721,294

Year	Balance Brought Forward (\$)	Issues (\$)	Redemption (\$)	Outstanding (\$)
2010	97,721,294	687,313,133	710,064,626	74,969,801
2011	74,969,800	411,970,874	416,019,281	70,921,393
2012	70,921,393	306,664,544	265,852,974	111,732,963
2013	111,732,963	138,122,146	147,577,053	102,278,056
2014	102,278,056	306,883,399	280,578,003	128,583,452 <sup>44</sup>
2015	128,583,452	336,000,000	321,327,600	143,255,852

Treasury bills raised by Government over the last 15 years have fluctuated significantly. Similarly, the government deficits/surplus has also fluctuated over past 15 years.

The trend for Treasury bills issued, redemptions, bills outstanding at the end of the financial year and the yearly deficit/surplus are shown in Figure 7.13.

**Figure 7.13: Graphical Illustration of Treasury Bills 2001 -2015**



In 2015 a budgeted gross deficit of \$595.0 million was recorded, with treasury bills outstanding totalling \$143.2 million.

### 7.7.2 Treasury Bills Management

Treasury bills are short-term financial instruments used by Ministry for Economy to cover shortfalls during the year. The analysis of budgeted revenue and expenditure as provided in the Budget and the Treasury bills raised for the year are as follows:

<sup>44</sup> Excludes discount of \$2,016,548.07

**Table 7.13: Revenue Variance vs. Treasury Bills Raised**

Revenue	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
<b>Budgeted Revenue</b>										
Operating Receipts & Investing	1,346.6	1,430.0	1,411.5	1,522.4	1,496.5	1,745.7	1,942.8	2,108.4	2,721.8	3,122.4
Loan Receipts	394.50	371.00	370.20	522.50	497.50	734.50	338.40	398.90	385.40	891.9
<b>Total</b>	<b>1,741.10</b>	<b>1,801.00</b>	<b>1,781.70</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>Actual Revenue</b>										
Operating Receipts & Investing	1,401.3	1,391.3	1,454.9	1,412.80	1,536.50	1,801.30	1,937.10	2,098.40	2,371.0	2,943.5
Loan Receipts	633.90	118.90	345.60	405.40	463.00	693.40	192.20	173.10	353.60	801.8
<b>Total</b>	<b>2,035.20</b>	<b>1,510.20</b>	<b>1,800.50</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>
Revenue Variance	294.10	-290.80	18.80	-226.70	5.50	14.50	-151.90	-235.80	-382.60	-269.0
Treasury Bills raised	528.72	685.89	391.73	253.82	687.31	411.97	306.66	138.12	306.88	336.00
<b>Excess/(shortfall)</b>	<b>822.82</b>	<b>395.09</b>	<b>410.53</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>

The operating and investment receipts should pay for operational costs of Government which include standard expenditure groups 1 - 7, 11 & 12 and capital development programs.

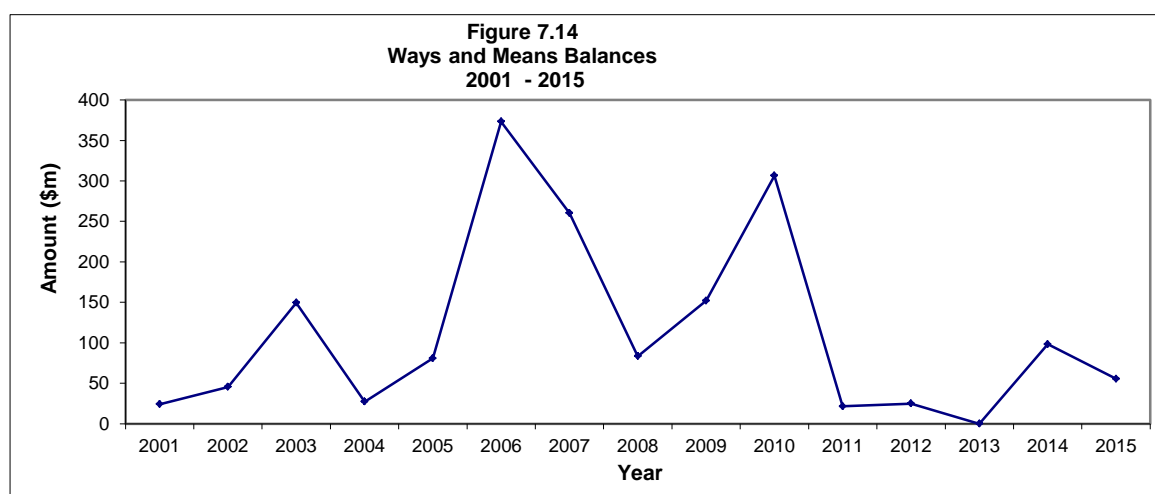
Treasury bills are raised to cover operational deficits provided that they are no more than the estimated operating and investing receipts to be collected during the year.

Government revenue and borrowings from domestic and overseas markets were not sufficient to meet the actual expenditure hence a total of \$336.0 million was raised through Treasury bills in 2015.

## 7.8 Ways and Means

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

An analysis of Ways and Means balances for the past 15 years is illustrated in Figure 7.14.



Government utilised this facility and borrowed \$55,500,000 in 2015 compared to \$98,300,000 utilised in 2014.

## 7.9 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.

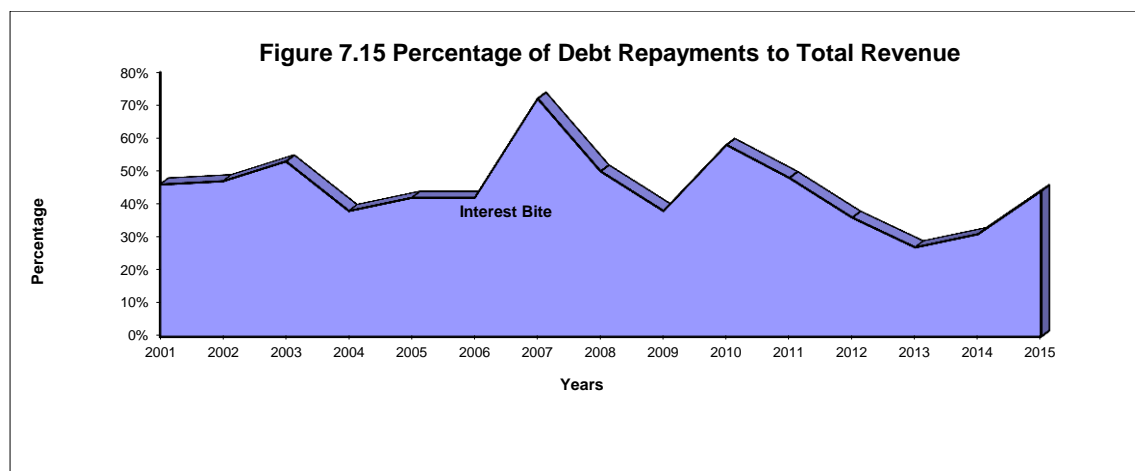
Table 7.14 contains data for total revenue and debt repayments of Government for a period of 15 years. The revenue derived by the Government includes a significant portion which is derived from borrowings. The revenue data included in the analysis of flexibility include the loan component.

**Table 7.14: Comparison of Revenue and Debt Repayments**

Year	Revenue (\$)	Repayments (\$)	Interest Bite %
2001	1,139,754,743	528,250,835	46
2002	1,363,992,433	647,020,349	47
2003	1,386,009,960	737,597,477	53
2004	1,634,663,320	617,152,850	38
2005	1,550,489,828	646,463,603	42
2006	2,035,207,842	857,682,649	42
2007	1,510,117,953	1,091,633,056	72
2008	1,800,583,846	896,317,497	50
2009	1,818,235,071	683,801,800	38
2010	1,999,480,409	1,155,094,117	58
2011	2,451,779,618	1,176,866,114	48
2012	2,129,334,959	775,194,479	36
2013	2,119,975,211	576,915,467	27
2014	2,393,392,529	746,927,616	31
<b>2015</b>	<b>2,793,515,336</b>	<b>1,286,113,338</b>	<b>46</b>

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.



**Figure 7.15: Percentage of Debt Repayments to Total Revenue**


In 2015, the financial flexibility measure was 46% indicating that the total debt repayment was equivalent to 46% of the revenue received by the Government during the year compared to 31% during 2014.

Hence, 54% of revenues collected were available for government programs compared to 69% during 2014.

## 7.10 Financial Vulnerability

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

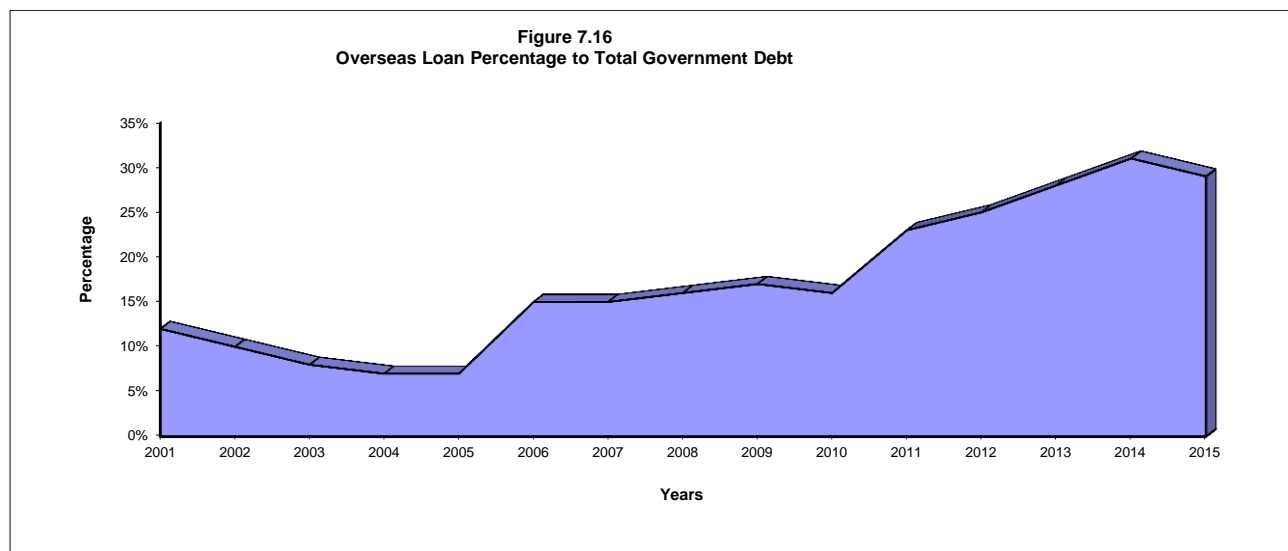
A measure of vulnerability is the comparison of overseas Borrowings to the total Government debt. Table 7.15 compares overseas Borrowings to total Government Debt for a period of 15 years.

**Table 7.15: Comparison of Overseas Borrowings and Government Debt**

Year	Outstanding Overseas Borrowings (\$)	Government Debt (\$)	%
2000	207,697,167	1,438,742,654	14
2001	206,889,315	1,686,089,578	12
2002	193,505,881	1,891,033,984	10
2003	174,125,752	2,133,770,240	8
2004	168,665,379	2,282,168,851	7
2005	164,050,924	2,421,491,962	7
2006	416,729,200	2,858,713,537	15
2007	397,103,384	2,734,471,967	15
2008	475,994,415	2,886,805,555	16
2009	527,248,475	3,130,061,918	17
2010	548,461,798	3,382,723,748	16
2011	832,147,104	3,530,451,273	24
2012	935,530,587	3,678,829,200	25
2013	1,081,097,414	3,824,939,969	28
2014	1,254,277,326	4,083,194,826	31
2015	1,241,407,386	4,221,151,867	29

In 2015, overseas borrowings made up 29% of outstanding government borrowings which decreased by 2% compared to 2014.

**Figure 7.16: Percentage of outstanding overseas loans to Total government debt**



The overall trend indicates an increasing reliance by Government on overseas borrowings from 2006 followed by sharp increases in 2006, 2011 and 2014.

Another measure of Financial Vulnerability is the comparison of overseas Borrowings to GDP. Table 7.16 compares overseas borrowings to GDP for a period of 10 years.

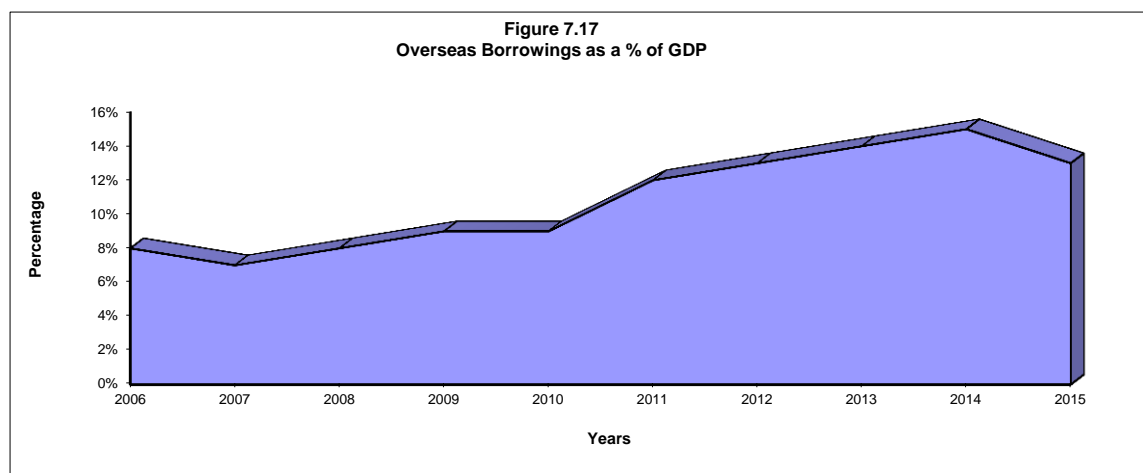
**Table 7.16: Comparison of Overseas Borrowings and GDP**

Year	Overseas Borrowings (\$)	Nominal GDP (\$)	% of Overseas Borrowings /GDP
2005	164,050,924	5,040,000,000	3
2006	416,729,200	5,325,700,000	8
2007	397,103,384	5,440,100,000	7
2008	475,994,415	5,614,900,000	8
2009	527,248,475	5,614,100,000	9
2010	548,461,798	6,024,400,000	9
2011	832,147,104	6,768,500,000	12
2012	935,530,587	7,109,500,000[r]	13
2013	1,081,097,414	7,715,700,000[r]	14
2014	1,254,277,326	8,435,900,000[r]	15
2015	1,241,407,386	9,210,800,000[p]	13

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

Source: FBoS Release No: 87, 2016

**Figure 7.17: Overseas Borrowings as a Percentage of GDP**


Moreover, the comparison of the domestic debt to GDP is another measure of Financial Vulnerability. Table 7.17 compares Domestic Borrowings to GDP for a period of 10 years.

**Table 7.17: Comparison of Domestic Borrowings and GDP**

Year	Domestic Borrowings (\$)	Nominal GDP (\$)	% of Domestic Borrowings/ GDP
2006	2,300,672,650	5,325,700,000	43
2007	2,196,208,150	5,440,100,000	40
2008	2,346,258,150	5,614,900,000	42
2009	2,505,092,150	5,614,100,000	45
2010	2,759,292,150	6,024,400,000	46
2011	2,663,382,087	6,768,500,000	39
2012	2,631,565,650	7,109,500,000[r]	37
2013	2,641,564,500	7,715,700,000[r]	34
2014	2,698,317,500	8,435,900,000[r]	32
<b>2015</b>	<b>2,836,488,629</b>	<b>9,210,800,000<sup>45</sup>[p]</b>	<b>31</b>

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

Source: FBoS Release No: 87, 2016

In 2015, Domestic Borrowings as a percentage of GDP was 31%, a decrease by 1% when compared to 2014.

<sup>45</sup> Excludes Treasury Bills outstanding at year end

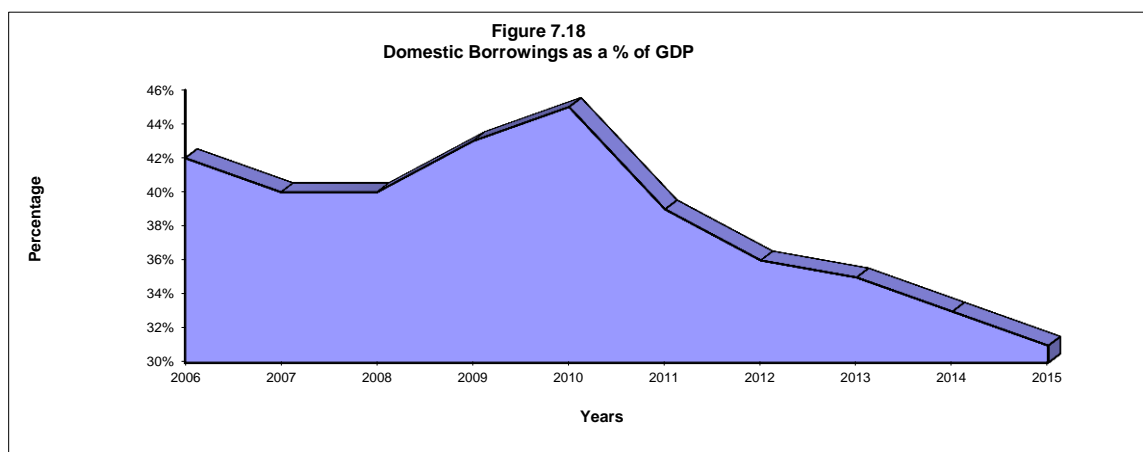


Figure 7.18 shows that the Domestic Borrowing as a percentage of the GDP has been decreasing over the years and indicates the nation’s capability to meet its internal debt obligations when due.

Table 7.18 shows the comparison between Tax Revenue and the GDP.

**Table 7.18: Comparison of Tax Revenue and GDP**

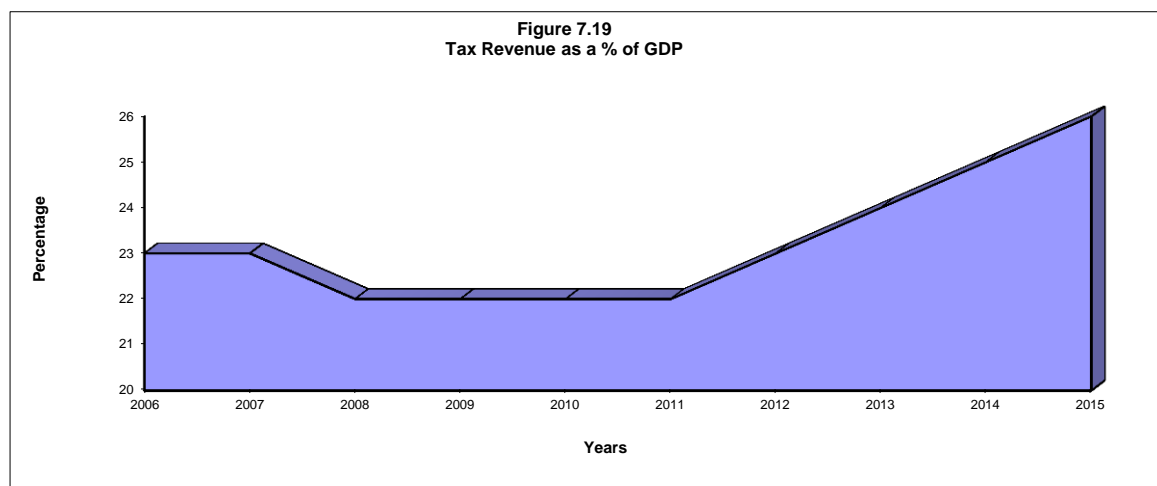
Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/GDP
2005	1,065,808,942	5,040,000,000	21
2006	1,227,220,772	5,325,700,000	23
2007	1,230,363,366	5,440,100,000	23
2008	1,243,057,337	5,614,900,000	22
2009	1,209,223,648	5,614,100,000	22
2010	1,302,130,578	6,024,400,000	22
2011	1,512,378,397	6,768,500,000	22
2012	1,616,297,515	7,109,500,000[r]	23
2013	1,879,243,556	7,715,700,000[r]	24
2014	2,117,742,442	8,435,900,000[r]	25
<b>2015</b>	<b>2,359,863,232</b>	<b>9,210,800,000[p]</b>	<b>26</b>

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

Source: FBoS Release No: 87, 2016

Table 7.18 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been between 21% - 26%.



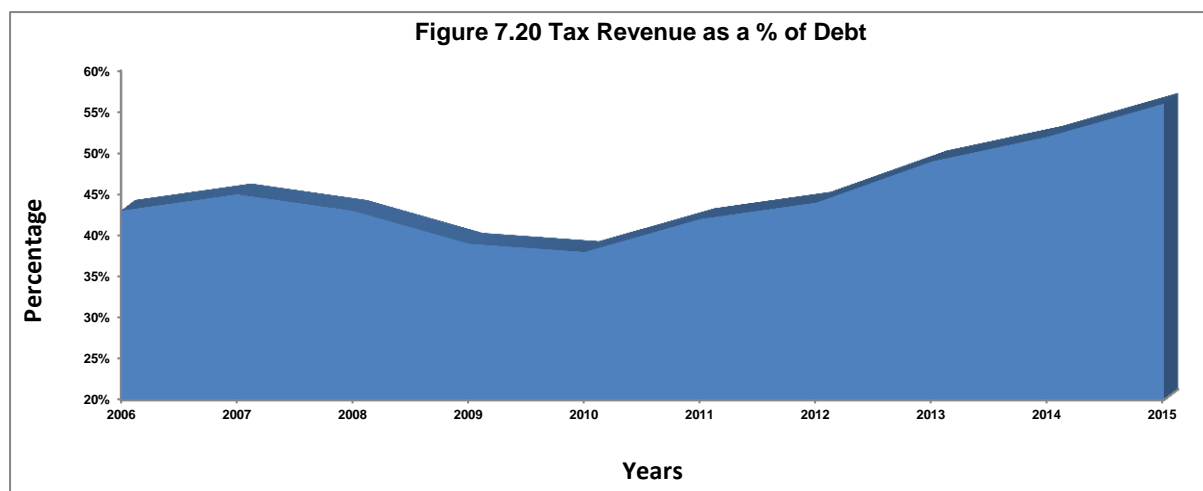
Another measure of Financial Vulnerability is the comparison of tax revenue to debt. Table 7.19 compares tax revenue to debt for a period of 10 years.

**Table 7.19: Comparison of Tax Revenue and Debt**

Year	Tax Revenue (\$)	Debt (\$)	% of Tax Revenue/Debt
2005	1,065,808,942	2,421,491,962	44
2006	1,227,220,772	2,858,713,537	43
2007	1,230,363,366	2,734,471,967	45
2008	1,243,057,337	2,886,805,555	43
2009	1,209,223,648	3,130,061,918	39
2010	1,302,130,578	3,382,723,748	38
2011	1,512,378,397	3,530,451,273	43
2012	1,616,297,515	3,678,829,200	44
2013	1,879,243,556	3,824,939,969	49
2014	2,117,742,442	4,083,194,826	52
<b>2015</b>	<b>2,359,863,232</b>	<b>4,221,151,867</b>	<b>56</b>

The tax revenue as a percentage of debt has increased by 4% compared to 2014. This indicates that 56% of total government debt can be met from tax revenue.



**Figure 7.20: Tax Revenue as a Percentage of Debt**

The ability of tax revenue to meet the debt over the 10 year period was on a declining trend since 2007 and gradually increased from 2010 to 2015 due to increase in tax collections during these years.

Table 7.20 shows the comparison of government surplus/ (deficit) to GDP.

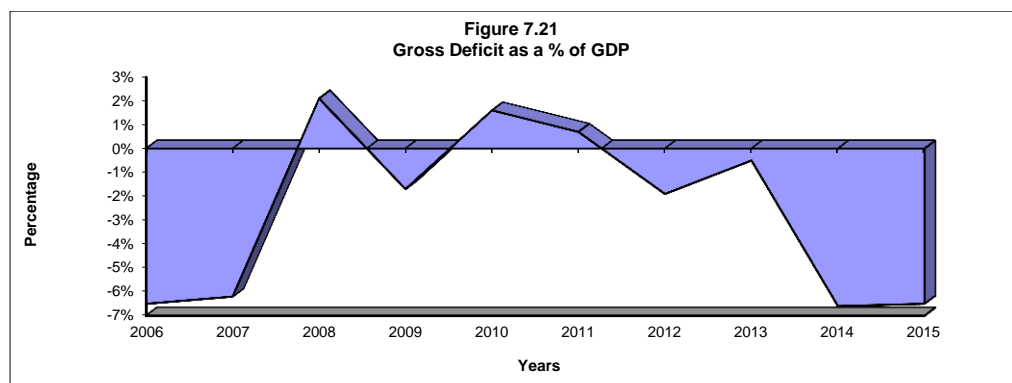
**Table 7.20: Comparison of Government Deficit (Surplus) and GDP**

Year	Gross Surplus/ (Deficit) (\$)	GDP (\$)	% of Gross Surplus (Deficit) /GDP
2005	(366,334,029)	5,040,000,000	(7.3)
2006	(346,769,675)	5,325,700,000	(6.5)
2007	(334,935,764)	5,440,100,000	(6.2)
2008	120,093,824	5,614,900,000	2.1
2009	(93,167,378)	5,614,100,000	(1.7)
2010	99,398,751	6,024,400,000	1.6
2011	49,027,101	6,768,500,000	0.7
2012	(136,880,612)	7,109,500,000[r]	(1.9)
2013	(37,583,667)	7,715,700,000[r]	(0.5)
2014	(554,256,802)	8,435,900,000[r]	(6.6)
<b>2015</b>	<b>(859,086,199)</b>	<b>9,210,800,000[p]</b>	<b>(9.3)</b>

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

Source: FBoS Release No: 87, 2016

**Figure 7.21: Gross Deficit as a Percentage of GDP**

In 2015, the gross deficit as a percentage of GDP remained at 6% compared as in 2014.

## 7.11 Financial 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.

The total Government debt as a percentage of GDP as at 31 December 2015 was 46%, indicating debt sustainability relative to the production of goods and services.

**Table 7.21: Total Government Debt to Gross Domestic Product**

Year	Government Debt (\$)	% of Growth	GDP (\$)	% of Growth	Public Debt as a % of GDP
2006	2,858,713,537	18	5,325,700,000	6	54
2007	2,734,471,967	(4)	5,440,100,000	2	50
2008	2,886,805,555	6	5,614,900,000	3	51
2009	3,130,061,918	8	5,614,100,000	(0.01)	56
2010	3,382,723,748	8	6,024,400,000	7	56
2011	3,530,451,273	4	6,768,500,000	12	52
2012	3,678,829,200	4	7,109,500,000[r]	5	52
2013	3,824,939,969	4	7,715,700,000[r]	9	50
2014	4,083,194,826	7	8,435,900,000[r]	9	48
2015	4,221,151,867	3	9,210,800,000[p]	9	46

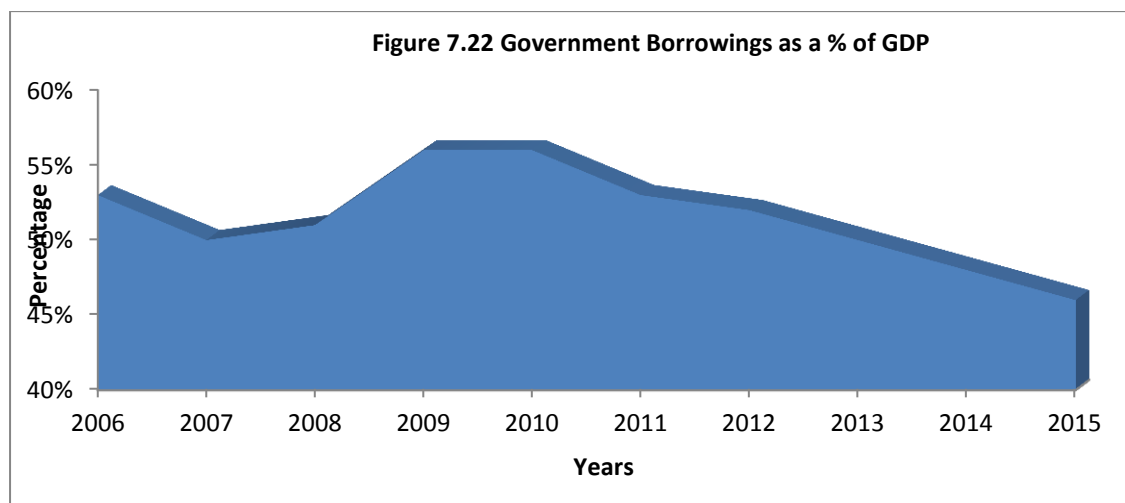
[r]: GDP Revised Figure

[p]: GDP Provisional Figure

Source: FBoS Release No: 87, 2016

Table 7.21 shows that percentage growth in Government debt is 3% only while the percentage growth in the economy is 9% indicating a slight decrease in debt burden of individuals in 2015.

In 2015, percentage change in national debt relative to the GDP was 46%, a decrease of 2% when compared to 48% 2014.

**Figure 7.22: Government Borrowings as a Percentage of GDP**

The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

## 8.0 LENDING FUND ACCOUNT

### 8.1 Term Loans Receivable

The Minister may, on behalf of the state, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside Fiji.<sup>46</sup>

As at 31 December 2015, total outstanding loans owed to Government amounted to \$267,571,883 which is an increase of \$68,656,615 or 35% compared to the amount outstanding at 31 December 2014. This increase is due to government lending \$9 million to PAFCO, \$9.72 million to South Pacific Fertilisers and \$44.01 million to Housing Authority and Public Rental Board to recover debt related cost and fees associated with the Chinese concessional loan entered into on 28 July 2010.

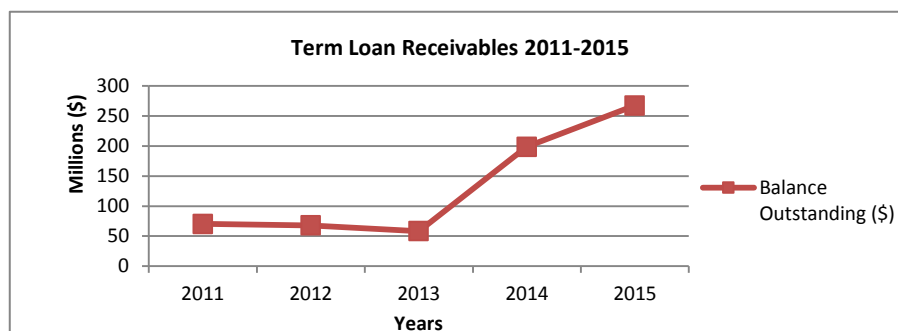
However, a sum \$1.81 million given in PSC loans, which have been included in total outstanding loans, could not be substantiated as supporting documentations were not provided for audit.

Term Loans Receivable balances in the past five years is graphed and tabulated below.

<sup>46</sup> Financial Management Act 2004, Section 61 (1)

**Table 8.1: Trend of Term Loan Receivables Balance**

Year	Balance Outstanding (\$)
2011	70,377,340
2012	67,813,754
2013	58,396,827
2014	198,915,268
2015	267,571,883



## 9.0 REVOLVING FUND ACCOUNT

### 9.1 Accounts Receivable

Accounts receivables (or debtors) generally arise after a sale of goods or services where payment is not immediately received by government. It is important to have in place a stringent credit policy and debt recovery procedures to counter the risk of losses of irrecoverable debts.<sup>47</sup>

The accounts receivables (debtors) of government as at 31/12/15 amounted to \$2,521,296 which decreased by \$11,613,157 or 82% compared to \$14,134,453 as at 31 December 2014.

The significant decline noted in 2015 is attributed to the write off of dormant accounts totalling \$14,673,909 from the general ledger. The write off was approved by the Minister of Finance.<sup>48</sup>

It was noted that \$1,502,818 or 60% of the accounts receivable reported in the financial statement were not supported by reconciliations and source documents.

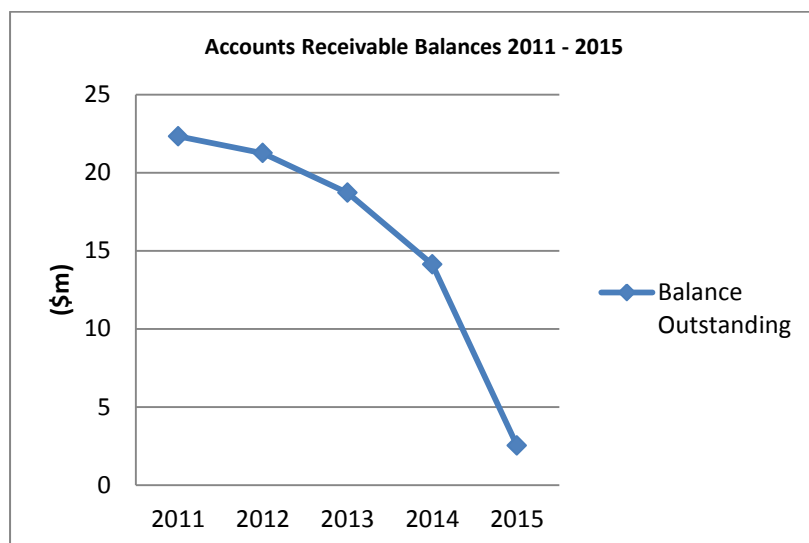
The Accounts Receivables balances for the past five years is graphed and tabulated below.

**Table 9.1: Trend of Accounts Receivables Balance**

Year	Balance Outstanding (\$)
2011	22,331,900
2012	21,252,166
2013	18,712,196
2014	14,134,453
2015	2,521,296

<sup>47</sup> Part 9 Finance Manual 2011

<sup>48</sup> Financial Management Act 2004, Section 34



## 9.2 Accounts Receivables Write offs for 2016

Subject to this or any other Act, the Minister of Finance may write off losses in respect of public money, state assets and agency assets.<sup>49</sup>

The Finance Instructions may require each budget sector agency:

- (a) To undertake appropriate recovery action for losses;
- (b) To maintain a register of losses containing the details required to be recorded by the Finance Instructions; and
- (c) To include details about losses and recovery action in the audited financial statements to be included in the agency's annual report.<sup>50</sup>

Audit noted that accounts receivable balances totalling \$14,673,909 were written off as approved by Ministry of Finance. The write off include irrecoverable accounts due to debtors inability to pay and accounts without proper documentation as a result of poor control, absence of account reconciliation and lack of timely reviews of general ledger posting and errors by Ministries and Departments.

**Table 9.2: Write off Approved by Ministry of Finance**

Ministry/ Department	Amount (\$)
Public Service Commission	(9,951,711)
Min of iTaukei Affairs	(37,400)
Office of the Auditor General	(110,555)
Elections Office	(49,695)
00Fiji Corrections Services	(7,539)
Min of Rural Maritime	(40,175)
Fiji Military Forces	(17,715)
Fiji Police Force	(14,689)
Min of Education	(49,941)
Min of Fisheries	(66,747)

<sup>49</sup> Financial Management Act 2004 – section 34(1)(a)

<sup>50</sup> Financial Management Act 2004 – section 35



Ministry/ Department	Amount (\$)
Min of Lands & Mineral Resources	(6,834)
Min of Works	(1,880,855)
Water Authority	(7,038)
Govt Printing TMA	(212,765)
Min of Health TMA	(106,059)
Min of Works TMA	(2,114,179)
Department of Housing Trust	(12)
	<b>(14,673,909)</b>

The write off of accounts receivables is a loss of public funds.

### **Recommendation**

**Ministries and Departments, especially with those operating TMAs, should develop policies for bad debts and provision for doubtful debt policies for control of amounts applied for write offs.**

### **Management Comments**

*We acknowledged that slow recovery of government receivables is due to the lack of a proper debt collection policy hence to combat issue, the Ministry of Economy with the assistance of PFTAC is developing a policy guide on financial assets that will outline basis for estimation of provisions for doubtful debts as well procedures for writing off of bad debts.*

## **9.3 Accounts Payable**

A liability is defined as present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.<sup>51</sup>

A liability shall be classified as current when it satisfies any of the following criteria:

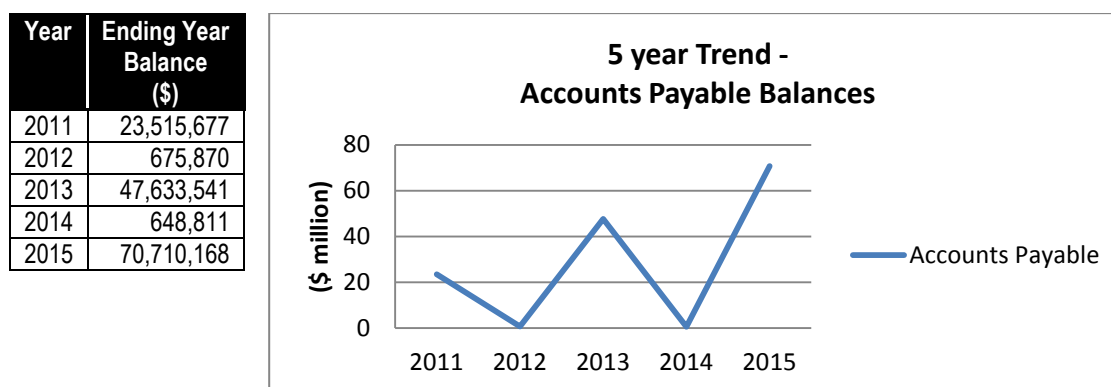
- (a) It is expected to be settled in the entity's normal operating cycle;
- (b) It is held primarily for the purpose of being traded;
- (c) It is due to be settled within twelve months after the reporting date; or
- (d) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- (e) All other liabilities shall be classified as non-current.<sup>52</sup>

As at 31 December 2015, total accounts payable as reflected in the general ledger totalled \$70,710,169. This balance is made up of Trading Manufacturing Account (TMA) Trade and Sundry Creditors of \$26,110, Outstanding Payments to Fiji RA Contractors \$69,895,490, withholding tax of \$323,809 and litigation claims totalling \$464,760.

In the last five years, the accounts payables balance have been fluctuating as depicted in the graph below.

<sup>51</sup> Conceptual Framework 4.4(b)

<sup>52</sup> IPSAS 1 s.80

**Table 9.3: Account Payable balance for the last 5 years**

## 9.4 Unsubstantiated Accounts

The *Accounting Head* is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>53</sup>

It was noted that supporting documentation were lacking to confirm the existence of the general ledger balances as tabulated below. In addition, Withholding Tax Payable for the Fiji Police Force and the Fiji Military Forces and Accounts Payable for Ministry of Education had debit balances, contrary to the nature of this liability accounts.

**Table 9.4: Details of Accounts Payable as at 31/12/2015**

Ministry/Department	Issue	Account Description	Amount (\$)
Ministry of Infrastructure and Transport	Amount is due since 2012	TMA Trade Creditors	(27,143)
Ministry of Infrastructure and Transport	Amount is due since 2014	Withholding Tax Payable	(120)
Ministry of Rural and Maritime Development and National Disaster Management	Amount is due since 2014.	Withholding Tax Payable	(14,225)
Fiji Military Force	Debit Balance	Withholding Tax Payable	249
Fiji Police Force	Debit Balance	Withholding Tax Payable	11,391
Ministry of Education	Debit Balance	Accounts Payable Non-Trade	1,505
<b>NET TOTAL</b>			<b>(28,343)</b>

The unsubstantiated account reflect on the various accounting heads of Ministries and Departments for failing in their duties to maintain proper reconciliation and supporting documents for amounts reflected in their respective general ledgers.

### **Recommendation**

**The Ministry of Finance should take appropriate action to resolve the highlighted issue at the accounting heads forum.**

<sup>53</sup> Section 19.2.1 Pro Forma Finance Manual 2013

**Ministry's Comments**

*The above Ministries were not forthcoming with their submission of unsubstantiated balances write off to MoE despite numerous reminders both via email and at the accounting heads forum. Without their submission, MoE cannot really do anything to assist.*

**10.0 CONTINGENT LIABILITIES**

The Government must not guarantee the financial ability of any person or body in respect of a loan or otherwise unless the giving of the guarantee is authorised by Parliament in accordance with conditions prescribed by law.<sup>54</sup>

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.<sup>55</sup>

The Debt Management Unit (DMU) of the Ministry of Finance administers the documentation, legal issues, variations, drawdown, and reporting of Government guarantees annually.

A guarantee fee is charged on all guarantees. The fee percentage range is agreed upon taking into account each entity's financial performance.<sup>56</sup>

**10.1 Contingent Liabilities for Government**

Contingent liabilities of government include those guarantees given by government for loans obtained by government entities and also includes other contingent liabilities.

The total contingent liabilities as at 31/12/2015 amounted to \$868,317,120 and decreased by \$1,678,839,267 or 66% compared to the restated balance of \$2,547,156,387 for 2014.. Refer to Table 10.1 and figure 10.1 for a trend analysis of the balances over the past five years.

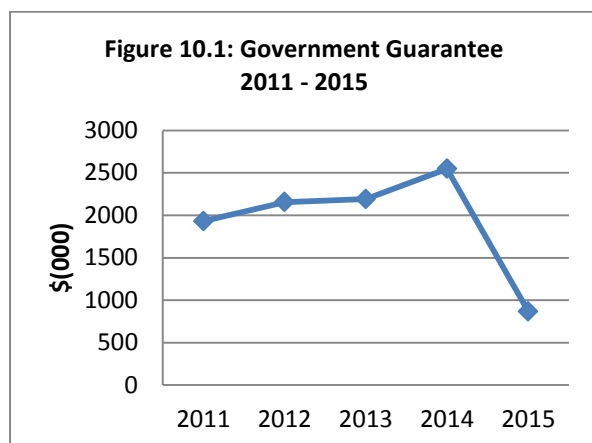
**Table 10.1: Contingent Liabilities for the last 5 years**

Year	Number of Entities on Govt. Guarantee	Total Liabilities (\$)	Increase /(Decrease) (\$)	Change (%)
2010	16	1,791,461,261		
2011	16	1,931,795,891	140,334,630	8%
2012	15	2,155,254,122	223,458,231	12%
2013	14	2,191,273,681	36,019,559	2%
2014 (restated)	14	2,547,156,387	355,882,706	16%
2015	15	868,317,120	(1,678,839,267)	(66)%

<sup>54</sup> Section 145 (1) - 2013 Constitution

<sup>55</sup> IPSAS 19 Section s.18(a) pg. 567

<sup>56</sup> Finance Circular No.8 of 2004



The decrease in government's total contingent liability in 2015 is mainly due to the removal of the guaranteed amount of the members' contribution in the Fiji National Provident Fund as part of contingent liabilities.

However, borrowings of the municipal councils and the provincial councils have also been brought into account in 2015 which were not recognised in previous year's financial statements.

**Table 10.2: Composition of Contingent Liabilities.**

Contingent Liabilities	2015 (\$)	2014 (restated) (\$)	Increase/ (Decrease) (\$)
Explicit Contingent Liabilities	824,476,209	832,565,387	(8,089,178)
Other Explicit Contingent Liabilities	7,627,527	7,627,527	---
Implicit Contingent Liabilities	36,213,384	1,706,963,473	(1,670,750,089)
<b>Total Contingent Liabilities</b>	<b>868,317,120</b>	<b>2,547,156,387</b>	<b>(1,678,839,267)</b>

Government Explicit Contingent Liabilities decreased by \$8,089,178 during the year and Implicit Contingent Liabilities decreased by \$1,670,750,089. These Explicit Contingent Liabilities cover both domestic and overseas loans. Domestic loans accounted for \$ 741.7 million or 90% of total liabilities while overseas loans accounted for \$ 82.7 million or 10% of total liabilities as at 31/12/2015.

The government entities with overseas borrowings guaranteed by government are Fiji Ports Corporation Limited and Fiji Sugar Corporation.

Included under other explicit contingent liabilities are International Agencies whose membership subscriptions represent callable capital of which the government subscribes for shares as its membership contributions/capital holdings with these institutions. The agencies would call on this callable capital if Fiji is proven not to be complying with the articles of agreement or if Fiji fails to honour its loan commitments under respective agreements with these institutions.

## 11.0 INVENTORY

The value of Inventory held by Government was \$3,585,563 which decreased by \$467,468 or 12% from \$4,053,031 in 2014. Inventory is measured at cost.

### 11.1 Non Disclosures of Accounting Policies adopted in Valuing Inventory

The financial statements shall disclose:

- (a) The accounting policies adopted in measuring inventories, including the cost formula used;
- (b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
- (c) The carrying amount of inventories carried at fair value less costs to sell;
- (d) The amount of inventories recognized as an expense during the period;
- (e) The amount of any write-down of inventories recognized as an expense in the period;
- (f) The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period;
- (g) The circumstances or events that led to the reversal of a write-down of inventories; and
- (h) The carrying amount of inventories pledged as security for liabilities.<sup>57</sup>

The Whole of Government financial statements only showed the ending balances of inventories. It failed to disclose the accounting policies adopted in measuring inventories including the cost formula used.

The Ministry of Finance is working on developing policy with regards to accounting for inventory. This issue has been raised in the Auditor General's Report in previous years.

#### **Recommendations**

- **Ministry of Finance should expedite drafting and adopting clear accounting policies, valuation methods, write off policies, provisions for obsolescence and developing supporting schedules that can provide accurate information on the value of inventory at any given time.**
- **The Ministry should disclose on the financial statement the valuation methods and accounting policies adopted for accountability and transparency purposes and for the benefit of users of the financial statements.**

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<sup>57</sup> IPSAS 12 – Inventories – Disclosure - 47



**Management Comments**

*Comments duly noted. We will ensure that the above recommendations are implemented to ensure accountability and transparency in the reporting of government inventories.*

**11.2 Valuation of Inventories**

Inventories must be valued at the lower of cost and net realizable value. Costs must be assigned to inventory items on a consistent basis year-to-year using one of the following costing methods:

- (a) specific identification;
- (b) first-in, first-out; or
- (c) weighted average cost.<sup>58</sup>

The audit noted that there was no assessment of net realisable value of the inventories held by Government as at 31/12/15 and that inventory are recorded at cost.

The Ministry of Finance indicated that once proper accounting policy for inventory are in place, it should be able to address the valuation methodology accordingly. This issue has been raised in the Auditor General's in previous years.

With no assessment of net realizable value or current replacement cost of inventories being carried out, the Ministry is unable to accurately determine the future economic benefits to be realized from their sale, exchange, distribution or use.

**Recommendation**

**Ministry of Economy must work towards ensuring that an assessment of net realizable value or current replacement cost is done to certify that the future economic benefits to be realized from the sale, exchange, distribution or use are accurately determined.**

**Management Comments**

*Comments are duly noted, the Ministry will ensure that the above recommendations are implemented to ensure accountability and transparency in the reporting of government inventories.*

**11.3 Unsubstantiated Inventory Balance and Ineffective Inventory Management System**

Inventories which are material in value must be recorded in an inventory system.<sup>59</sup> A stock take must be undertaken each year to verify the existence and condition of inventories on hand.<sup>60</sup> Two *stocktaking officers* (other than the stock-keeper) nominated by the *TMA Manager* shall conduct a stock take on TMA stocks at least once a year.<sup>61</sup>

The audit noted that \$1,496,558 or 41% of the total inventory disclosed in the financial statement cannot be substantiated for its accuracy and completeness. Refer to Table 11.1 below for details.

<sup>58</sup> Part 6 Division 2 (39) 1 of Finance Instruction 2010

<sup>59</sup> Part 6 Division 2 (37) of Finance Instruction 2010

<sup>60</sup> Part 6 Division 2 (38) of Finance Instruction 2010

<sup>61</sup> Pro-forma Finance Manual 2011 – Section 6.3.1

**Table 11.1: Unsubstantiated accounts**

Ministry/Department	GL account number	Amount (\$)
Ministry of Agriculture	4-30351-30999-580301	709,078
Ministry of Works	4-40000-00000-580000	542,722
Ministry of Fisheries & Forests	4-32000-00000-580000	9,922
Government Printing & Stationery Department	4-04451-66999-580211	211,494
Republic of Fiji Military Force	4-19154-19999-580301	23,342
		<b>1,496,558</b>

There was no independent stock take verification of inventory held at year end. Alternative audit procedures could not be performed due to incomplete records.

In addition, government lacks an effective automated inventory management system. Currently all stores use tally cards to update inventory movements in the year thereby increasing the risk of errors and omissions in recording of stock. Any obsolescence and damage will only be determined after the stock take at year end after which the general ledger is then updated.

With this current system, inventories are vulnerable to thefts, obsolescence, and losses and are not detected in a timely manner for necessary actions to be taken.

**Recommendation:**

**Ministry of Economy should promote the use of automated inventory management systems and guidelines that can be easily adopted across Ministries and Departments.**

**Ministry's Comments**

*We will take recommendation on board but it will be down to policy decision of the need to adopt an inventory management system.*

## 12.0 PREPARATION OF FINANCIAL STATEMENTS

Cabinet, by Written Opinion;

- i. noted progress made towards the adoption of the Cash Basis International Sector Accounting Standards (IPSAS): and
- ii. agreed to the adoption of the cash basis IPSAS for the Whole of Government financial preparation and reporting.<sup>62</sup>

Financial statements should not be described as complying with this Standard unless they comply with all the requirements in Part 1 of the Standard.<sup>63</sup>

The purposes of the Institute (Fiji Institute of Accountant) shall be –

- to register accountants and *to regulate the practice of the profession of accountancy in Fiji*;
- to exercise control over the training, education and examination by the Institute or any other body of persons, of persons desiring to acquire a basic training in general accounting knowledge and of persons practising or intending to practise the profession of accountancy in Fiji or elsewhere;

<sup>62</sup> Cabinet Decision 277 of 2010 – Adoption of Cash Basis IPSAS (International Public Sector Accounting Standards) by Government

<sup>63</sup> Handbook of International Public Sector Accounting Pronouncements Volume 2 – 1.1.4

- to promote, in any manner which the Institute thinks fit, the interests of the profession of accountancy in Fiji<sup>64</sup>;

The Financial Statements of the Government of the Republic of Fiji has been prepared to comply with the Cabinet decision and thus the requirements of Part 1 of the Cash Basis IPSAS. The audit report issued was unqualified with an emphasis of matter on the basis of consolidation adopted and variances in reconciliations.

The audit noted that while government is working towards adoption and compliance to the full International Sector Accounting Standards (IPSAS) the Fiji Institute of Accountant is yet to adopt, approve or support the use of the standard in Fiji.

## 12.1 Consolidation of Accounts of Controlled Entities

A controlling entity, other than a controlling entity identified in paragraphs 1.6.7 and 1.6.8, should issue consolidated financial statements which consolidates all controlled entities, foreign and domestic, other than those referred to in paragraph 1.6.6.<sup>65</sup>

Entities identified in paragraphs 1.6.7 and 1.6.8 include those that are wholly owned controlled entities provided users of such financial statements are unlikely to exist or their information needs are met by the controlling entity's consolidated financial statements and those that is virtually wholly owned provided the controlling entity obtains the approval of the owners of the minority interest.

Entities under paragraph 1.6.6 are those that operates under severe external long-term restrictions which prevent the controlling entity from benefiting from its activities

Audit noted that the whole of government financial statements for 2015 included only the accounts of government Ministries and Departments and did not consolidate the financial statements of other controlled entities. The controlled entities for government include the State Owned Entities such as Government Commercial Companies, Commercial Statutory Authorities and Statutory Authorities.

## 12.2 Timeliness of Reports

An entity should be in a position to issue its financial statements within six months of the reporting date, although a timeframe of no more than 3 months is strongly encouraged. On-going factors such as the complexity of an entity's operations are not sufficient reason for failing to report on a timely basis<sup>66</sup>.

The Financial Statements for the year ending 31 December 2015 for the Government of the Republic of Fiji was submitted for audit on 27 July 2016 while amended Financial Statements was provided to audit on 16 September 2016. The Audit report was then issued on 27 September 2016.

Audit noted that some Ministries and Departments preparing Agency Financial Statements did not meet the reporting timelines due to the delay in submission and requests for write off for various accounts balances to the Minister for Economy. Therefore Audit Reports for some Agency Financial Statements were issued after 30<sup>th</sup> May 2016.

The submission of accounts for audit and closure of accounts in the general ledger needs to be improved for timeliness.

<sup>64</sup> Fiji Institute of Accountant Act sec. 6(b),(c) and (f).

<sup>65</sup> Handbook of International public Sector Accounting Pronouncements Volume 2 – 1.6.5

<sup>66</sup> Handbook of International public Sector Accounting Pronouncements Volume 2 – 1.4.3

**Recommendations**

- **The ministry should liaise with the Fiji Institute of Accountant on governments plan to adopt IPSAS.**
- **The consolidation of financial statements of controlled entities should be carried out.**
- **The general ledger (FMIS) maintained by the Ministry of Economy should closed for any further entries while the Agency Financial Statements are submitted for audit at the stipulated time.**
- **The performance measurement of heads of Ministries and Departments should also include the timely submission of annual reports inclusive of the audited Agency Financial Statements.**

**Management Comment**

- *In one of the earlier discussions between MoE and FIA, the FIA had been made aware of government's plans to adopt cash basis IPSAS as the stepping stone towards accrual accounting. However, this was when adoption of Cash Basis IPSAS was still in its very preliminary planning stage. Now that government is actually adopting the Standard; we agree that FIA should again be informed of the progress made given their mandated role as outlined under the FIA Act;*
- *The Ministry acknowledged that consolidation of controlled entities should be pursued given that it is one of the key mandatory requirements of Cash Basis IPSAS. A challenge though is in defining the control parameters;*
- *The MoE acknowledged the need for timely submission of AFS as well as tagging of timely AFS submission to PSs KPIs.*

**12.3 General Ledger Accounts Write Offs**

The Minister may write off losses in respect of public money, state assets and agency assets.<sup>67</sup> The power to write off losses includes the power to abandon or discontinue the recovery of revenue, debts and overpayments.

The Minister for Economy on 31<sup>st</sup> May 2016 approved for the write off of a sum of \$1,874,524.69 from various accounts in the 2015. Two adjustment exercises had already been carried out in 2013 and 2014 amounting to \$96 million and \$20 million, respectively. A summary of the 2015 write off is shown in Table 12.1 below.

**Table 12.1: 2015 Write off**

<b>Account</b>	<b>Net amount Adjusted (\$)</b>
Bank Balance – Local Bank	10,691,700
Term Loans for Social Services	13,666,299
Drawings and Clearing Account	11,847,445
Deposits, Deduction and Retention Money	20,579
<b>Debits Accounts balances Total written off</b>	<b>36,226,023</b>
Bank Balance – Overseas	-1,248,352

<sup>67</sup> Financial Management Act 2004 Section 34(1)

<b>Account</b>	<b>Net amount Adjusted (\$)</b>
Bank Balance – TMA	-193,239
Accounts Receivable	-14,673,908
Term Loan for Economic Services	-8,761,611
Advances	-385,752
Consolidated Trust Fund	-12,837,685
<b>Credit Accounts balances Total written off</b>	<b>-38,100,547</b>
<b>Total (Net) write off</b>	<b>-1,874,525</b>

The above finding shows that Ministries and Departments failed to properly account for general ledger account balances. This indicates the lack of proper monitoring and reconciliation of these accounts.

The write off of asset accounts has also resulted in losses to government.

In addition to the above, Ministries and Department did not carry out a complete Board of Survey for the year ended 2015 which also impacted on the accuracy of the Statement of Losses. Refer to Table 12.2 for details.

**Table 12.2: Ministries/Department that did not carry out Board of Survey**

<b>Ministries/Departments</b>
Ministry of Local Government, Housing, Environment
Ministry of Sugar
Ministry of Foreign Affairs
Office of the President
Ministry of Rural and Maritime Development and National Disasters
Ministry of Education, Heritage and Arts
Ministry of Agriculture

### **Recommendations**

- **Ministries and Departments should ensure that monthly reconciliations are properly carried out and reconciled to the FMIS and any variance are investigated and rectified accordingly and;**
- **Ministries and Departments should also ensure that internal controls are strengthened to avoid recurrence of discrepancies highlighted above, resulting in write offs.**
- **Ministries/Departments should ensure that the Annual Board of Survey is carried out on a timely basis.**

### **Management Comment**

*Comments are noted, MoE will work towards implementing recommendations put forth by OAG.*

**APPENDIX 1: Appropriation Statement 2015**

Head No	Ministry/Department	Appropriation <sup>68</sup>	Revised Amount	Actual Expenditure 2015	Savings/(Over-spent)	%
		(\$)	(\$)	(\$)	(\$)	
1	Office of the President	4,202,825	4,202,825	3,827,804	375,021	9
2	Office of the Prime Minister	14,305,046	14,305,045	12,553,159	1,751,886	12
3	Attorney General and Solicitor General	17,181,187	17,181,186	13,755,679	3,425,507	20
4	Ministry of Finance	80,803,208	80,803,224	77,480,472	3,322,753	4
5	Ministry of iTaukei Affairs	10,283,016	10,283,017	9,717,730	565,287	5
6	Ministry of Immigration, National Security and Defence	7,152,924	7,152,924	7,128,406	24,518	0.3
7	Ministry of Employment, Productivity and Industrial Relations	15,734,753	15,734,709	15,305,910	428,799	3
8	Ministry of Foreign Affairs	41,779,542	41,779,536	41,255,330	524,206	1
9	Office of the Auditor General	4,082,574	4,082,574	3,329,801	752,773	18
10	Fijian Elections Office	7,089,092	7,089,092	5,119,295	1,969,797	28
11	Judiciary	40,382,831	40,382,832	27,692,106	12,690,726	31
12	Parliament	8,888,234	8,888,234	7,612,055	1,276,179	14
13	Independent Commissions	10,249,191	10,249,191	9,053,686	1,195,505	12
14	Office of the Director of Public Prosecutions	5,715,089	5,715,089	4,696,316	1,018,773	18
15	Ministry of Justice	42,822,416	42,822,395	38,682,595	4,139,800	10
16	Ministry of Communications	33,704,175	33,704,201	17,049,204	16,654,997	49
17	Public Service Commission	43,131,770	43,131,770	38,587,428	4,544,342	11
18	Ministry of Rural and Maritime Development and National Disaster Management	32,108,508	32,107,650	29,926,150	2,181,500	7
19	Republic of Fiji Military Forces	103,317,112	103,317,114	85,091,759	18,225,355	18
20	Fiji Police Force	120,499,912	120,499,901	109,046,124	11,453,777	10
21	Ministry of Education, Heritage and Arts	401,649,593	401,649,310	398,375,173	3,274,137	1
22	Ministry of Health and Medical Services	269,738,232	269,738,232	239,013,309	30,724,923	11
23	Department of Housing	27,699,066	27,699,066	17,448,683	10,250,383	37
24	Ministry of Women, Children and Poverty Alleviation	44,812,093	44,812,148	43,933,368	878,780	2
25	Ministry of Youth and Sports	16,690,714	16,690,746	16,057,425	633,321	4
26	Higher Education Institutions	85,739,202	85,739,200	79,985,127	5,754,073	7
30	Ministry of Agriculture	64,972,249	64,972,231	52,575,862	12,396,369	19
32	Ministry of Fisheries and Forests	23,981,192	23,981,234	22,892,886	1,088,348	5
33	Ministry of Lands and Mineral Resources	32,994,273	32,994,312	25,353,544	7,640,768	23
34	Ministry of Industry, Trade and Tourism	49,484,531	49,484,689	47,110,788	2,373,901	5
35	Ministry of Sugar	11,768,650	11,768,624	10,580,205	1,188,419	10
36	Ministry of Public Enterprise	10,518,861	10,518,816	9,234,952	1,283,864	12
37	Ministry of Local Government, Urban Development and Environment	32,682,568	32,682,569	24,585,109	8,097,460	25
40	Ministry of Infrastructure and Transport	113,023,524	113,023,600	104,634,654	8,388,946	7
41	Water Authority of Fiji	239,221,511	239,221,511	194,221,421	45,000,090	19

<sup>68</sup> 2015 Appropriation Act 2014 – Schedule 1



Head No	Ministry/Department	Appropriation <sup>68</sup> (\$)	Revised Amount (\$)	Actual Expenditure 2015 (\$)	Savings/(Over-spent) (\$)	%
43	Fiji Roads Authority	653,788,560	653,788,560	559,396,677	94,391,883	14
49	Peacekeeping Missions	72,626,918	72,626,918	68,611,388	4,015,530	6
50	Miscellaneous Services	156,850,907	218,073,007	176,576,117	41,496,890	19
51	Pensions, Gratuities and Compassionate Allowances	42,343,300	42,343,400	38,878,319	3,465,081	8
52	Charges on Account of Public Debt	430,719,000	974,662,732	972,678,004	1,984,728	0.2
	<b>Total</b>	<b>3,424,738,358</b>	<b>4,029,903,414</b>	<b>3,659,054,020</b>	<b>370,849,395</b>	<b>9</b>

**APPENDIX 2: Analysis of Arrears of Revenue as at 31/12/2015**

Ministries / Department	Revenue Types	Over 5 years (\$)	Total arrears (\$)	%
Ministry of Finance-FRCA	Direct Taxes-PAYE,VAT	8,213,693	52,687,859	15.6%
Ministry of Finance-Pensions	60% Dependent & Pensions	131,561	218,095	60.3%
Ministry of Finance-FRCA Customs	Indirect Taxes-Customs	374,839	12,272,643	
Ministry of Finance-Surcharge	Surcharge for loss of Government stores, misappropriation of revenue, vehicle, accidents, damage costs	377,753	821,434	46.0%
Judiciary	Court Fees and Court Fines	9,648,578	13,215,858	73.0%
Ministry of Rural and Maritime Development and National Disaster Management	Accommodation Guest, Administration & Sales, Agent Gas Cooking, Agent Yacht, Airline Operator, etc	84,796	753,943	11.2%
Fiji Police Force	Licence-Arms License	1,993	4,548	43.8%
Ministry of Health and Medical Services	Hospital Fees, Health & Fumigation Quarantine	9,768	330,756	3.0%
Ministry of Agriculture	Agriculture Produce & Inspection, Sale of Fish & Ice, Agricultural Comm.Sales	709,524	804,226	88.2%
Ministry of Lands and Mineral Resources	Land & Survey Fees, Crown Schedule Land Rent	7,218,997	26,980,319	26.8%
Ministry of Infrastructure Sector	Electricity Bills	35,548	63,904	55.6%
Water Authority of Fiji	Water Rates Charges	10,705,793	29,023,661	36.9%
Communication		nil	11,429,826	Nil
Education Youth & Sports		nil	13,984	Nil
Fisheries & Forestry		nil	5,180	Nil
Government Printing		nil	743,936	Nil
ITC		nil	1,486	Nil
Industry & Trade		nil	3,180	Nil
Labour		nil	4,722	Nil
Oversees Peacekeeping Mission		nil	1,855,323	Nil
Solicitor General		nil	288	Nil
	<b>Total</b>	<b>37,512,843</b>	<b>151,235,171</b>	

### APPENDIX 3: Anomalies in Government Operating and Capital Expenditures (Summary)

Head	Ministry	Operating Expense Issues	Capital Expense Issues
1	Office of the President	<ul style="list-style-type: none"> <li>▪ Travelling advances totaling \$776,850 was not reconciled and journalized to the relevant expenditure allocations during the year. Consequently total expenditure was understated by \$776,850 in the Statement of Receipts and Expenditure.</li> </ul>	
2	Office of the Prime Minister		<ul style="list-style-type: none"> <li>▪ No competitive quotes</li> <li>▪ No delivery dockets</li> <li>▪ Advance payment and goods still not received as date of audit.</li> <li>▪ Anomalies in Small Grant Scheme Projects               <ul style="list-style-type: none"> <li>- Memorandum of Understanding do not state commencement date</li> <li>- No progress report</li> <li>- Plan not approved by Rural Local Authority</li> <li>- No engineering certificate</li> <li>- No completion certificate</li> <li>- Incomplete work</li> </ul> </li> </ul>
4	Ministry of Finance	<ul style="list-style-type: none"> <li>▪ Expenditure charges not transferred to new appropriation Head</li> <li>▪ Misstatement of VAT in TMA</li> <li>▪ Missing Payment Vouchers</li> <li>▪ Overdrawn Funds.</li> <li>▪ LPO not issued.</li> <li>▪ Lack of monitoring for funds released from miscellaneous funds.</li> <li>▪ FNPF Reconciliation not up to date</li> <li>▪ Salary amendment forms not authorised.</li> </ul>	
5	Ministry of iTaukei Affairs	<ul style="list-style-type: none"> <li>▪ No proper acquittals received for operating grants given by the Ministry.</li> <li>▪ No audited accounts on utilization of grants.</li> </ul>	
6	Ministry of Defense, National Security and Immigration	<ul style="list-style-type: none"> <li>▪ Expenditure Mispostings</li> <li>▪ Expenditure not budgeted for</li> </ul>	
7	Ministry of Employment, Productivity and Industrial Relations	<ul style="list-style-type: none"> <li>▪ Understated Established Staff Expenditure</li> <li>▪ Variances in Wages Dispute Listing</li> </ul>	
8	Ministry of Foreign Affairs	<ul style="list-style-type: none"> <li>▪ Representative allowance claims not adequately supported</li> <li>▪ Overpayment of leave</li> </ul>	

Head	Ministry	Operating Expense Issues	Capital Expense Issues
		compensation <ul style="list-style-type: none"> <li>▪ Overpayment of post allowance</li> <li>▪ Absence of personnel records to verify post allowance</li> <li>▪ No proper approval on hardship allowances</li> <li>▪ Overpayment of per-diem allowances and over-expenditure on travel expenses.</li> <li>▪ Payment of unbudgeted expenditure</li> <li>▪ Payment Vouchers without supporting documents</li> <li>▪ Unretired Accountable Advance</li> <li>▪ Fine paid for Over-Stayers not recovered from them</li> <li>▪ Payment of Previous year expenditure</li> </ul>	
11	Judiciary		<ul style="list-style-type: none"> <li>▪ Delay in selection of contractor</li> <li>▪ No valid indemnity cover from contractor</li> <li>▪ Delay in completion of project as per agreement and no claim of delay damages</li> </ul>
12	Parliament	<ul style="list-style-type: none"> <li>▪ The Parliament allocated \$8,888,200 on its 2015 budget under SEG 6. However, the Parliament Office did not provide any grant to other agencies and the funds were used for the operating expenses of Parliament Office.</li> </ul>	
15	Ministry of Justice and Fiji Corrections Service	<ul style="list-style-type: none"> <li>▪ No proper arrangement for providing 3 meals per day @ \$4.00 to single officers.</li> <li>▪ Purchase without Tender Board approval.</li> <li>▪ Payment from incorrect allocation – Payroll</li> <li>▪ Payment Anomalies: No competitive quotation, No LPO, Purchase from non-approved supplier &amp; LPO issued after invoice.</li> </ul>	
16	Ministry of Communication	<ul style="list-style-type: none"> <li>▪ No Procurement Policy for Steering Committee</li> <li>▪ No proper supporting documents on payment of incidental expenses</li> <li>▪ Payment to Yalamanchili not substantiated as work not specified in invoice</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unutilized capital funds</li> <li>▪ No acquittals on grant</li> <li>▪ No monitoring of work</li> </ul>

Head	Ministry	Operating Expense Issues	Capital Expense Issues
17	Public Service Commission	<ul style="list-style-type: none"> <li>▪ Salaries and Wages Reconciliation not prepared</li> <li>▪ No invoices attached to payment vouchers to substantiate payment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agreement not signed by Commission and Contractor</li> <li>▪ Defects Liability Period not stated in the contract</li> <li>▪ Liquidated ad associated damages not stated in the contract</li> <li>▪ Scope of Work not specified and documented in the contract</li> <li>▪ Schedules of payments not stated in the contract</li> <li>▪ Failure to deduct provisional tax</li> </ul>
18	Ministry of Rural and Maritime Development and National Disaster Management		<ul style="list-style-type: none"> <li>▪ Poor Implementation of Self Help Projects</li> <li>▪ Failure to engage approved Whole Of Government Contractors - Emergency Water Supply</li> <li>▪ No LPO issued</li> <li>▪ No competitive quotation and no delivery dockets</li> <li>▪ Full payment of incomplete road works</li> <li>▪ No Contractual Agreement</li> <li>▪ Contractual agreement not vetted by SG's Office</li> <li>▪ Contractual agreements do not contain necessary details of work and timelines.</li> <li>▪ Delay in construction and no completion certificate</li> <li>▪ PSIP - No monitoring and progress reports; no independent building engineer report; delay in completion</li> <li>▪ Inadequate Management of Project Materials - Top Yard Store</li> </ul>
19	Republic of Fiji Military Forces	<ul style="list-style-type: none"> <li>▪ Incorrect payment of allowances</li> <li>▪ Non Maintenance of Person-to-Post Listing</li> <li>▪ Leave files not provided to audit for leave compensation verification</li> <li>▪ Unauthorized Procurement of Uniform Accessories: No competitive quotes, payments made for last year procurement and no LPO issued</li> <li>▪ No Tender on purchase of Vaccine</li> </ul>	<ul style="list-style-type: none"> <li>▪ Items not taken on charge</li> <li>▪ Payments for previous years procurements</li> <li>▪ Planned Capital Projects not undertaken</li> <li>▪ Incomplete Capital Projects</li> <li>▪ Unjustified Capital Project Costs</li> <li>▪ No competitive quotation</li> <li>▪ Consecutive issues of LPO indicating splitting</li> <li>▪ No Memorandum of Agreement</li> <li>▪ No retention of funds</li> <li>▪ Issue of LPO after invoice just to regularize payments</li> <li>▪ Poor record keeping on items used on capital projects</li> <li>▪ Overspending</li> </ul>

Head	Ministry	Operating Expense Issues	Capital Expense Issues
20	Fiji Police Force		<ul style="list-style-type: none"> <li>▪ Lack of proper project preliminary assessment</li> <li>▪ Estimated cost not realistic to actual cost resulting in over-expenditure and drawing funds from other projects.</li> <li>▪ Project not implemented</li> <li>▪ No Tender Process</li> </ul>
21	Ministry of Education, National Heritage, Culture and Arts	<ul style="list-style-type: none"> <li>▪ Outstanding Retirement of Accountable Advance</li> <li>▪ Use of Prepaid Expense for wages and purchase of goods and services</li> <li>▪ Over-expenditure: Staff Salary</li> <li>▪ No contractual agreement and no reconciliation on quantity received and invoice for Free Milk Initiative</li> </ul>	<ul style="list-style-type: none"> <li>▪ Poor Monitoring of projects</li> <li>▪ No Acquittals on grants</li> <li>▪ Grants given without proper supporting documents</li> <li>▪ Unutilized Capital Funds</li> <li>▪ School Anomalies                             <ul style="list-style-type: none"> <li>- Incomplete capital projects</li> <li>- No competitive quotation</li> <li>- No Tender</li> <li>- Missing Payment Vouchers</li> </ul> </li> </ul>
22	Ministry of Health and Medical Services	<ul style="list-style-type: none"> <li>▪ Variations in quote and invoice price for overseas medical treatment</li> <li>▪ No competitive quotes against countries for overseas medical treatment</li> <li>▪ Over-expenditure in payroll</li> <li>▪ Establishment Post exceed Approved Post</li> <li>▪ Medicines short supplied by supplier and delay in supply resulting in medicines near expiry date.</li> <li>▪ Discrepancy in Pharmaceutical stock records with actual stock on shelves                             <ul style="list-style-type: none"> <li>▪ Expired Stock</li> <li>▪ Out of Stock Drugs and Consumables.</li> <li>▪ Stock below predetermined minimum level</li> <li>▪ Stock in excess of predetermined maximum level</li> </ul> </li> <li>▪ Incorrect VAT application resulting in VAT receivable of \$11,906 instead of VAT payable of \$10,030.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No approval for Contractor to sub-contract work</li> <li>▪ Lack of proper monitoring</li> <li>▪ Delay of installation of equipment</li> <li>▪ Work not according to agreement</li> <li>▪ Incorrect retention funds &amp; performance bonds</li> <li>▪ Poor assessment of work</li> <li>▪ No contractual agreement</li> <li>▪ Delay in project completion with no claim on delay penalties</li> <li>▪ No valid indemnity cover</li> <li>▪ Unutilized capital funds</li> </ul>
23	Department of Housing	<ul style="list-style-type: none"> <li>▪ Non Provision of Salaries and Wages Reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engagement of Contractor without a tender process.</li> <li>▪ Unauthorized use of funds by Contractor</li> <li>▪ Payment not according to agreement</li> <li>▪ No independent verification and inspection by the department</li> <li>▪ Delay in Tender Evaluation Process</li> </ul>



Head	Ministry	Operating Expense Issues	Capital Expense Issues
			<ul style="list-style-type: none"> <li>▪ Delay in completion as per agreement and no claim of delay damages</li> <li>▪ No valid indemnity cover from contractor</li> <li>▪ No 3 competitive quotes</li> <li>▪ No monitoring and progress reports</li> <li>▪ Overpayment</li> <li>▪ Delay in processing applicants of grant recipients</li> </ul>
24	Ministry of Women Children and Poverty Alleviation	<ul style="list-style-type: none"> <li>▪ Appointment of Officers without open, transparent and competitive selection process based on merit</li> <li>▪ Missing Payroll Records</li> <li>▪ New appointments paid above the minimum salary scale</li> <li>▪ Vacant Positions</li> <li>▪ Creation of project posts without proper approval</li> <li>▪ Continuous funding for failed project</li> <li>▪ Lack of supporting documents in Case Files - Poverty Benefit Scheme &amp; Social Pension Scheme</li> <li>▪ No Standard Operating Procedures for Women's' Projects/Grants</li> <li>▪ No Annual Review of the Schemes</li> <li>▪ Social Pension Assistance paid to dead recipients</li> <li>▪ Engagement of a Supplier without a Tender process</li> <li>▪ Unutilized Budgetary Allocation</li> </ul>	
25	Ministry of Youth and Sports	<ul style="list-style-type: none"> <li>▪ No proper approval on reimbursement of tuition fees</li> <li>▪ Lack of Monitoring of Grants</li> <li>▪ Anomalies in Grant Record Keeping - No file &amp; payment not according to agreement.</li> </ul>	
30	Ministry of Agriculture	<ul style="list-style-type: none"> <li>▪ Medical and Police Reports of New Recruits not provided</li> <li>▪ Incorrect PAYE deduction for non-residents employees</li> <li>▪ Non-preparation of Wages and Salaries Reconciliation</li> <li>▪ Absent of Individual Work Plan (IWP)</li> <li>▪ No competitive quotes</li> </ul>	<ul style="list-style-type: none"> <li>▪ No Contract Agreement</li> <li>▪ Payments not according to contract agreement</li> <li>▪ No valid competitive quotes</li> <li>▪ Splitting of Local Purchase Orders</li> <li>▪ Absence of Tender Board Approval</li> <li>▪ Diversion of Funds</li> </ul>
32	Ministry of Fisheries and Forests	<ul style="list-style-type: none"> <li>▪ Medical and Police Reports of New Recruits not provided</li> <li>▪ Overpayment of Wages</li> <li>▪ No Individual Work Plan (IWP)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Payments not according to contract agreement</li> <li>▪ Local Purchase Order raised after invoicing</li> </ul>

Head	Ministry	Operating Expense Issues	Capital Expense Issues
		<ul style="list-style-type: none"> <li>▪ Absent of Succession Plan</li> <li>▪ Competitive quotes not obtained</li> <li>▪ Payment Vouchers not stamped paid</li> <li>▪ Misallocation of Expenditure</li> <li>▪ Use of Operating Funds for Trading Manufacturing Account</li> </ul>	<ul style="list-style-type: none"> <li>▪ No Contract Agreement</li> <li>▪ VAT Misposting</li> <li>▪ Diversion of Funds</li> <li>▪ Settlement of previous years outstanding accounts</li> </ul>
33	Ministry of Lands and Mineral Resources	<ul style="list-style-type: none"> <li>▪ Incorrect payment of salaries</li> <li>▪ Salary Reconciliation not prepared on time</li> <li>▪ Purchase Orders not receipted</li> <li>▪ Payment Vouchers not stamped paid</li> <li>▪ Insufficient supporting documents for subsistence/meal claims</li> <li>▪ Failure to update Fixed Assets Register</li> </ul>	
35	Ministry of Sugar		<ul style="list-style-type: none"> <li>▪ No competitive quotation</li> <li>▪ Missing Payment Vouchers</li> <li>▪ No Grant Agreement</li> <li>▪ No proper grant acquittals and audited accounts from grant recipients.</li> </ul>
37	Ministry of Local Government, Housing and Environment	<ul style="list-style-type: none"> <li>▪ Misallocation of Expenditure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Delay in project commencement</li> <li>▪ Tender no awarded to lowest and capable bidder</li> <li>▪ Grants not utilized for its intended purpose</li> <li>▪ Poor monitoring of projects</li> </ul>
40	Ministry of Infrastructure and Transport	<ul style="list-style-type: none"> <li>▪ Payment of expenses from Inter-Department Clearance (IDC) Account.</li> <li>▪ The TMA for Workshop wages sales turnover for 2015 was above the threshold of \$100,000 and was not registered under VAT with FRCA. However the Ministry charged VAT amounting to \$19,218 on labour costs totaling \$118,840.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Delay in completion as per agreement / work programme</li> <li>▪ Advance payment without Ministry of Finance approval.</li> <li>▪ Goods paid not fully delivered</li> <li>▪ Extra cost for change in design</li> <li>▪ No proper preliminary assessment of projects</li> <li>▪ No Government Tender Board endorsement in using contingency funds</li> <li>▪ No Contractual Agreement</li> <li>▪ Failure to deduct Provisional Tax</li> <li>▪ Delay in Tender Process</li> <li>▪ Contract Agreement:                             <ul style="list-style-type: none"> <li>- Not vetted by SG's Office</li> <li>- Commencement and completion date no specified</li> <li>- Schedule of Work Summary not stated</li> </ul> </li> <li>▪ Diversion of funds to other projects</li> <li>▪ Significant variation of cost estimates for similar building designs</li> </ul>

Head	Ministry	Operating Expense Issues	Capital Expense Issues
			<ul style="list-style-type: none"> <li>▪ Construction not meeting required standard design</li> <li>▪ Missing Payment Vouchers</li> <li>▪ Project Records not properly maintained</li> <li>▪ Surplus materials upon completion of project</li> <li>▪ Items Not taken on charge at Project site</li> <li>▪ Building materials issued on loan to other projects</li> <li>▪ Delay in Supply of Hardware items by approved Contracted Supplier</li> <li>▪ Highly overstated project cost estimates</li> <li>▪ Failure to obtain overtime approval for project workers</li> <li>▪ Overstocking of materials - slow moving - Joinery Stores</li> <li>▪ Non-compliance to Project Implementation Schedule</li> <li>▪ Capital Projects not implemented in 2015</li> </ul>

**APPENDIX 4: Accountable Advance Balance by Ministry/Department**

<b>Head of Appropriation</b>	<b>Ministry</b>	<b>Amount (\$)</b>
1	Office of the President	776,850
2	Office of the Prime Minister	11,337
4	Ministry of Finance	23,223
5	Ministry of iTaukei Affairs	2,475
6	Ministry of Immigration, National Security and Defense	(5,261)
8	Ministry of Foreign Affairs	48,336
11	Judiciary	2,166
15	Ministry of Justice and Fiji Corrections Service	4,249
18	Ministry of Rural and Maritime Development and National Disaster Management	64,063
19	Republic of Fiji Military Forces	36,955
20	Fiji Police Force	235,774
21	Ministry of Education, National Heritage, Culture and Arts	1,883,521
22	Ministry of Health and Medical Services	13,048
23	Department of Housing	163,794
24	Ministry of Women Children and Poverty Alleviation	1,279
25	Ministry of Youth and Sports	(8,297)
30	Ministry of Agriculture	10,029
32	Ministry of Fisheries and Forests	180,617
33	Ministry of Lands and Mineral Resources	127,349
34	Ministry of Industry, Trade and Tourism	36,105
35	Ministry of Sugar	(909)
36	Ministry of Public Enterprise	30
37	Ministry of Local Government, Housing and Environment	(4,754)
40	Ministry of Infrastructure and Transport	1,825
	<b>Total</b>	<b>3,605,966</b>

