



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

2016-2017 Financial Statements of Government

&

2016-2017 Agency Financial Statement of
Ministry of Economy



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 127 OF 2019



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

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File: 102

30 August 2019

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

Dear Sir

AUDIT REPORT ON 2016-2017 FINANCIAL STATEMENTS OF GOVERNMENT AND 2016-2017 AGENCY FINANCIAL STATEMENTS OF MINISTRY OF ECONOMY

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on 2016-2017 Financial Statements of Government and 2016-2017 Agency Financial Statements of Ministry of Economy.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand', with a long horizontal line extending to the right.

Ajay Nand
AUDITOR-GENERAL



Encl.

CONTENTS

Part A: 2016-2017 Financial Statements of Government

Part B: Report on the Financial Statements of Government

Part C: 2016-2017 Agency Financial Statement of Ministry of Economy

**Part A: 2016-2017 Financial Statements
of Government**



Financial Statements
Government of the Republic of Fiji
for the period ending 31 July 2017

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INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE REPUBLIC OF FIJI FOR THE YEAR ENDED 31 JULY 2017

I have audited the financial statements of the Government of the Republic of Fiji for the year ended 31 July 2017 in accordance with section 152 of the 2013 Constitution of the Republic of Fiji, section 46(2)(b) and section 47(2)(b) of the Financial Management Act 2004, section 22 of the Financial Management (Amendment) Act 2016 and section 6 of the Audit Act 1969. The financial statements comprise of the following:

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

In my opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the International Public Sector Accounting Standards (IPSAS) Financial Reporting under Cash Basis of Accounting, Financial Management Act 2004, Finance Instructions 2010 and Finance (Amendment) Instructions 2016.

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

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

Emphasis of matter

I draw attention to the following matter. My opinion is not qualified in respect of this matter.

- Included in the Trust Fund Account balance of \$197,199,489 in the Statement of Assets and Liabilities (Schedule 3) is Main Trust amounting to \$168,831,120. Main Trust Fund Account balance amounting to \$50,873,557 was not supported with detailed listing of claimants of the monies held in the trust. Hence, I was unable to satisfy myself on the accuracy and completeness of the Trust Fund Account balance of \$197,199,489 as at 31 July 2017.

Other Matter

Internal control deficiencies

Internal controls were generally found to be weak for Ministry of Employment, Productivity and Industrial Relations, Ministry of Rural and Maritime Development and National Disaster Management, Republic of Fiji Military Forces, Ministry of Health and Medical Services, Ministry of Agriculture, Ministry of Fisheries and Forests and Ministry of Local Government and Environment.

These have been reported to the management of the respective agencies in the Auditor General's report to Parliament.

If not addressed promptly, these may result in material misstatements and possible financial losses in the future.

Management's Responsibilities for the financial statements

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

Auditor-General's responsibilities for the audit of the financial statements of government

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

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

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

Communication with those charged with governance

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



Ajay Nand
AUDITOR-GENERAL



Suva, Fiji
09 August 2019

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INDEPENDENT AUDITOR'S REPORT

ANNUAL APPROPRIATION STATEMENT OF THE GOVERNMENT OF THE REPUBLIC OF FIJI FOR THE YEAR ENDED 31 JULY 2017

Opinion

I have audited the Statement for Annual Appropriations and Budget Results as included in Schedules 7 to 13 for the year ended 31 July 2017, and notes to the financial statements including a summary of significant accounting policies, of the Government of the Republic of Fiji for the year ended 31 July 2017 in accordance with section 152 of the 2013 Constitution of the Republic of Fiji, section 46(2)(b) and section 47(2)(b) of the Financial Management Act 2004 and section 6 of the Audit Act 1969.

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

Basis for opinion

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

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

Other matter

Significant budgetary savings

As shown in Schedule 11, significant budgetary savings were noted in budget allocations for Special Expenditure (40%), Capital Construction (48%), Capital Purchases (26%) and Capital Grants and Transfers (27%). The savings were attributed mainly to the following:

Head 50: the major budgetary savings in Head 50 were attributed to projects being in preliminary stages in respect of its planning and tender process.

Water Authority of Fiji: Capital projects in respect of Water Authority of Fiji were in the process of approval for the acquisition of land acquisition. Further, detailed investigations and assessments of damages to water and sewage infrastructure were being undertaken for Winston rehabilitation works.

Fiji Roads Authority: lack of contractors in the market to carry out the amount of work to be delivered, acquisition of land and land negotiations, geotechnical issues and had difficulties in securing gravel extraction licenses for some projects.

For Judiciary, some capital projects were not implemented because of adverse weather conditions while some projects were in initial stages of consultation and tendering process.

Fiji Police Force: to capital projects under the control of the Construction Implementation Unit and priorities were given to other ministries in during the Tropical Winston Rehabilitation process.

Ministry of Education, Heritage and Arts: assistance from overseas government on rehabilitation of schools, boarding schools construction was under Construction Implementation Unit (CIU) and Minister's initiative and budgeted funds were not utilised, delay from suppliers on supply of furniture for damaged schools, the project not carried out as the contractor was reassigned to another job and the contract expired, delay in the tender process, scoping of works and documentation could not be completed on time as since Ministry of Infrastructure and Transport was engaged in other projects and delay in vetting of Memorandum of Agreement and contractor had no building permit to commence works.

Ministry of Health and Medical Services: funds were under "R" and there was no request (to release funds) received from Global Fund to use its budget. The low utilisation of funds for capital works was due to the long processes followed (in each stage of construction) and delay noted on site due to unforeseen circumstances e.g. natural disasters.

Higher Education Institutions: Capital Grants and transfers allocated for Fiji National University capital projects was still ongoing and delayed due to compliance issues.

Ministry of Agriculture: the delay in the tender process, vetting/finalisation of contract documents and requisition to incur funds (RIE) application therefore resulting in the delay in the implementation of capital projects.

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

Management's responsibilities for the annual appropriation statement

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

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

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

influence the economic decisions of users taken on the basis of the annual appropriation statement.

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

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

Communication with those charged with governance

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



Ajay Nand
AUDITOR-GENERAL



Suva, Fiji
09 August 2019

Table of Contents

Schedules	Description	Page No.
	<i>Primary Financial Statement according to Cash Basis IPSAS</i>	
Schedule 1	Statement of Cash Receipts and Payments.....	1
Schedule 2	Statement of Comparison of Budget and Actual Amounts by Budget Funding Programme.....	2
Schedule 2A	Statement of Comparison of Budget and Actual Amounts by Expenditure Economic classifications.....	3
	Notes to and forming parts of the Financial Statements (Note 1 - 11).....	4-10
	<i>Other Financial Statement required by law</i>	
Schedule 3	Statement of Assets and Liabilities.....	11
Schedule 4	Statement of Revenue and Expenses.....	12
Schedule 5	Statement of Contingent Liabilities	13
	Notes to and forming parts of Other Financial Statements (Note 12 - 39).....	14-34
Schedule 6	Segmentation Report by Fund Classification.....	35-36
Schedule 7	Summary of Revenue.....	37
Schedule 8	Detailed Revenue Comparison.....	38-43
Schedule 9	Statement of Expenditure against Appropriation Heads.....	44-45
Schedule 10	Details of Expenditure Reportable Authorizations.....	46
Schedule 11	Budget Result, Estimates & Projections.....	47
Schedule 12	Disaggregation of Actual Revenue and Expenditure by Economic Type.....	48-50
Schedule 13	Estimate and Actual Budget Result.....	51

GOVERNMENT OF THE REPUBLIC OF FIJI
 STATEMENT OF CASH RECEIPTS AND PAYMENTS (EXCLUDING CONTROLLED ENTITIES)
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 1

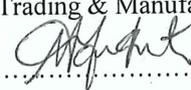
	Actual Controlled by Government	Payment by third parties (Note 4)	Actual Controlled by Government (restated)	Payment by third parties (Note 4)
	2017 (12 months) (\$)	2017 (12 months) (\$)	2016 (7 months) (\$)	2016 (7 months) (\$)
Notes				
Cash flows from operating activities				
<i>Receipts</i>				
Direct Taxes	766,055,195		436,669,065	
Indirect Taxes	1,813,120,249		877,850,903	
Fees, Charges, Fines and Penalties	127,840,431		65,769,823	
Sales Revenue (TMA)	18,056,598		9,277,047	
Other Revenues and Surpluses	44,298,881		21,835,293	
Reimbursements and Recoveries	30,858,490		14,323,312	
Grants in Aid (overseas)	18,771,402		17,070,657	
Net receipts into trust fund accounts	50,745,573		9,550,980	
<i>Payments</i>				
Established Staff	(800,546,116)		(458,175,830)	
Government Wage Earners	(53,462,154)		(28,140,510)	
Travel and Communications	(36,571,471)		(19,784,237)	
Maintenance and Operations	(69,927,885)		(43,854,666)	
Purchase of Goods and Services	(140,315,711)		(79,845,472)	
Operating Grants and Transfers	(518,445,776)		(295,386,734)	
Special Expenditure	3 (67,863,214)		(48,273,436)	
Pensions, Gratuities and Compassionate All.	(34,880,413)		(20,754,067)	
Value Added Tax	(35,913,968)		(21,689,835)	
Cost of Goods Sold (TMA)	(530,580)		386,319	
Other Expenses (TMA)	(16,035,740)		(8,981,546)	
Interest Payments on Loans	(276,444,754)		(150,088,630)	
Net Advance Payment/(Receipt)	495,926		1,905,087	
Net cash flows from operating activities	819,304,963	---	279,663,523	---
Cash flows from investing activities				
Investing Receipts	36,497,041		67,559,755	
Capital Expenditure	(1,004,959,257)	(11,602,187)	(579,935,614)	(10,335,087)
Receipts from Lending & On - Lending	2,180,000		1,746,402	
Net cash flows from investing activities	(966,282,216)	(11,602,187)	(510,629,457)	(10,335,087)
Net cash inflows before financing	(146,977,253)		(230,965,934)	
Cash flows from financing activities				
Proceeds from borrowings	435,693,658		295,166,984	
Repayment of borrowings	(148,979,100)		(91,250,755)	
Treasury Bills Net Proceeds/(Repayments)	(68,960,477)		20,588,928	
Third Party Payments	---	11,602,187	---	10,335,087
Net cash flows from financing activities	217,754,081	11,602,187	224,505,157	10,335,087
Net increase/(decrease) in cash & cash equivalents	14(a) 70,776,828		(6,460,777)	
Cash & cash equivalents at the beginning of period	218,496,898		224,036,754	
Effects of exchange rate of foreign cash held	479,415		920,921	
Cash & cash equivalents at end of period	14 289,753,141	---	218,496,898	---

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

Ministry of Economy

Suva, Fiji

Dated 07 of the month of August 2019


 Ms. Makereta Konrote

Permanent Secretary for Ministry of Economy

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
BY BUDGET FUNDING PROGRAMME
FOR THE PERIOD ENDING 31 JULY 2017**

Schedule 2

	Original 2017 (\$)	Revised 2017 (\$)	Actual 2017 (\$)	Variance 2017 %
Expenditure				
Operating (Standard Expenditure Groups 1-7)	1,800,667,422	1,814,710,501	1,687,132,327	6.3
Operating (Pensions-SEG 11)	42,409,700	42,409,700	34,880,413	17.8
Operating (Public Debt-SEG 12, 14,15)	295,438,797	295,438,797	276,746,090	6.3
	<u>2,138,515,919</u>	<u>2,152,558,998</u>	<u>1,998,758,830</u>	<u>6.5</u>
Capital (SEGs 8-10)	1,454,065,197	1,442,023,637	1,025,601,795	29.5
	<u>3,592,581,116</u>	<u>3,594,582,635</u>	<u>3,024,360,625</u>	<u>15.8</u>
Value Added Tax (SEG 13)	50,775,600	48,774,081	35,913,968	29.3
Total Expenditure	<u>3,643,356,716</u>	<u>3,643,356,716</u>	<u>3,060,274,593</u>	<u>16.0</u>
Revenue				
Operating Receipts	2,880,592,850	2,880,592,850	2,800,944,648	2.8
Investing Receipts	294,718,406	294,718,406	36,497,041	87.6
Total Revenue	<u>3,175,311,256</u>	<u>3,175,311,256</u>	<u>2,837,441,689</u>	<u>10.6</u>
Net Deficit 2017	468,045,460	468,045,460	222,832,904	52.4
Debt Repayments 2017	152,617,444	152,617,444	148,979,100	2.4
Gross Deficit 2017	<u>620,662,904</u>	<u>620,662,904</u>	<u>371,812,004</u>	<u>40.1</u>
Net Deficit as a Percent of GDP	4.7%		2.3%	
Nominal GDP	9,866,790,000		9,865,489,759	(Provisional)
Gross Deficit To be Financed				
From:				
Overseas Loans	329,151,260	329,151,260	223,042,448	32.2
Domestic Loans	291,511,005	291,511,005	224,253,397	23.1
	<u>620,662,265</u>	<u>620,662,265</u>	<u>447,295,845</u>	<u>27.9</u>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
BY EXPENDITURE - ECONOMIC CLASSIFICATIONS
FOR THE PERIOD ENDING 31 JULY 2017**

Schedule 2A

	Original 2017 (\$)	Revised 2017 (\$)	Actual 2017 (\$)	Variance %
1. Established Staff	858,177,689	837,823,002	800,546,116	6.7
2. Government Wage Earners	45,760,695	55,866,975	53,462,154	(16.8)
3. Travel and Communications	34,820,423	40,478,462	36,571,471	(5.0)
4. Maintenance and Operations	75,635,040	76,833,605	69,927,885	7.5
5. Purchase of Goods and Services	149,379,483	151,208,909	140,315,711	6.1
6. Operating Grants and Transfers	522,928,042	539,357,712	518,445,776	0.9
7. Special Expenditures	113,966,050	113,141,836	67,863,214	40.5
Total Departmental Operating Expenditures	1,800,667,422	1,814,710,501	1,687,132,327	6.3
<i>Unallocable Operating Expenditures</i>				
11. Pensions, Gratuities & Compassionate Allowances	42,409,700	42,409,700	34,880,413	17.8
12. Charges on Account of Public Debt	295,438,797	295,438,797	276,746,090	6.3
Total Unallocable Operating Expenditures	337,848,497	337,848,497	311,626,503	7.8
Total Operating Expenditures	2,138,515,919	2,152,558,998	1,998,758,830	6.5
8. Capital Construction	169,752,580	159,584,016	83,016,151	51.1
9. Capital Purchase	55,255,821	65,391,232	48,526,290	12.2
10. Capital Grants and Transfers	1,229,056,796	1,217,048,389	894,059,354	27.3
Total Capital Expenditures	1,454,065,197	1,442,023,637	1,025,601,795	29.5
13. Value Added Tax	50,775,600	48,774,081	35,913,968	29.3
Total Expenditures	3,643,356,716	3,643,356,716	3,060,274,593	16.0

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDING 31 JULY 2017

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

2. Significant accounting policies

2.1 Basis of Preparation

The financial statements namely, the Statement of Cash Receipts and Payment (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 13 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.

2.2 Reporting Entities

The Constitution of the Republic of Fiji provides the framework for the conduct of the Government of Fiji which is based in Suva. The principal activities of the Government of Fiji are the administration of public financial affairs, the provision of health, education, defence, social protection, housing, recreational and cultural and general public services and economic management to, and on behalf of, the constituents in all of the Islands of the Republic of Fiji. The legal form of the Republic of Fiji is a sovereign democratic State. Authority for Government's raising of taxation, revenue or moneys is provided by Section 139 of the Constitution of the Republic of Fiji ("Constitution") and relevant specific law. Authority for spending is provided in Section 141 of the Constitution and Appropriation made by law.

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

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDING 31 JULY 2017

Significant Accounting Policies (continued...)

2.3 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.

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

2.4 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 Statement of Cash Receipts and Payments. These third parties (donors) are not part of the Government of Fiji (economic entity).

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

2.5 External assistance received in the form of goods and services

The Government of Fiji has received goods and services in 2017 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.

2.6 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.

2.7 Reporting currency and amounts

The reporting currency is FJ \$, the currency of the Government of Fiji. 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.

2.8 Change in Financial Reporting Period

The financial year end for Government was changed from 31 December to 31 July as stipulated in the Financial Management (Amendment) Act 2016. The financial statement for the period ended 2017 reflect transactions for a twelve-month period whereas the financial statements for the year ended 2016 is for a seven month period, hence figures cannot be fairly compared.

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)
FOR THE PERIOD ENDING 31 JULY 2017

3. Special Expenditure

Special Expenditure (SEG 7) relate to one off or unique projects of government. In 2017, there were altogether 321 special expenditure activities, listed below are the top 14 activities.

Activity	Head of Appropriation	31 Jul 2017 (12 months) (\$)	31 Jul 2016 (7 months) (\$)
Tropical Cyclone Winston	Rural and Maritime Development & National Disaster Management	---	13,764,836
Other Setup & Implementation	Education, Heritage and Arts	2,763,596	3,893,914
General Reserves (OPR & CAP)	Miscellaneous Services	5,665,937	2,056,259
Population Census	Economy	4,143,881	---
Micro and Small Business Grant Facility	Industry, Trade and Tourism	4,055,753	---
Outsourcing	Health and Medical Services	3,292,520	2,017,537
Workman Compensation	Employment, Productivity and Industrial Relations	2,581,690	1,308,911
National Export Strategy	Industry, Trade and Tourism	---	1,054,377
Employment & Unemployment Survey	Economy	---	1,052,506
ERP	Employment, Productivity and Industrial Relations	---	994,973
Engagement of Coaches	Youth & Sports	---	750,883
Analogue to Digital Roadmap	Communication	2,008,448	---
Global Fund Assistance	Health and Medical Services	1,702,719	750,000
Consultancy Payments	Communication	1,217,069	1,314,153
Consul-General - Shanghai	Industry, Trade and Tourism	1,188,748	552,767
Pacific Festival of Arts	Education, Heritage and Arts	---	543,583
Consul-General - Sydney	Industry, Trade and Tourism	1,091,666	---
Child Protection Program	Women, Children and Poverty Alleviation	946,668	---
Winter Clothing	Peacekeeping Missions	924,560	---
Establishment of Flight Simulator	Miscellaneous Services	917,431	---
		32,500,686	30,054,699
Others (comprises of 307 activities across various Ministries in 2017)		35,362,528	18,218,737
		67,863,214	48,273,436

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)
FOR THE PERIOD ENDING 31 JULY 2017

4. External Assistance	31 Jul 2017 (12 months) (\$)	31 Jul 2016 (7 months) (\$)
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) and		
■ External assistance received in the form of goods and services (not disclosed).		
External assistance received through government-controlled bank accounts and third-party payments		
External assistance received - loan direct disbursements	11,602,187	10,335,087
External cash borrowing (Global bonds) received through government-controlled bank account	211,440,261	---
External grant assistance received through government-controlled bank accounts	18,771,402	17,070,657
Total External assistance received	241,813,850	27,405,744

GOVERNMENT OF THE REPUBLIC OF FIJI

NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (Cont...)

FOR THE PERIOD ENDING 31 JULY 2017

5. Undrawn Borrowing Facilities

The total undrawn loan balance from current loan facilities with the World Bank ('IBRD') - International Bank for Reconstruction and Development ('IBRD'), International Fund for Agricultural Development (IFAD) and the Asian Development Bank (ADB) was approximately \$310.52 million (\$544.3 million - 31 July 2016 which included \$12.8 million for EXIM Bank of China) as at 31 July 2017. Loans undrawn from the World Bank amounted to \$105.6 million (\$207.6 million - 31 July 2016). IFAD amounted to \$5.2 million (\$7.1 million - 31 July 2016) while undrawn loans from ADB equals \$199.7 million (\$316.8 million - 31 July 2016). The loan amounts were converted to the Fiji dollar using the end of year exchange rate: USD/FJD= 0.4971 FJD/EUR = 0.4231

Loan Account	Loan Proceeds received						
	Total Loan as per Agreement	Drawdown	Capitalised Charges	Loans cancelled	Undrawn balance available for future years	Restricted Cash	Fiji dollar equivalent as at 31/07/2017
A. Multi-lateral	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(USD millions)	(FJD millions)	(FJD millions)
2014 ABD - Transport Infrastructure Investment Project	100.0	1.99	0.36	0.00	97.65	0.10	196.44
2016 IBRD - Transport Infrastructure Investment Project	50.00	3.01	0.24	0.00	46.75	0.00	94.05
2015 PDA 6004 - ADB Water & Sewerage Project	2.70	1.07	0.00	0.00	1.63	0.00	3.28
2016 IBRD - Post Cyclone Emergency Development Policy Operation	50.00	49.87	0.13	0.00	0.00	0.00	0.00
2016 - IBRD - Pacific Regional Connectivity Program	5.95	0.20	0.01	0.00	5.74	0.00	11.55
2016 ADB - Emergency Assistance for Recovery from Tropical Cyclone Winston	50.00	50.00	0.00	0.00	0.00	0.00	0.00
Total	258.65	106.14	0.74	0.00	151.77	0.10	305.32
B. Multi-lateral	(EUR millions)	(EUR millions)	(EUR millions)	(EUR millions)	(EUR millions)		(FJD millions)
2015 IFAD - Fiji Agricultural Partnership Project	3.1	0.90	0.0	0.00	2.20	1.9	5.20
Total	3.1	0.90	0.0	0.00	2.20	1.9	5.20
TOTAL							310.52

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)
FOR THE PERIOD ENDING 31 JULY 2017

6. Undrawn Grant Facilities

Donor Institution/Project Name	Currency	Total Amount of Approved Grant 2017	Total grants received as at 31 July 2016 (7 months)	Total Grants received as at 31 July 2017	Undrawn Balance as at 31 July 2017
		<i>FJD (millions)</i>	<i>FJD (millions)</i>	<i>FJD (millions)</i>	<i>FJD (millions)</i>
General Budget Support	FJD	34.60	0.49	6.97	0.30
Direct Project Support	FJD	3.50	5.30	7.70	1.50

Notes:

- General budget support - These are cash grants as provided in the Budget Estimates
- Direct budget support - This represent ad-hoc cash grant received and released directly for the project to the recipient agencies. Undrawn balance - Balance of funds which are returned to Head 50 on 31 July 2017.

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

7. i) 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).

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

In addition to the above, the basis for budgeting of Treasury bills is different from the basis used in accounting or reporting of Treasury bills. The Annual Appropriation Act appropriates the interest portion of Treasury Bills whereas the Statement of Cash Receipts and Payments records net of total issuance and redemptions. Treasury Bills is considered by government as a liquidity instrument and 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.

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF THE FINANCIAL STATEMENTS (cont...)
FOR THE PERIOD ENDING 31 JULY 2017

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

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

Timing Difference

The budget and the Statement of Cash Receipts and Payments are prepared for the same period (financial year).

8. Authorization Date

These IPSAS Financial Statement were authorized for issue by the Permanent Secretary for Ministry of Economy on August 2019.

9 Re-Statement of Prior Year Balances

Proceeds from borrowings and Repayments of borrowings figure has been revised in Schedule 1 and shown on gross basis. Details of the re-statement is provided below:

	Reported 2016 (\$)	Adjustments (\$)	Restated 2016 (\$)
Proceeds from borrowings	243,361,984	51,805,000	295,166,984
Repayments of borrowings	(39,445,755)	(51,805,000)	(91,250,755)
Term Loan Receivable for Social Services	12,087,154	124,175,975	136,263,129

Accounts Receivable and Accounts Payable has been revised to include receivables from Fiji Revenue and Customs Service and amount payable to Fiji Revenue and Customs Service. Details of the re-statement is provided below:

	2,445,653	81,022,990	83,468,643
Accounts Receivable	2,445,653	81,022,990	83,468,643
Accounts Payable	678,877	100,269,376	100,948,253
Equity	(3,704,413,829)	104,929,589	(3,599,484,240)

10 SEG 7,8,9,10 Under-Utilisation

The major budgetary savings in Head 50 were attributed to projects being in preliminary stages in respect of its planning and tender process. Capital projects in respect of Water Authority of Fiji were in the process of approval for the acquisition of land. Further, detailed investigations and assessments of damages to water and sewerage infrastructure were being undertaken for Winston rehabilitation works. The savings in Fiji Roads Authority projects was a result of lack of contractors in the market to carry out the amount of work to be delivered, acquisition of land and land negotiations, geotechnical issues and had difficulties in securing gravel extraction licenses for some projects.

SEG 11 Under-Utilisation

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

11 Investing Revenue Shortfall

The anticipated sale of government assets did not take place for the financial year 2016/2017. Government budgeted around \$250 million from divestment of shares in Energy Fiji Limited (then Fiji Electricity Authority) in FY 2016-2017. Apart from reforming its State Owned Entities (SOE's), Government ensures that proper due diligence processes are followed so that maximum benefits are delivered from the sale of its assets. The divestment of shares in Energy Fiji Limited has been earmarked in this financial year.

Financial Statements
Government of the Republic of Fiji
for the period ending 31 July 2017

(Other Financial Statements required by Law)

**GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 JULY 2017**

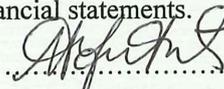
Schedule 3

	Notes	31 Jul 2017 (12 months) (\$)	31 Jul 2016 (7 months) (\$) restated
ASSETS			
Current Assets			
Cash and cash equivalent	14	289,753,141	218,496,898
Accounts Receivable	15	114,406,946	83,468,643
Prepayments	16	1,203,897	1,700,879
Inventory	17	3,441,302	3,971,882
Total Current Assets		408,805,286	307,638,302
Non Current Assets			
Term-Loans Receivable	18	481,928,586	397,505,809
Equity Investments	19	440,342,400	445,303,322
Total Non Current Assets		922,270,986	842,809,131
TOTAL ASSETS		1,331,076,272	1,150,447,433
LIABILITIES			
Current Liabilities			
Accounts Payable	20	95,014,885	100,948,253
Deferred Income	21	5,115,009	3,230,049
Trust fund account	22	197,199,489	143,329,585
Term Loans Payable - Treasury Bills	23(a)	94,884,303	163,844,780
Term Loans Payable - Overseas Loans	23(a)	56,630,835	52,974,444
Term Loans Payable - Domestic Loans	23(a)	160,729,000	99,643,000
Total Current Liabilities		609,573,521	563,970,111
Non Current Liabilities			
Term-loans Payable Overseas Loans	23(b)	1,311,330,048	1,205,753,949
Term-loans Payable Domestic Loans	23(b)	3,044,033,346	2,980,207,613
Total Non Current Liabilities		4,355,363,394	4,185,961,562
TOTAL LIABILITIES		4,964,936,915	4,749,931,673
EQUITY	36	(3,633,860,643)	(3,599,484,240)

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

Ministry of Economy
Suva, Fiji

Dated 07 of the month of August, 2019


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

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF REVENUE & EXPENSES
FOR THE PERIOD ENDING 31 JULY 2017

Schedule 4

	Notes	2017 (\$)	2016 (7 months) (\$)
REVENUE			
Operating Revenue	25	2,800,944,648	1,433,248,435
Investing Revenue	26	36,497,041	67,559,755
Trade and Manufacturing Operations	34(a)	21,655,615	14,154,922
TOTAL REVENUE		2,859,097,304	1,514,963,112
EXPENSES			
Operating Expenses	28	1,722,012,740	994,214,952
Capital Expenses	29	1,025,601,795	590,688,998
Value Added Tax	30	35,913,968	21,689,835
Interest Payments on Loans	31	276,746,093	150,088,630
Trading and Manufacturing Operations	34(b)	16,566,320	8,595,227
TOTAL EXPENSES		3,076,840,916	1,765,277,642
Deficit for the year		(217,743,612)	(250,314,530)

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF CONTINGENT LIABILITIES
FOR THE YEAR ENDED 31 JULY 2017

No.	Name	Notes	Guarantee Balance including accrued interest 1 Aug 2016 (\$)	New Guaranteed Issued in 2017 (Aug - July) (\$)	Loan Repayments 2016/2017 (\$)	Guarantee Reduction in 2016/2017 (\$)	Accrued Interest 2016/2017 (\$)	FX Effect (\$)	Guaranteed Balance plus interest accrued 31 July 2017 (\$)
Section A:									
Explicit Contingent Liabilities - Guarantee of Loans Raised									
1	Fiji Development Bank		183,895,770	90,600,000	(84,100,000)	(84,100,000)	189,116	---	190,584,886
2	Fiji Electricity Authority		324,526,208	---	(225,205,194)	(225,205,194)	---	(111,215)	99,209,799
3	Fiji Hardwood Corporation		5,216,316	---	(498,125)	(498,125)	347,394	---	5,065,585
4	Fiji Pine Limited		3,169,790	---	(663,285)	(663,285)	---	---	2,506,505
5	Fiji Sugar Corporation		173,289,449	102,097,260	(95,614,383)	(95,614,383)	799,006	(2,404,030)	178,167,302
6	Housing Authority		74,600,000	---	(5,200,000)	(5,200,000)	---	---	69,400,000
7	Fiji Sports Council		2,125,452	---	(2,125,452)	(2,125,452)	---	---	---
8	Fiji Ports Corporation Limited		1,367,328	---	(1,380,637)	(1,380,637)	13,309	---	14,640,962
9	Fiji Broadcasting Corporation		16,526,425	---	(1,885,463)	(1,885,463)	---	---	2,604,576
10	Pacific Fishing Company Limited		2,634,864	3,355,055	(3,387,661)	(3,387,661)	2,318	---	---
	Government Guarantee	24	787,351,602	196,052,315	(420,060,200)	(420,060,200)	1,351,143	(2,515,245)	562,179,615
Section B:									
Other Explicit Contingent Liabilities - Subscription for Membership									
1	International Bank for Reconstruction and Development (IBRD)								229,887,817
2	Asian Development Bank								193,880,399
	Total	24							423,768,216
Section C:									
Implicit Contingent Liabilities									
1	National Bank of Fiji (Legal claims against the bank)								6,346,718
2	Provincial Councils - Loans Raised								1,873,561
3	Municipal Councils - Loans Raised								25,651,122
4	Fiji Revenue and Customs Service								47,796,909
	Total	24							81,668,310
Section D:									
Liability as at 31 July 2017 (\$)									
Particulars									
Notes									
Authority									
Section B:									
Other Explicit Contingent Liabilities - Subscription for Membership									
1	International Bank for Reconstruction and Development (IBRD)								229,887,817
2	Asian Development Bank								193,880,399
	Total	24							423,768,216
Section C:									
Implicit Contingent Liabilities									
1	National Bank of Fiji (Legal claims against the bank)								6,346,718
2	Provincial Councils - Loans Raised								1,873,561
3	Municipal Councils - Loans Raised								25,651,122
4	Fiji Revenue and Customs Service								47,796,909
	Total	24							81,668,310

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

12. Scope of Other Financial Statements

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

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

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

13. Significant Accounting Policies relating to Other Financial Statements

13.1 Accounts Receivable

Accounts Receivable represents money owed by third parties to government on the sale of products or services on credit. Account receivable balance mainly comprises of unrecouped TMA receivables as well as state revenue owed to government by third parties.

13.2 Prepayments

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

13.3 Inventory

Inventories are stated at lower of cost and net realizable value. Cost is assigned to inventory on a consistent basis year to year using either the specific identifications; first in first out or weighted average cost. The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

13.4 Investments

Valuation of Investments is at market value if available. If market value is not available, investments are recorded at cost. Fair value is especially used by entities that are listed on the South Pacific Stock Exchange namely Unit Trust of Fiji Limited (UTOF) and Amalgamated Telecommunications Holdings (ATH).

13.5 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.

13.6 Accounts Payable

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

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

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

13.7 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.

13.8 Treasury Bills Payable

Treasury Bills Payable are recorded at discounted value.

13.9 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.

13.10 Trust Fund Accounts

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

13.11 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.

13.12 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.

13.13 Investing Revenue

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

13.14 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.

13.15 Expenditure

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

GOVERNMENT OF THE REPUBLIC OF FIJI
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)
 FOR THE PERIOD ENDING 31 JULY 2017

14. **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 settled off by the unrepresented cheques for ministries/departments as of 31 July 2017. The value of cheques that were issued but have not been presented to the banks totalled around \$82.0 million.

The cash and cash equivalent held by the government includes trust fund account of \$169.3 million that are not available for use. The trust fund account include deposits, retention monies and true trust account that the Ministry/Department are holding in trust.

Description of Account	2017 (12 months) (\$)	2016 (7 months) (\$)
Overseas Accounts	18,546,563	47,411,540
Domestic Accounts	87,966,550	35,834,838
Trust Fund Accounts	169,295,442	119,788,149
Trading and Manufacturing Accounts	13,944,586	15,462,371
Net Cash	289,753,141	218,496,898
Overseas Bank Accounts		
Fiji Embassies	7,092,170	7,918,927
Pension Fund - Crown Agents London	(190,207)	104,606
JP Morgan Account	11,644,600	39,388,007
Total for Overseas Accounts	18,546,563	47,411,540
JP Morgan cash accounts comprises of the following:		
JP Morgan Liquidity	11,644,600	39,388,007
Total JP Morgan Account	11,644,600	39,388,007
Domestic Account		
Domestic Bank Balance	169,913,602	145,705,229
less Unrepresented Cheques	(81,947,052)	(109,870,391)
	87,966,550	35,834,838

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

GOVERNMENT OF THE REPUBLIC OF FIJI
 NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)
 FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) (\$) restated
Cash flows from Consolidated Fund Account of Budgetary cash flows:		
Net cash flows from operating activities (excluding TMA and Trust)	767,069,112	269,430,723
Net cash flows from investing activities	(966,282,216)	(510,629,457)
Net cash flows from financing activities	<u>217,754,081</u>	<u>224,505,157</u>
Total net cash flows from Consolidated Fund Account	<u>18,540,977</u>	<u>(16,693,577)</u>
Cash Flows from TMA (included in operating activities):		
TMA cash inflows	18,056,598	9,277,047
Less TMA cash outflows	<u>(16,566,320)</u>	<u>(8,595,227)</u>
Net cash flows from TMA Account	<u>1,490,278</u>	<u>681,820</u>
Cash Flows from Trust Funds (included in operating activities):		
Net Trust cash flows	<u>50,745,573</u>	<u>9,550,980</u>
Net cash flows from Trust Accounts	<u>50,745,573</u>	<u>9,550,980</u>
Net increase/decrease in cash and cash equivalents	<u>70,776,828</u>	<u>(6,460,777)</u>

15. **ACCOUNTS RECEIVABLE**

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

Tax Receivables - IRD and Customs	111,036,031	81,022,990
Accounts receivable Trade	2,527,108	1,615,193
Miscellaneous Receivable	<u>843,807</u>	<u>830,460</u>
	<u>114,406,946</u>	<u>83,468,643</u>

16. **PREPAYMENTS**

Prepayments as at year end were as follows:

Prepayments	11,739	164,013
Advances	<u>1,192,158</u>	<u>1,536,866</u>
	<u>1,203,897</u>	<u>1,700,879</u>

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

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

17. INVENTORY

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

	2017 (12 months)	2016 (7 months) restated
	(\$)	(\$)
Raw Materials	938,425	937,437
Work-in-Progress	182,190	159,602
Finished Goods for Sales	2,320,687	2,874,843
	<u>3,441,302</u>	<u>3,971,882</u>

18. TERM-LOANS RECEIVABLE

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

Term-Loans Receivable

Term-Loans Receivable for Social Services	18(a)	228,345,465	136,263,129
Term-Loans Receivable for Economic Services	18(b)	253,583,121	261,242,680
Total Term-Loans Receivable		<u>481,928,586</u>	<u>397,505,809</u>

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

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

Public Officers and Ministers		14,476	14,476
I Taukei Affairs Board		5,778,924	6,158,924
PSC Scholarship Lending		9,041,153	1,463,143
Tertiary Education Loan Scheme		209,060,301	124,175,975
Loans to Fiji Sports Council		4,450,611	4,450,611
		<u>228,345,465</u>	<u>136,263,129</u>

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

Fiji Pine Commission		8,400,000	10,200,000
Fiji Sugar Corporation Limited		173,816,930	173,816,930
Viti Corporation Ltd		2,905,000	3,189,667
National Trading Corporation		1,900,000	1,900,000
Rewa Rice Limited		1,900,000	1,900,000
Pacific Fishing Company Limited		9,000,162	9,000,162
South Pacific Fertilizer		9,722,100	9,722,100
Housing Authority		36,230,048	40,626,724
Public Rental Board		9,708,881	10,887,097
		<u>253,583,121</u>	<u>261,242,680</u>

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

19. EQUITY INVESTMENTS

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

Investments as at year end were as follows:	Shareholding	2017 (12 months) (\$)	2016 (7 months) (\$)
Investments			
Investments in Social Services	19(a)	6,628,943	7,380,461
Investments in Economic Services	19(b)	231,157,071	235,366,475
Investments in Infrastructure Services	19(c)	202,556,386	202,556,386
Total Investments		440,342,400	445,303,322

(a) **Investments in Social Services**

Post Fiji Limited	100%	5,600,000	5,600,000
Unit Trust of Fiji (Trustee) Ltd	49%	778,839	778,839
Unit Trust of Fiji (Management) Ltd	100%	50,000	50,000
Daily Post	45%	---	951,620
Fiji Broadcasting Corporation Ltd.	100%	200,002	2
Walesi Ltd	100%	100	---
Fiji Public Trustee Corporation Ltd	100%	2	---
		6,628,943	7,380,461

(b) **Investments in Economic Services**

Air Pacific Ltd	51%	13,307,075	13,307,075
Fiji Hardwood Corporation	100%	90,000,000	90,000,000
Pacific Fishing Company Ltd	100%	14,728,956	14,728,956
Air Fiji Ltd	11%	---	171,804
Assets Fiji Ltd	100%	2	---
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
Rewa Rice Ltd	100%	1,506,224	1,506,224
Viti Corps Company Ltd	100%	6,000,000	6,000,000
Yaqara Pastoral Company Ltd	100%	1,191,846	1,191,846
Food Processors Fiji Ltd	100%	687,679	687,680
Air Terminal Services	51%	765,000	765,000

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

EQUITY INVESTMENTS (Cont...)	Shareholding	2017	2016
		(12 months)	(7 months)
		(\$)	(\$)
International Finance Corporation		577,349	596,550
International Bank for Reconstruction and Development		9,634,905	9,955,334
Copra Millers Fiji Ltd	98%	6,429,183	6,429,183
Yaqara Group Ltd	100%	---	91,567
Asia Development Bank Subscription		10,207,208	10,455,426
		231,157,071	235,366,475

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

(c) Investments in Infrastructure Services

Airports (Fiji) Limited	100%	92,300,180	92,300,180
Amalgamated Telecom Holdings Limited	17%	80,262,716	80,262,716
Fiji Ports Corporation Limited	41%	29,993,490	29,993,490
		202,556,386	202,556,386

(d) RECONCILIATION OF EQUITY INVESTMENTS

The reconciliation of changes in investments are as follows:

Increase/ (decrease) in fair value of shares

Post Fiji Limited	---	---
Unit Trust of Fiji (Trustee) Limited	---	24,803
Unit Trust of Fiji (Management) Limited	---	---
Daily Post	(951,620)	---
Fiji Broadcasting Corporation Ltd	200,000	---
Walesi Limited	100	---
Fiji Public Trustee Corporation Limited	2	---
Air Pacific Ltd (Fiji Airways Ltd)	---	---
Fiji Hardwood Corporation	---	---
Pacific Fishing Company Ltd	---	---
Air Fiji Ltd	(171,804)	---
Assets Fiji Limited	2	---
Fiji Pine Ltd	---	---

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

EQUITY INVESTMENTS (Cont...)	2017 (12 months) (\$)	2016 (7 months) (\$) restated
Fiji Sugar Corporation Ltd	---	---
National Trading Corp. Ltd	(3,358,186)	---
Rewa Rice Ltd	---	---
Viti Corps Company Ltd	---	---
Yaqara Pastoral Company Ltd	---	---
Food Processors Ltd	(1)	---
Air Terminal Services	---	---
Copra Millers Fiji Ltd	---	---
Yaqara Group Ltd	(91,567)	---
Airports (Fiji) Ltd	---	---
Amalgamated Telecommunications Holdings	---	(10,944,942)
Fiji Ports Corporation Ltd	---	---
Exchange Rate adjustments		
International Finance Corporation	(19,201)	(4,542)
International Bank for Reconstruction and Development	(320,429)	(10,667,315)
Asian Development Bank	(248,218)	10,455,426
	(4,960,922)	(11,136,570)

The variations noted in Equity investments are due to the liquidation and winding up on entities as tabulated below and recognising Government investment on Fiji Broadcasting Corporation at a value of \$200,000, Fiji Public Trustee Corporation Limited at \$2, Walesi Limited at \$100 and Assets Fiji Limited at \$2. Investments in companies that are in liquidation are tabulated below:

Category	Entity
Liquidated	Daily Post, Air Fiji Ltd and National Trading Corp Limited
Winding Up Order	Yaqara Group Limited

Valuations in foreign currencies are adjusted using the closing rate at year end.

20. ACCOUNTS PAYABLE

Accounts payable as at year end were as follows:

TMA Trade & Sundry Creditors	(115,020)	42,741
Withholding Tax	196,225	184,763
Litigation Claims	466,490	451,373
VAT & Income Tax Refunds Outstanding	94,467,190	100,269,376
	95,014,885	100,948,253
	5,115,009	3,230,049

21. DEFERRED INCOME

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.

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

22. 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:

	2017 (12 months) (\$)	2016 (7 months) (\$)
Deposits, Deductions and Retention Money	28,368,369	22,741,423
Consolidated Trust Fund	168,831,120	120,588,162
Total Trust Fund Account	197,199,489	143,329,585

23. TERM-LOANS PAYABLE

Government borrows monies either domestically or from overseas to finance its Capital Programs. Total debt of Government outstanding as at 31/07/17 are as follows:

(a) *Current Liabilities*

Term-Loans Payable - Treasury Bills	23 (c)	94,884,303	163,844,780
Term Loans Payable - Overseas Loans	23(d)	56,630,835	52,974,444
Term Loans Payable - Domestic Loans	23(e)	160,729,000	99,643,000
Total Current Liabilities		312,244,138	316,462,224

(b) *Non-Current Liabilities*

Term-Loans Payable - Overseas Loans	23(d)	1,311,330,048	1,205,753,949
Term-Loans Payable - Domestic Loans	23(e)	3,044,033,346	2,980,207,613
Total Non-Current Liabilities		4,355,363,394	4,185,961,562
Total Government Debt		4,667,607,532	4,502,423,786

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

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

23. TERM-LOANS PAYABLE (Cont...)

(c) Treasury bills

Term-Loans Payable - Treasury Bills

The Government through the Reserve Bank of Fiji floats Treasury Bills to raise funds from the domestic market on a short term basis. Treasury Bills are sold at a discount from their face value of which the investor will receive the face value upon maturity.

	2017 (12 months) (\$)	2016 (7 months) (\$)
Opening Balance	163,844,780	143,255,852
Treasury Bills Issued during the year	241,600,000	213,200,000
less unamortized amount	(1,883,410)	(1,412,272)
Treasury Bills Redemptions during the year	(308,677,067)	(191,198,800)
Outstanding 31 July	<u>94,884,303</u>	<u>163,844,780</u>

(d) Overseas loans

Outstanding 1 August	1,258,728,392	1,241,407,386
Redemptions during the year	(49,336,100)	(39,445,755)
Capitalized interest	579,315	418,297
Add unamortized discount	859,989	437,042
Cash Borrowings	211,440,261	---
Non-cash borrowing-direct disbursement	11,602,187	80,230,576
Exemption - External Debt	(11,943,653)	---
Increase in public debt due to revaluation	(54,259,170)	(24,319,154)
Other adjustments	289,662	---
Outstanding 31 July	<u>1,367,960,883</u>	<u>1,258,728,392</u>

On 16th May 2017, the Government of the People of China and the Government of Fiji signed a Debt Exemption protocol on two interest-free loans totalling Forty Million RMB Yuan. The two interest-free loans given by the Government of the People's Republic of China of RMB 10.0 million and RMB 30.0 million were signed on 2nd May 1989 and 19 April 1990 respectively. The Government of the People's Republic of China agrees to exempt the full amount of the interest - free loans that were initially provided under the Agreement on Economics and Technical Cooperation between the two Governments. The loan amount were converted to FJD using the end of year exchange rate of CNY: FJD = 0.2986.

The Cash Borrowings amounting to \$211,440,261 was utilised for general Budget Support.

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) (\$)
23. TERM-LOANS PAYABLE (Cont...)		
Non Cash borrowings - By source:		
<i>Bilateral</i>		
Export Import Bank of China	---	80,230,576
<i>Multilateral</i>		
Asian Development Bank	5,337,339	---
World Bank	6,264,848	---
Non-Cash Borrowings - overseas	11,602,187	80,230,576

Overseas loans amounting to \$11.6 million were drawn in financial year 2017 from Government's loan facilities with Asian Development Bank and World Bank. These loans drawn by Government are directly disbursed to the contractors by lenders. On the other hand, there was exemption from the Chinese Development Bank amounting to CNY\$40,000,628. FJD 11.943 million.

(e) **Domestic loans**

Outstanding 1 August	3,079,850,613	2,836,488,629
Borrowings raised during the year	224,223,000	295,165,000
Add: Unamortized premium	30,397	1,984
Add: Accrued interests earned	301,336	---
Redemptions during the year	(99,643,000)	(51,805,000)
Outstanding 31 July	3,204,762,346	3,079,850,613

Domestic Borrowings - By Source

Public

Commercial Banks	2,000,000	300,000
Insurance companies	34,262,000	47,070,000
FNPF	172,635,000	204,275,000

Private

Others	15,326,000	43,520,000
Total Domestic Borrowings raised in 2017	224,223,000	295,165,000

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

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) (\$) Re-stated
24. Contingent Liabilities		
<i>Explicit Contingent Liabilities</i>		
Government Guarantees	562,179,615	787,351,602
<p>The Financial Management Act 2004 section (62) stipulates that Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorized by the House of Representatives. Schedule 5 Statement of Contingent Liabilities provide in detail the various agencies (10 altogether) where government undertakes giving of guarantees by end of 31 July 2017.</p>		
<i>Other Explicit Contingent Liabilities</i>		
International Bank for Reconstruction and Development (IBRD)	229,887,817	237,533,224
Asian Development Bank	193,880,399	198,595,168
	423,768,216	436,128,392
<p>In addition, the subscriptions for membership with International Agencies such as the International Bank for Reconstruction and Development (IBRD) and the Asian Development Bank are also treated as contingent liabilities as the subscriptions represent callable capital and should government fail to honour the article of agreement, the agencies would call on the callable capital. The amounts are sourced from the certificate of balances provided by ADB and IBRD.</p>		
<i>Implicit Contingent Liabilities</i>		
National Bank of Fiji - Legal claims against the bank	6,346,718	6,346,718
Provincial Councils - Loans Raised	1,873,561	1,862,170
Municipal Councils - Loans Raised	25,651,122	27,464,203
Fiji Revenue & Customs Services - litigation claims in relation to tax and customs matters	47,796,909	6,482,930
	81,668,310	42,156,021
Government Contingent Assets	5,917,956	41,602,242

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 STATEMENTS (cont...)
FOR THE PERIOD ENDING 31 JULY 2017**

24. Contingent Liabilities (Cont...)

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

The Fiji Revenue and Customs Service (FRCS) as an agent of Government has a number of litigation claims made against it in relation to tax and customs matters. These matters are resolved through various means not wholly within the control of the FRCS and may or may not give rise to an obligation. This is sourced from FRCSs audited Financial Statements for the year ended 31 July 2017, following meeting between FRCS and Ministry of Economy.

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 Act 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.

25. OPERATING REVENUE

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

	2017 (12 months) (\$)	2016 (7 months) (\$)
Direct Taxes	766,055,195	436,669,065
Indirect Taxes	1,813,120,249	877,850,903
Fees, Charges, Fines and Penalties	127,840,431	65,769,823
Operating Revenue - Surpluses	220	---
Other Revenues and Surpluses	44,298,661	21,564,675
Reimbursements and Recoveries	30,858,490	14,323,312
Grants in Aid (overseas)	18,771,402	17,070,657
Total Operating Revenue	2,800,944,648	1,433,248,435

26. INVESTING REVENUE

Interest received on Term-Loans Receivable	1,398,587	385,088
Sales of Government Assets	2,470,837	---
Dividend from Investments	25,308,640	64,213,727
Interest from Bank Balances	1,156,531	312
Return of TMA excess cash to consolidated fund account	6,162,446	2,944,786
Recovery of Fijian Affairs Loans	---	15,842
Total Investing Revenue	36,497,041	67,559,755

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

27. REVENUE FROM NON EXCHANGE TRANSACTIONS

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

Revenue from non exchange transactions	2017 (12 months) (\$)	2016 (7 months) (\$)
<i>Direct Taxes (Gross)</i>	825,886,787	448,323,716
Direct Taxes Refunds	(59,831,592)	(11,654,651)
<i>Indirect Taxes</i>		
Value Added Tax (Gross)	942,908,016	541,505,840
<i>Value Added Tax Refunds</i>	(240,500,205)	(186,109,051)
Fiscal Duty	399,992,227	216,122,804
Excise Duty	144,708,176	71,203,698
Export Duty	9,798,921	5,875,739
Import Excise Duty	51,043,682	26,822,482
Service Turnover Tax	133,742,799	59,442,510
Water Resource Tax	62,565,152	23,071,905
Departure Tax	145,091,598	75,533,814
Fish Levy	123,042	52,474
Stamp Duty	81,024,453	42,674,925
Luxury Vehicle Duty	1,752,157	1,375,737
Environmental Levy	79,105,522	---
Miscellaneous indirect taxes	1,764,709	278,026
 <i>Other non-exchange revenues</i>		
Grants in Aid	18,771,402	17,070,657
	2,597,946,846	1,331,590,625
 Revenue from exchange transactions		
Fees, Charges, Fines and Penalties	127,840,431	65,769,823
Trading and Manufacturing Accounts - Sales Revenue	21,655,615	14,154,922
Other Revenues and Surpluses	44,298,881	21,564,675
Reimbursements and Recoveries	30,858,490	14,323,312
Repayment of Term-Loans Receivable	1,398,587	385,088
Sales of Government Assets	2,470,837	---

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

27. REVENUE FROM NON EXCHANGE TRANSACTIONS (Cont...)

	2017 (12 months) (\$)	2016 (7 months) (\$)
Dividend from Investments	25,308,640	64,213,727
Interest from Bank Balances	1,156,531	312
Return of Surplus Capital from Investments	6,162,446	2,944,786
Recovery of Fijian Affairs Scholarships	---	15,842
	261,150,458	183,372,487
Total Revenue	2,859,097,304	1,514,963,112

28. OPERATING EXPENSES

Operating expenditure includes the following:

Established Staff	800,546,116	458,175,830
Government Wage Earners	53,462,154	28,140,510
Travel and Communications	36,571,471	19,784,237
Maintenance and Operations	69,927,885	43,854,666
Purchase of Goods and Services	140,315,711	79,845,472
Operating Grants and Transfers	518,445,776	295,386,734
Special Expenditure	67,863,214	48,273,436
Pensions, Gratuities and Compassionate Allowances	34,880,413	20,754,067
Total Operating Expenditure	1,722,012,740	994,214,952

29. CAPITAL EXPENSES

Capital Expenditure includes the following:

Capital Construction	83,016,151	54,938,745
Capital Purchases	48,526,290	23,647,296
Capital Grants and Transfers	894,059,354	512,102,957
Total Capital Expenditure	1,025,601,795	590,688,998

30. VALUE ADDED TAX EXPENSE

35,913,968	21,689,835
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These are the VAT payments made by Ministries/Departments to FRCS (Fiji Revenue & Customs Service) during the year.

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

31. INTEREST PAYMENTS AND OTHER CHARGES ON LOANS

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

	2017 (12 months) (\$)	2016 (7 months) (\$)
Interest Payments		
Overseas Loans	45,538,172	22,486,711
Domestic Loans	229,340,752	124,989,236
Treasury Bills	1,722,933	2,401,200
Total Interest Paid	276,601,857	149,877,147
Other charges on Public Debt - Miscellaneous Payments	144,236	211,486
Total Interest Paid and Miscellaneous Payments	276,746,093	150,088,633
Interest Payment on overseas loans		
1994 Asian Development Bank 2nd Fiji Road Upgrading Project	22,156	25,821
1997 Asian Development Bank Third Road Upgrading project	891,557	360,298
1998 Japan International Corporation Agency Nadi Lautoka Water Supply and Sewerage Project	389,554	210,818
2004 Asian Development Bank Suva Nausori Water Supply and Sewerage Project	1,228,536	428,949
	679,905	386,757
2006 Export Import Bank of China E-Government Project	435,949	147,224
2009 Asian Development Bank Emergency Flood Recovery Project	796,473	443,706
2010 Export Import Bank of China Fiji Low Cost Housing Project	213,438	118,904
2010 Export Import Bank of China Fiji Public Rental Housing Project	288,576	252,849
2010 Export Import Bank of Malaysia Queens Highway Rehabilitation Project	554,212	150,652
2010 Asian Development Bank Supplementary Third Road Upgrading project		

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) (\$)
31. INTEREST PAYMENTS AND OTHER CHARGES ON LOANS (Cont...)		
2010 Asian Development Bank Supplementary Suva/Nausori Water Supply Project	509,984	141,748
2011 Export Import Bank of China Sigatoka Valley and Sawani Serea Road Project	1,932,732	1,011,445
2011 Export Import Bank of China Buca Bay and Moto Road Project	2,169,890	1,179,739
2011 Fiji 2nd Government Global Borrowing	---	654,737
2012 Export Import Bank of China Nabouwalu and Dreketi Road Upgrading Project	4,887,910	2,237,566
2014 ADB Transport and Infrastructure Project	332,754	158,472
2016 IBRD Post Cyclone Winston Emergency LN8632	1,370,939	259,825
2015 Global Bond	27,312,687	14,317,201
2016-2017 ADB Emergency Assistance LN3403	105,113	---
2016 IBRD Transport Infrastructure LN8482	246,561	---
2016 IFAD Agricultural Loan EUR3.1m	6,600	---
2016-17 WB Fiji Cable Connection to Vanua Levu LN8666	12,995	---
3rd Global Bond Amortisation	859,989	---
LN8482 World Bank TIIP End Fee	258,425	---
LN8666 WB Fiji Connectivity Project Front End	31,237	---
	45,538,172	22,486,711
Interest Payment on domestic loans		
Viti Bond 2012	131,430	65,715
Viti Bond 2013	315,200	157,600
Viti Bond 2014	265,960	132,980
Viti Bond 2015	336,660	168,330
Viti Bond 2016	231,415	58,164
Viti Bond 2016/17	205,444	---
Fiji Development Loan 2001	795,050	1,600,650
Fiji Development Loan 2002	3,776,100	1,966,300
Fiji Development Loan 2003	5,133,720	2,847,360
Fiji Development Loan 2004	8,032,970	4,595,735
Fiji Development Loan 2005	6,031,018	3,351,529
Fiji Development Loan 2006	25,519,525	16,019,502
Fiji Development Loan 2007	8,076,525	5,682,943
Fiji Development Loan 2008	20,374,381	12,229,299
Fiji Development Loan 2009	40,207,875	23,799,593

GOVERNMENT OF THE REPUBLIC OF FIJI

NOTES TO AND FORMING PARTS OF OTHER FINANCIAL STATEMENTS (cont...)
FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) (\$)
31. INTEREST PAYMENTS AND OTHER CHARGES ON LOANS (Cont...)		
Fiji Development Loan 2010	41,119,000	24,557,500
Fiji Development Loan 2011	7,055,135	3,618,288
Fiji Development Loan 2012	11,775,030	6,613,805
Fiji Development Loan 2013	8,097,120	4,393,550
Fiji Development Loan 2014	9,137,500	5,907,750
Fiji Development Loan 2015	11,916,474	6,567,642
Fiji Development Loan 2016	16,790,920	655,001
Fiji Development Loan 2017	4,017,850	---
Unamortised discount	(1,550)	---
	229,340,752	124,989,236
32. REPAYMENTS OF LOANS		
Principal Repayments:		
Overseas Loans	49,336,100	39,445,756
Domestic Loans	99,643,000	51,805,000
Total Principal Repayments	148,979,100	91,250,756
Principal Repayments Overseas Loans		
1994 Asian Development Bank 2nd Fiji Road Upgrading Project	3,855,142	1,818,828
1997 Asian Development Bank Third Road Upgrading project	5,497,409	2,645,115
1998 Japan International Corporation Agency Nadi Lautoka Water Supply and Sewerage Project	2,350,617	1,140,530
2004 Asian Development Bank Suva Nausori Water Supply and Sewerage Project	3,465,247	1,681,896
2005 Asian Development Bank Suva Supplementary Nausori Water Supply and Sewerage Project	905,942	439,699
2006 Export Import Bank of China E-Government Project	3,269,292	1,738,668
2010 Asian Development Bank Supplementary Third Road Upgrading project	2,043,014	959,129
2010 Export Import Bank of Malaysia Queens Highway Rehabilitation Project	10,863,562	5,385,610
2010 EXIM Bank of China/ Fiji Low Cost Housing	2,661,778	1,415,582

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

32. REPAYMENTS OF LOANS (Cont...)	2017 (12 months) (\$)	2016 (7 months) (\$)
2010 EXIM Bank of China/ Public Rental Housing	713,300	379,346
2010 EXIM Bank of China/ Sigatoka Valley & Sawani Serea	6,459,112	3,435,073
2010 EXIM Bank of China/ Buca Bay and Moto roads	7,251,685	3,856,577
2011 Global bond	---	14,549,703
Total Principal Repayments Overseas Loans	49,336,100	39,445,756

Principal Repayment Domestic Loans

Fiji Development Loan 2001	25,000,000	20,000,000
Fiji Development Loan 2002	33,000,000	---
Fiji Development Loan 2006	7,300,000	27,505,000
Fiji Development Loan 2007	2,500,000	---
Fiji Development Loan 2010	2,000,000	---
Fiji Development Loan 2013	3,700,000	100,000
Fiji Development Loan 2014	15,200,000	4,200,000
Fiji Development Loan 2015	10,100,000	---
Viti Bonds 2012 (4%)	843,000	---
Total Principal Repayments Domestic Loans	99,643,000	51,805,000

33. WAYS AND MEANS

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

Ways and Means Receipts	107,500,000	84,000,000
Ways and Means Repayments	(107,500,000)	(84,000,000)
	---	---

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) restated (\$)
34. REVENUE AND EXPENSE FROM TRADING & MANUFACTURING ACCOUNTS		
Trading and Manufacturing Accounts - Sales Revenue	17,796,382	9,665,394
Trading and Manufacturing Accounts - Other Revenue and Surplus	3,859,233	4,489,528
(a) Total Revenue from TMA's	21,655,615	14,154,922
Cost of Goods sold	530,580	(386,319)
Other TMA Expenditures	16,035,740	8,981,546
(b) Total Expenses from TMA's	16,566,320	8,595,227
35. ARREARS OF REVENUE		
The Arrears of Revenue position of Government as at 31/07/2017 are as follows:		
Ministry of Agriculture	805,187	27,209
Office of the Auditor-General	51,532	147,115
Ministry of Communications	7,599,780	7,539,752
Ministry of Education, Heritage and Arts	12,656	9,621
Ministry of Economy (Pensions Office)	149,639	110,545
Ministry of Economy (Surcharge)	711,546	849,993
Ministry of Fisheries & Forests	---	11,559
Government Printing and Stationery Department	479,367	644,892
Ministry of Health and Medical Services	404,452	398,212
Information Technology & Computing Services	289	995
Ministry of Industry, Trade and Tourism	---	2,616
Judiciary	13,450,691	13,461,155
Ministry of Employment, Productivity and Industrial Relation	15,620	10,432
Department of Lands	21,820,630	20,778,013
Ministry of Infrastructure and Transport	3,197,887	4,746,235
Overseas Peacekeeping Missions	881,360	1,784,424
Fiji Police Force	3,781	4,446
Public Utilities (Water Authority of Fiji)	33,006,642	32,936,249
Ministry of Rural & Maritime Development	983,674	917,430
Solicitor General's Office	575	2,998
Total Arrears of Revenue	83,575,308	84,383,891

Fiji Revenue and Customs Service IRD and Customs arrears have been excluded from Note 35 and recognised in Statement of Assets and Liabilities

GOVERNMENT OF THE REPUBLIC OF FIJI

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

FOR THE PERIOD ENDING 31 JULY 2017

	2017 (12 months) (\$)	2016 (7 months) (\$) restated
36. Equity Movements		
Opening Balance 1 August	(3,599,484,240)	(3,470,026,866)
Deficit for the year - consolidated fund account	(222,832,904)	(255,874,225)
Surplus for the year - trade and manufacturing account	5,089,295	5,559,695
Revaluation of External Debt due to foreign currency conversions	66,202,823	24,319,154
Investment Equity Adjustment	(4,960,923)	(464,713)
Adjustments of underlying account balances and Equity	(75,355,685)	93,368,611
Previous years adjustments of term loans receivables	204,122,853	7,504,353
Effects of exchange rate movements in International Finance Corporation investment balance	---	(4,542)
Effects of exchange rate movements	(479,416)	(920,921)
Cash remitted to Consolidated Fund Account	(6,162,446)	(2,944,786)
Closing balance as at 31 July	(3,633,860,643)	(3,599,484,240)

37. For the year ended 31 July 2017, total amount of \$48,277,990 in penalties was waived by the Fiji Revenue & Customs Service.

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

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

GOVERNMENT OF THE REPUBLIC OF FIJI
SEGMENTATION REPORT BY FUND CLASSIFICATION
FOR THE PERIOD ENDING 31 JULY 2017

Schedule 6

Segment Information (IPSAS 18.12-15)

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

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

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

Primary Reportable Segments 2017

	CFA	TMA	Consolidated Total Government
	(\$)	(\$)	(\$)
Segment revenue			
Non exchange revenue - taxes, grants and transfers	(2,597,946,846)	---	(2,597,946,846)
Exchange revenue - sale of goods and services	(202,997,802)	(21,655,615)	(224,653,417)
Exchange revenue - investments	(36,497,041)	---	(36,497,041)
Segment expenses			
Operating Expenditure	1,722,012,740	16,566,320	1,738,579,060
Capital Expenditure	1,025,601,795	---	1,025,601,795
VAT	35,913,968	---	35,913,968
Interest Payments on Loans	276,746,093	---	276,746,093
Reconciled to aggregate net income	222,832,907	(5,089,295)	217,743,612

GOVERNMENT OF THE REPUBLIC OF FIJI
 SEGMENTATION REPORT BY FUND CLASSIFICATION
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 6

Primary Reportable Segments 2017

	CFA	TMA	Consolidated Total Government
	(\$)	(\$)	(\$)
Segment Assets			
Cash at Bank	275,808,555	13,944,586	289,753,141
Accounts Receivable	112,620,078	1,786,869	114,406,947
Prepayments	1,203,897	---	1,203,897
Inventory	---	3,441,302	3,441,302
Investments	440,342,400	---	440,342,400
Term-Loans Receivable	481,928,586	---	481,928,586
Segment Liabilities			
Accounts Payable	(94,953,411)	(61,474)	(95,014,885)
Deferred Income	(2,406,598)	(2,708,410)	(5,115,008)
Operating Trust fund	(28,037,924)	(330,447)	(28,368,371)
True Trust fund	(168,831,120)	---	(168,831,120)
Term Loans Payable - Treasury Bills	(94,884,303)	---	(94,884,303)
Term-loans Payable Overseas Loans	(1,367,960,883)	---	(1,367,960,883)
Term-loans Payable Domestic Loans	(3,204,762,346)	---	(3,204,762,346)
Reconciled to net liability	(3,649,933,069)	16,072,426	(3,633,860,643)

GOVERNMENT OF THE REPUBLIC OF FIJI
SUMMARY OF REVENUE
FOR THE PERIOD ENDING 31 JULY 2017

Schedule 7

Heads of Revenue	Estimate 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)
Operating Revenue				
21 Direct Taxes.....	659,883,823	766,055,195	106,171,372	---
22 Indirect Taxes.....	2,017,999,165	1,813,120,249	---	204,878,916
23 Fees, Fines & Charges.....	111,826,680	127,840,431	16,013,751	---
24 Operating Revenue Sales.....	568	220	---	348
27 Other Receipts.....	39,184,183	44,298,661	5,114,478	---
28 Reimbursements & Recoveries.....	17,052,495	30,858,490	13,805,995	---
29 Grant Aid.....	34,645,936	18,771,402	---	15,874,534
Operating Revenue Total	2,880,592,850	2,800,944,648	141,105,596	220,753,798
Investing Revenue				
Repayments of Term Loans				
31 Receivable.....	380,093	1,398,587	1,018,494	---
32 Sales of Government Assets.....	250,000,000	2,470,837	---	247,529,163
33 Dividends from Investments.....	39,000,000	25,308,640	---	13,691,360
34 Interest from Bank Balances.....	10,382	1,156,531	1,146,149	---
Return of Surplus Capital from				
35 Investment.....	5,327,931	6,162,446	834,515	---
Investing Revenue Total	294,718,406	36,497,041	2,999,158	261,220,523
Total Revenue	3,175,311,256	2,837,441,689	144,104,754	481,974,321

GOVERNMENT OF THE REPUBLIC OF FIJI
 DETAILED REVENUE COMPARISON
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 8

Heads and Subheads of Revenue	Estimate for 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2016 (\$)
OPERATING REVENUE					
21 - DIRECT TAXES					
1. Income Tax					
01. Income Tax.....	525,726,898	734,616,839	208,889,941	---	423,623,864
02. Capital Gains Tax.....	26,415,227	31,438,356	5,023,129	---	13,045,201
03. Withholding & Dividend Taxes.....	107,741,698	---	---	107,741,698	---
Total.....	659,883,823	766,055,195	213,913,070	107,741,698	436,669,065
Net Increase.....			106,171,372		
22 - INDIRECT TAXES					
1. Value Added Tax					
01. Value Added Tax.....	961,628,748	702,407,811	---	259,220,937	355,396,789
2. Custom Taxes					
01. Fiscal Duty.....	530,550,110	399,992,227	---	130,557,883	216,122,804
02. Excise Duty.....	133,853,653	144,708,176	10,854,523	---	71,203,698
03. Export Duty.....	11,870,291	9,798,921	---	2,071,370	5,875,739
04. Import Duty.....	---	51,043,682	51,043,682	---	26,822,482
6. Service Turnover Tax					
01. Hotel Turnover Tax.....	---	133,742,799	133,742,799	---	59,442,510
7. Water Resource Tax					
01. Water Resource Tax.....	51,854,035	62,565,152	10,711,117	---	23,071,905
9. Departure Tax					
01. Departure Tax.....	227,019,959	145,091,598	---	81,928,361	75,533,814
10. Fish Levy Tax					
01. Fish Levy.....	112,174	123,042	10,868	---	52,474
12. Stamp Duty					
01. Stamp Duty.....	81,642,259	81,024,453	---	617,806	42,674,925
13. Luxury Vehicle Levy					
01. Luxury Vehicle Levy.....	2,174,559	1,752,157	---	422,402	1,375,737
14. Telecommunication Levy					
01. Telecommunication levy.....	1,362,971	---	---	1,362,971	---
15. Credit Card Levy					
01. Credit Card Levy.....	1,909,322	---	---	1,909,322	---
16. Third Party Insurance Levy					
01. 3rd Party Insurance Levy.....	1,845,904	---	---	1,845,904	---
19. Health and Environment Levy					
01. Health Levy.....	3,296,210	---	---	3,296,210	---

GOVERNMENT OF THE REPUBLIC OF FIJI
 DETAILED REVENUE COMPARISON
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 8

Heads and Subheads of Revenue	Estimate for 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2016 (\$)
02. Environmental Levy.....	8,828,340	79,105,522	70,277,182	---	---
99. Miscellaneous Fees and Receipts					
01. Miscellaneous Fees and Receipts.....	50,630	1,764,709	1,714,079	---	278,026
Total.....	2,017,999,165	1,813,120,249	278,354,250	483,233,166	877,850,903
Net Decrease.....				204,878,916	
23 - FEES, FINES & CHARGES					
01. Dues					
01. Light Due - Port & Harbor.....	1,261	---	---	1,261	---
02. Duty					
01. Stamp Duty.....	---	1,494	1,494	---	6,273
03. Fees					
01. Agricultural Produce and Inspection....	11,793	308,802	297,009	---	1,753
02. Native Timber Measurement.....	1,599,020	332,913	---	1,266,107	228,091
03. Land and Survey Fees.....	383,665	604,491	220,826	---	311,116
04. Mining Fees.....	367,851	499,064	131,213	---	420,426
06. Passports.....	10,838,489	13,490,542	2,652,053	---	7,197,414
07. Town Planning Fees.....	278,248	256,537	---	21,711	174,574
08. Examination Fees.....	32,233	59,695	27,462	---	11,148
09. Government Day Schools-Fees.....	54,670	30,409	---	24,261	27,838
10. Government Boarding Schools-Fees....	552,791	387,927	---	164,864	258,131
11. Health Fumigation and Quarantine.....	1,849,651	1,537,992	---	311,659	891,529
12. Hospital.....	3,451,588	2,153,874	---	1,297,714	1,226,316
13. Fiji School of Nursing.....	---	---	---	---	---
14. Cemetery Fees.....	94,864	60,680	---	34,184	60,186
17. Audit Fees.....	592,169	450,776	---	141,393	196,252
18. Court Fees.....	1,477,996	1,614,070	136,074	---	921,119
19. Registration.....	1,132,270	1,378,823	246,553	---	716,777
20. Management Fee.....	7,804	---	---	7,804	---
21. LTA Fees and Fines.....	28,024,978	27,829,234	---	195,744	15,064,160
23. LTA Road User Levy.....	11,206,292	11,949,971	743,679	---	6,870,009
27. Offshore Fisheries Management Fees.....	1,023,675	1,653,606	629,931	---	750,878
75. Civil Aviation.....	3,307	5,500	2,193	---	3,520
75. Land Sales Revenue Fees.....	---	20,604	20,604	---	---
99. Miscellaneous Fees.....	4,143,331	4,154,399	11,068	---	2,227,048
04. Licenses					
01. Arms.....	52,453	45,688	---	6,765	137,750

GOVERNMENT OF THE REPUBLIC OF FIJI
 DETAILED REVENUE COMPARISON
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 8

Heads and Subheads of Revenue	Estimate for 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2016 (\$)
02. Banks.....	---	---	---	---	---
03. Coasting.....	6,640	2,264	---	4,376	---
05. Liquor.....	814,608	834,985	20,377	---	398,657
06. Trading.....	327,511	412,118	84,607	---	283,841
07. Dogs.....	27,537	23,269	---	4,268	14,308
09. Money Lenders.....	101,832	69,708	---	32,124	35,251
10. Hotels and Guest Houses.....	222,172	162,361	---	59,811	40,757
11. License Insurance, Agents and Brokers.....	1,095	---	---	1,095	---
12. Telecommunications and Television.....	5,033,000	7,819,787	2,786,787	---	4,283,379
14. Fishing.....	738,046	23,922	---	714,124	13,798
17. License- Security Industry.....	59,543	16,631	---	42,912	44,185
99. Other.....	1,339,101	1,747,350	408,249	---	1,135,767
05. Rates - Public Works					
01. Water Charges.....	32,581,672	44,260,283	11,678,611	---	19,931,192
06. Fees Royalties					
01. Royalties Timber.....	56,454	---	---	56,454	---
03. Royalties - Sand, Coral, Metal, etc.....	65,142	76,258	11,116	---	30,498
07. Fines					
01. Court Fines.....	3,160,335	3,549,216	388,881	---	1,846,660
08. Administrative Fines and Penalty					
02. Administrative Fines and Forfeitures.....	111,593	15,188	---	96,405	9,222
Total.....	111,826,680	127,840,431	20,498,787	4,485,036	65,769,823
Net Increase.....			16,013,751		
24 - OPERATING REVENUE - SALES					
02. Sales - Cash.....	568	220	---	348	---
Total.....	568	220	---	348	---
Net Decrease.....				348	
27 - OTHER REVENUE AND SURPLUSES					
01. Surplus/Deficit from Agency					
01. RBF Revaluation Reserve Account.....	2,500,000	3,016,262	516,262	---	4,343,328
06. Sales of items from Technical.....	---	15,108	15,108	---	3,044
02. Rent and Hire of Government Property					
01. Rental for Land.....	15,419,287	13,419,599	---	1,999,688	6,982,873
02. Rental for Official Quarters.....	92,476	76,346	---	16,130	43,685
04. Hire of Plant and Vehicles.....	13,508	---	---	13,508	---

GOVERNMENT OF THE REPUBLIC OF FIJI
 DETAILED REVENUE COMPARISON
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 8

Heads and Subheads of Revenue	Estimate for 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2016 (\$)
05. Hire of Vessels and Punts.....	7,600	---	---	7,600	---
06. Revenue from Rest Houses.....	12,572	9,234	---	3,338	2,651
03. Commission Revenue					
01. Commission.....	2,563,517	3,147,001	583,484	---	1,599,989
99. Other Revenue					
01. Sale of Photographs.....	584	21	---	563	9
02. Sales of Publications.....	68,239	68,478	239	---	54,102
03. Revenue from Production of Films.....	1,696	413	---	1,283	606
04. Survey & Sales of Navigation Publications.....	88,149	306,999	218,850	---	163,826
05. Meat Inspection.....	23,647	19,280	---	4,367	14,336
06. Veterinary and Animal Quarantine.....	28,055	12,327	---	15,728	8,518
07. Freight and Charter Receipts.....	272,431	971,775	699,344	---	58,844
08. Chemical Analysis.....	10,161	1,807	---	8,354	661
09. Valuation Fees.....	15,632	18,153	2,521	---	10,912
10. Sale of Farm Product.....	42,882	31,835	---	11,047	21,885
11. Sale of Surplus Farm Produce.....	91,548	62,390	---	29,158	28,090
13. Sale of Fish and Ice.....	426,506	389,814	---	36,692	232,490
14. Sale of Sheep and Wool.....	59,533	30,126	---	29,407	4,660
17. Agricultural Landlord and Tenant Tribunal.....	2,916	1,923	---	993	2,288
19. Drying and Storage Facilities.....	---	---	---	---	263
20. Board Members Fees	142,330	85,411	---	56,919	41,253
99. Other Revenue.....	17,300,914	22,614,359	5,313,445	---	7,946,362
Total.....	39,184,183	44,298,661	7,349,253	2,234,775	21,564,675
Net Increase.....			5,114,478		
28 - REIMBURSEMENT AND RECOVERIES					
11. Reimbursement of Services					
Services.....	918,655	540,886	---	377,769	217,391
06. Reimbursement-HA Low Cost Housing.....	478,246	3,108,842	2,630,596	---	468,869
07. Reimbursement-PRB Housing Project...	---	1,789,845	1,789,845	---	498,250
12. Refund of Payments					
03. Recoveries of Overpayments in Previous Years.....	1,553,135	832,872	---	720,263	504,715
22. Contributions for Capital Projects					
02. Rural Electrifications.....	1,879	718	---	1,161	344

GOVERNMENT OF THE REPUBLIC OF FIJI
 DETAILED REVENUE COMPARISON
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 8

Heads and Subheads of Revenue	Estimate for 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2016 (\$)
23. Contributions for Overseas Peace-Keeping					
01. United Nations Peace-keeping	3,600,000	12,334,958	8,734,958	---	6,853,592
02. Multinational Force and Observers.....	7,200,000	4,562,959	---	2,637,041	5,299,150
03. UN International Peacekeeping -	3,200,000	---	---	3,200,000	---
04. UN Mission -IRAQ	---	2,740,399	2,740,399	---	---
31. MoE Technical Colleague Recovery	100,580	4,947,011	4,846,431	---	481,001
Total.....	17,052,495	30,858,490	20,742,229	6,936,234	14,323,312
Net Increase.....			13,805,995		
29 - GRANTS IN AID					
02. NZ Government Grants.....	134,200	---	---	134,200	---
Programme.....	2,222,368	---	---	2,222,368	---
04. European Union.....	23,303,363	---	---	23,303,363	---
05. China Government Grants.....	1,757,711	---	---	1,757,711	---
06. Japan Government Grants.....	2,528,294	---	---	2,528,294	---
99. Other Grant Aid.....	4,700,000	18,771,402	14,071,402	---	17,070,657
Total.....	34,645,936	18,771,402	14,071,402	29,945,936	17,070,657
Net Decrease.....				15,874,534	
Total Operating Revenue.....	2,880,592,850	2,800,944,648	554,928,991	634,577,193	1,433,248,435
Net Decrease.....				79,648,202	
INVESTING REVENUE					
31 - REPAYMENTS OF TERM LOANS RECEIVABLE					
11. Interest for Social Services Term Loans					
01. Interest Public Officers & Ministers ...	---	30	30	---	---
Loan.....	172,882	---	---	172,882	---
12. Interest Economic Service Term Loan	207,211	---	---	207,211	---
13. Interest Fiji Sports Council	---	155,771	155,771	---	66,759
14. Interest PAFCO Loan.....	---	432,438	432,438	---	133,880
12. Principal Social Services Term Loans					
11. Principal - Students Scheme.....	---	617,912	617,912	---	---
22. Principal Term Loans Economic Service					
02. Principal - Copra Industry.....	---	192,436	192,436	---	184,449
Total.....	380,093	1,398,587	1,398,587	380,093	385,088
Net Increase.....			1,018,494		

GOVERNMENT OF THE REPUBLIC OF FIJI
 DETAILED REVENUE COMPARISON
 FOR THE PERIOD ENDING 31 JULY 2017

Schedule 8

Heads and Subheads of Revenue	Estimate for 2017 (\$)	Actual Revenue 2017 (\$)	Increase (\$)	Decrease (\$)	Actual Revenue 2016 (\$)
32 - SALES OF GOVERNMENT ASSETS					
31. Sales Proceeds in Infrastructure Services.....	250,000,000	106,313	---	249,893,687	---
91. Proceed from sales of Fixed Assets	---	2,364,524	2,364,524	---	---
Total.....	250,000,000	2,470,837	2,364,524	249,893,687	---
Net Decrease.....				247,529,163	
33 - DIVIDENDS FROM INVESTMENTS					
01. Investments in Social Services.....	15,000,000	367,383	---	14,632,617	---
02. Investments in Economic Services.....	---	17,497,835	17,497,835	---	32,024,744
03. Investments in Infrastructure Services..	24,000,000	7,443,422	---	16,556,578	32,188,983
Total.....	39,000,000	25,308,640	17,497,835	31,189,195	64,213,727
Net Decrease.....				13,691,360	
34 - INTEREST FROM BANK BALANCES					
02. Interest from Domestic Bank.....	3,500	712,865	709,365	---	312
Banks.....	6,882	443,666	436,784	---	---
Total.....	10,382	1,156,531	1,146,149	---	312
Net Increase.....			1,146,149		
35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS					
74. Return of Surplus Capital from TMA Operations.....	5,327,931	6,162,446	834,515	---	2,944,786
Total.....	5,327,931	6,162,446	834,515	---	2,944,786
Net Increase.....			834,515		
39 - SCHOLARSHIP BOND RECOVERY					
01. Payment Term Loan FAB.....	---	---	---	---	15,842
Total.....	---	---	---	---	15,842
Net Increase.....			---	---	
Total Investing Revenue.....	294,718,406	36,497,041	23,241,610	281,462,975	67,559,755
Net Decrease.....				258,221,365	
SUMMARY OF REVENUE					
Operating Revenue.....	2,880,592,850	2,800,944,648	554,928,991	634,577,193	1,433,248,435
Investing Revenue	294,718,406	36,497,041	23,241,610	281,462,975	67,559,755
Grand Totals.....	3,175,311,256	2,837,441,689	578,170,601	916,040,168	1,500,808,190

STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 JULY 2017

Heads of Appropriation	Original Budget 2017 (\$)	Redeployment (\$)	Revised Estimate 2017 (\$)	Actual Expenses 2017 (\$)	(Over) / Under Expenditure (\$)
GENERAL ADMINISTRATION					
Office of the President	3,545,173	---	3,545,173	1,958,566	1,586,607
Office of the Prime Minister	17,595,326	---	17,595,326	9,078,591	8,516,735
Office of the Attorney General	19,589,844	---	19,589,844	13,482,865	6,106,979
Ministry of Economy	94,416,594	---	94,416,594	84,069,597	10,346,997
Ministry of iTaukei Affairs	11,519,860	---	11,519,860	11,444,306	75,554
Ministry of Immigration, National Security and Defence	8,644,990	---	8,644,990	7,810,489	834,501
Ministry of Employment, Productivity and Industrial Relations	16,293,605	---	16,293,605	12,870,153	3,423,452
Ministry of Foreign Affairs	43,087,302	---	43,087,302	40,406,244	2,681,058
Office of the Auditor General	4,331,018	---	4,331,018	3,819,777	511,241
Fijian Elections Office	12,686,019	---	12,686,019	7,167,078	5,518,941
Judiciary	40,221,781	---	40,221,781	29,362,285	10,859,496
Parliament	10,838,878	---	10,838,878	10,835,772	3,106
Independent Commission	16,211,244	---	16,211,244	14,957,554	1,253,690
Office of the Director of Public Prosecutions	5,785,143	---	5,785,143	5,212,276	572,867
Ministry of Justice	6,613,497	---	6,613,497	4,732,335	1,881,162
Fiji Corrections Service	40,990,227	---	40,990,227	33,972,721	7,017,506
Ministry of Communication	36,327,505	---	36,327,505	19,732,164	16,595,341
Ministry of Civil Services	45,451,168	---	45,451,168	43,383,400	2,067,768
Ministry of Rural and Maritime Development and Disaster Management	31,961,738	---	31,961,738	24,310,769	7,650,969
Republic of Fiji Military Forces	96,404,834	---	96,404,834	91,058,298	5,346,536
Fiji Police Force	131,745,794	---	131,745,794	120,451,024	11,294,770
Peacekeeping Missions	78,972,375	---	78,972,375	75,266,026	3,706,349
Total for General Administration	773,233,915	---	773,233,915	665,382,290	107,851,625
SOCIAL SERVICES					
Ministry of Education, Heritage and Arts	448,528,549	---	448,528,549	434,744,541	13,784,008
Ministry of Health and Medical Services	244,015,265	---	244,015,265	218,123,558	25,891,707
Department of Housing	25,372,629	---	25,372,629	15,543,028	9,829,601
Ministry of Women, Children and Poverty Alleviation	56,018,956	8,547,226	64,566,182	62,370,234	2,195,948
Ministry of Youth and Sports	16,379,688	5,000,000	21,379,688	20,319,543	1,060,145
Higher Education Institutions	93,356,306	---	93,356,306	80,091,713	13,264,593
Total for Social Services	883,671,393	13,547,226	897,218,619	831,192,617	66,026,002

STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 JULY 2017

Heads of Appropriation	Original Budget 2017 (\$)	Redeployment (\$)	Revised Estimate 2017 (\$)	Actual Expenses 2017 (\$)	(Over) / Under Expenditure (\$)
ECONOMIC SERVICES					
Ministry of Agriculture	74,432,791	---	74,432,791	56,141,297	18,291,494
Ministry of Fisheries and Forests	27,060,910	---	27,060,910	23,012,138	4,048,772
Ministry of Lands and Mineral Resources	31,045,038	---	31,045,038	23,994,403	7,050,635
Ministry of Industry, Trade and Tourism	77,003,760	---	77,003,760	71,572,115	5,431,645
Ministry of Sugar	27,510,345	---	27,510,345	27,290,454	219,891
Ministry of Public Enterprise	13,975,740	---	13,975,740	3,449,976	10,525,764
Ministry of Local Government, Housing & Environment	25,093,133	---	25,093,133	18,231,575	6,861,558
Total for Economic Services	276,121,717	---	276,121,717	223,691,958	52,429,759
INFRASTRUCTURE SERVICES					
Ministry of Infrastructure and Transport	120,463,754	---	120,463,754	92,445,188	28,018,566
Water Authority of Fiji	308,632,635	---	308,632,635	280,908,095	27,724,540
Fiji Roads Authority	527,151,777	(66,039,854)	461,111,923	273,327,634	187,784,289
Total for Infrastructure	956,248,166	(66,039,854)	890,208,312	646,680,917	243,527,395
UNALLOCABLE					
Miscellaneous Services	416,233,028	52,492,628	468,725,656	381,700,309	87,025,347
Pensions, Gratuities and Compassionate Allowances	42,409,700	---	42,409,700	34,880,413	7,529,287
Charges on Account of Public Debt	295,438,797	---	295,438,797	276,746,089	18,692,708
Total for Unallocable Services	754,081,525	52,492,628	806,574,153	693,326,811	113,247,342
Grand Total	3,643,356,716	---	3,643,356,716	3,060,274,593	583,082,123

Note:

A total of \$5,818,901 in carry-over of budget in respect of the Office of the Prime Minister was approved in accordance with section 19 of the Financial Management Act 2004 and appropriated through the 2016/2017 budget of the Office of the Prime Minister.

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS
FOR THE PERIOD ENDING 31 JULY 2017

Summary by Standard Expenditure Group (SEG)	Original Budget 2017	Redeployment	Virements	Revised Estimate 2017	Actual Expenditure 2017	(Over) / Under Expenditure
	(\$)	(\$)	(\$)	(\$)	(\$)	%
1. Established Staff	858,177,689	---	(20,354,687)	837,823,002	800,546,116	4
2. Government Wage Earners	45,760,695	---	10,106,280	55,866,975	53,462,154	4
3. Travel and Communications	34,820,423	---	5,658,039	40,478,462	36,571,471	10
4. Maintenance and Operations	75,635,040	---	1,198,565	76,833,605	69,927,885	9
5. Purchase of Goods and Services	149,379,483	221,396	1,608,030	151,208,909	140,315,711	7
6. Operating Grants and Transfers	522,928,042	8,303,934	8,125,736	539,357,712	518,445,776	4
7. Special Expenses	113,966,050	---	(824,214)	113,141,836	67,863,214	40
8. Capital Construction	169,752,580	---	(10,168,564)	159,584,016	83,016,151	48
9. Capital Purchase	55,255,821	---	10,135,411	65,391,232	48,526,290	26
10. Capital Grants and Transfers	1,229,056,796	(8,547,226)	(3,461,181)	1,217,048,389	894,059,354	27
11. Pensions, Gratuities & Compassionate Allowances	42,409,700	---	---	42,409,700	34,880,413	18
12. Charges on Account of Public Debt	10,500,000	---	---	10,500,000	1,867,170	82
13. Value Added Tax	50,775,600	21,896	(2,023,415)	48,774,081	35,913,968	26
14. Interest Payment on overseas loans	52,478,440	---	---	52,478,440	45,538,170	13
15. Interest Payment on domestic loans	232,460,357	---	---	232,460,357	229,340,750	1
Grand Total	3,643,356,716	---	---	3,643,356,716	3,060,274,593	16

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

Ministry of Economy

Suva, Fiji

Dated of the month of **August**, 2019



.....
Ms. Makereta Konrote

Permanent Secretary for Ministry of Economy

GOVERNMENT OF THE REPUBLIC OF FIJI
BUDGET RESULT, ESTIMATES AND PROJECTIONS
FOR THE PERIOD 2015 - 2019

Schedule 11

	Actual 2015 (\$)	Actual 2016 (7 months) (\$)	Estimate 2017 (\$)	Actual 2017 (\$)	Projected 2018 (\$)	Projected 2019 (\$)
REVENUE						
Operating Revenue	2,544,762,858	1,433,248,435	2,880,592,850	2,800,944,648	3,000,069,500	3,148,391,000
Investing Revenue	255,471,929	67,559,755	294,718,406	36,497,041	73,028,000	73,328,800
TOTAL REVENUE	2,800,234,787	1,500,808,190	3,175,311,256	2,837,441,689	3,073,097,500	3,221,719,800
EXPENDITURE						
Operating Expenditure	1,585,800,762	994,214,951	1,843,077,122	1,722,012,740	1,796,558,622	1,789,121,722
Interest Payments on Loans	295,416,310	150,088,630	295,438,797	276,746,090	296,614,197	283,145,097
Capital Expenditure	1,045,016,389	590,688,999	1,454,065,197	1,025,601,795	1,174,841,697	930,271,997
Value Added Tax	55,558,866	21,689,835	50,775,600	35,913,968	39,902,700	39,284,800
TOTAL EXPENDITURE	2,981,792,327	1,756,682,415	3,643,356,716	3,060,274,593	3,307,917,216	3,041,823,616
BUDGET RESULT	(181,557,540)	(255,874,225)	(468,045,460)	(222,832,904)	(234,819,716)	179,896,184

**GOVERNMENT OF THE REPUBLIC OF FIJI
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE
FOR THE PERIOD 2015 - 2019**

Description	Actual 2015 (\$)	Actual 2016 (7 months) (\$)	Estimate 2017 (\$)	Actual 2017 (\$)	Projected 2018 (\$)	Projected 2019 (\$)
REVENUE						
Operating Revenue						
Direct Receipts (Income Tax & Capital Gain Tax)	605,113,135	436,669,065	659,883,823	766,055,195	695,630,300	730,368,500
Indirect Revenue						
VAT	893,326,885	355,396,789	961,628,748	702,407,811	1,013,721,100	1,064,343,900
Customs	545,731,212	320,024,723	676,274,054	605,543,006	715,254,200	750,972,300
Service Turnover Tax	64,700,336	59,442,510	---	133,742,799	74,169,800	77,873,700
Water Resource Tax	36,489,883	23,071,905	51,854,035	62,565,152	54,663,000	57,392,800
Departure Tax	136,085,188	75,533,814	227,019,959	145,091,598	165,148,000	173,395,100
Fish Levy	101,112	52,474	112,174	123,042	118,300	124,200
Stamp Duty	71,759,272	42,674,925	81,642,259	81,024,453	86,064,900	90,362,800
Luxury Vehicle Tax	1,467,875	1,375,737	2,174,559	1,752,157	---	---
Telecommunication Levy	---	---	1,362,971	---	1,436,800	1,508,600
Credit Card Levy	---	---	1,909,322	---	---	---
Third Party Insurance Levy	---	---	1,845,904	---	1,945,900	2,043,100
Environmental Levy	---	---	8,828,340	79,105,522	9,306,600	9,771,300
Health Levy	---	---	3,296,210	---	3,474,800	3,648,300
Miscellaneous Fees & Receipts	5,088,333	278,026	50,630	1,764,709	---	---
Fees, Fines, Charges and Penalties	105,511,210	65,769,823	111,826,680	127,840,431	118,245,900	123,604,700
Operating Revenue Sales	382	---	568	220	600	600
Other Revenue and Surpluses	41,813,616	21,564,675	39,184,183	44,298,661	43,671,400	45,602,600
Reimbursement and Recoveries	19,252,509	14,323,312	17,052,495	30,858,490	17,217,900	17,378,500
Grant in Aid	18,321,910	17,070,657	34,645,936	18,771,402	---	---
Total Operating Revenue	2,544,762,858	1,433,248,435	2,880,592,850	2,800,944,648	3,000,069,500	3,148,391,000

DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE
FOR THE PERIOD 2015 - 2019

Description	Actual 2015 (\$)	Actual 2016 (7 months) (\$)	Estimate 2017 (\$)	Actual 2017 (\$)	Projected 2018 (\$)	Projected 2019 (\$)
Investing Revenue						
Repayment of Term Loans Receivable	295,652	385,088	380,093	1,398,587	---	---
Sale of Government Assets	188,173,658	---	250,000,000	2,470,837	---	---
Dividends from Investment	62,331,570	64,213,727	39,000,000	25,308,640	67,000,000	67,000,000
Interest from Bank Balance	309,535	312	10,382	1,156,531	10,800	11,100
Interest on Term Loans and Advances	---	---	---	---	400,700	420,700
Return of Surplus Capital from Investment	4,361,514	2,944,786	5,327,931	6,162,446	5,616,500	5,897,000
Scholarship Bond Recovery	---	15,842	---	---	---	---
Total Investing Revenue	255,471,929	67,559,755	294,718,406	36,497,041	73,028,000	73,328,800
TOTAL REVENUE	2,800,234,787	1,500,808,190	3,175,311,256	2,837,441,689	3,073,097,500	3,221,719,800
EXPENDITURE						
General Administration Services						
Operating Expenditure	550,181,444	335,916,311	664,064,155	593,142,733	660,297,155	648,094,555
Capital Expenditure	54,098,918	23,057,867	93,156,760	60,340,461	57,868,560	52,656,560
Total General Administration	604,280,362	358,974,178	757,220,915	653,483,194	718,165,715	700,751,115
Social Services						
Operating Expenditure	721,059,208	463,814,131	755,204,862	763,344,255	745,090,062	750,590,062
Capital Expenditure	56,448,619	34,527,825	112,277,031	55,812,027	51,539,931	41,410,931
Total Social Services	777,507,827	498,341,956	867,481,893	819,156,282	796,629,993	792,000,993

DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE
FOR THE PERIOD 2015 - 2019

Description	Actual 2015 (\$)	Actual 2016 (7 months) (\$)	Estimate 2017 (\$)	Actual 2017 (\$)	Projected 2018 (\$)	Projected 2019 (\$)
Economic Services						
Operating Expenditure	94,297,812	64,284,844	128,253,049	108,281,854	123,388,149	123,388,149
Capital Expenditure	89,593,357	84,433,455	139,466,768	110,496,336	132,357,568	132,357,568
Total Economic Services	183,891,169	148,718,299	267,719,817	218,778,190	255,745,717	255,745,717
Infrastructure Services						
Operating Expenditure	130,925,366	77,483,810	160,045,337	160,075,309	157,576,937	158,826,937
Capital Expenditure	722,085,594	266,013,503	792,832,229	484,373,220	705,040,329	555,811,529
Total Infrastructure Services	853,010,960	343,497,313	952,877,566	644,448,529	862,617,266	714,638,466
Miscellaneous Services						
Operating Expenditure	122,789,900	31,961,788	93,100,019	62,288,177	67,796,619	65,812,419
Capital Expenditure	50,458,614	182,656,349	316,332,409	314,579,750	228,035,309	148,035,309
Total Miscellaneous Services	173,248,514	214,618,137	409,432,428	376,867,927	295,831,928	213,847,728
Unallocable						
Pensions, Gratuities and Compassionate Allowance	38,878,319	20,754,067	42,409,700	34,880,413	42,409,700	42,409,700
Value Added Tax	55,558,866	21,689,835	50,775,600	35,913,968	39,902,700	39,284,800
Interest Payments on Loans	295,416,310	150,088,630	295,438,797	276,746,090	296,614,197	283,145,097
TOTAL EXPENDITURE	2,981,792,327	1,756,682,415	3,643,356,716	3,060,274,593	3,307,917,216	3,041,823,616
(Deficit)/Surplus for the year	(181,557,540)	(255,874,225)	(468,045,460)	(222,832,904)	(234,819,716)	179,896,184

**GOVERNMENT OF THE REPUBLIC OF FIJI
ESTIMATE AND ACTUAL BUDGET RESULT
FOR THE PERIOD 2015- 2017**

Schedule 13

	Actual 2015	Actual 2016 (7 months)	Estimate 2017	Actual 2017
	(\$)	(\$)	(\$)	(\$)
REVENUE				
Operating Revenue	2,544,762,858	1,433,248,435	2,880,592,850	2,800,944,648
Investing Revenue	255,471,929	67,559,755	294,718,406	36,497,041
TOTAL REVENUE	2,800,234,787	1,500,808,190	3,175,311,256	2,837,441,689
EXPENDITURE				
Operating Expenditure	1,585,800,762	994,214,951	1,843,077,122	1,722,012,740
Interest Payments on Loans	295,416,310	150,088,630	295,438,797	276,746,090
Capital Expenditure	1,045,016,389	590,688,999	1,454,065,197	1,025,601,795
Value Added Tax	55,558,866	21,689,835	50,775,600	35,913,968
TOTAL EXPENDITURE	2,981,792,327	1,756,682,415	3,643,356,716	3,060,274,593
BUDGET RESULT	(181,557,540)	(255,874,225)	(468,045,460)	(222,832,904)

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

The Office of the Auditor-General – Republic of Fiji

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

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

This report satisfies these requirements.

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

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

TABLE OF CONTENTS

Introduction	5
Budget sectors	5
Unallocable expenditures.....	5
2016-2017 Budget	5
Changes in format for reporting to Parliament	6
Results of our audits	6
Financial performance, position and sustainability	7
Statement of Revenue and Expenses.....	8
Understanding financial position (Statement of Assets and Liabilities).....	12
Understanding sustainability.....	13
Financial Flexibility	13
Financial Vulnerability	14
Understanding internal controls	15
Reference to comments	16
Report structure	16
1.0 Context	17
Legislative framework	17
Annual Financial statements of State-Agencies (Ministries & Departments)	18
Consolidation process	18
Role of the Auditor-General	19
Reporting to Parliament	20
2.0 Types of audit opinions issued	21
Results of our audits	22
Chapter Summary	22
Key findings	22
Audit conclusions.....	22
Introduction	23
Conclusion	23
3.0 Audit Opinion results	24
Modified opinions	24
Reasons for modified audit opinions were as follows:.....	24
Unmodified opinions	26
Common key findings	26
Quality of draft agency financial statements	27
Timeliness of financial reporting.....	28

Year-end closing process	30
Financial Statements of Government	31
Consolidated Fund reporting	31
Consolidated Trust Account	31
Appropriation statement	31
Quality of financial report.....	32
Result of our audits.....	40
Key Changes in the Financial Statements of Government	40
4.0 Financial position, performance and sustainability	41
Chapter Summary	41
Introduction	41
Sectors of government covered	41
Assessing position and performance.....	42
Net operating balance	42
Net operating Result.....	42
Equity	43
Contingent Liabilities	44
Understanding financial performance.....	45
Revenue.....	46
Expenditure.....	48
Payroll expenditures.....	50
Investments.....	51
Term loan Receivable	53
Arrears of revenue	53
Accounts payable.....	54
Results from operation of Trading & Manufacturing Accounts.....	54
Trust Fund Accounts.....	55
Term loans payable.....	56
Public debt sustainability.....	56
5.0 Assessment of Internal Controls	59
Chapter summary.....	59
Introduction	59
Internal control framework.....	59
Internal controls.....	60
6.0 Significant Audit Matters.....	65
Key findings.....	65

Appendix A: Assessment of Financial Governance	66
Internal controls	66
Preparation of Draft 2016-2017 Agency Financial Statements	66
Quality of Draft Financial Statements by Entities	66
Timeliness of Draft Financial Statements for Entities	67
Timeliness of Management Comments	67
Timeliness of Signed Accounts Received	67
Result summary	68
Appendix B: Audit Opinion Results	70
Appendix C: Glossary	72
Appendix D: OAG Analysis Based on the 2016-2017 Financial Statements of Government	74
CASH AND CASH EQUIVALENTS	74
BORROWING FUND ACCOUNT	75
Borrowings over the 15 Year Period	75
Trends in Government Borrowing by Category	76
Loan Repayments.....	77
Domestic Bonds	79
Borrowings & Interest Payments	80
Overseas Borrowings	81
Yearly Overseas Borrowings	81
Overseas Borrowings Outstanding & Interest Paid	83
Revaluation of Overseas Borrowings	84
Treasury Bills	84
Treasury Bills Over a 15-year Period.....	86
Treasury Bills Management.....	87
Ways and Means.....	88
Financial Flexibility.....	88
Financial Vulnerability.....	89
INVESTMENTS	95
<i>Return on Investments</i>	95
<i>Analysis of Dividends and Investments</i>	96
<i>Dividends Remitted per Entity</i>	96

Introduction

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

The Permanent Secretary for Economy is responsible for consolidating the financial data of all ministries and departments into the Financial Statements of Government. These financial statements separately disclose expenditure against appropriation heads for sectors which include general administration, social services, economic services and infrastructure services. Certain expenditures which cannot be allocated to any of these sectors are reflected as unallocable. The accounts of other public entities have not been consolidated with those of government based on the decision of Ministry of Economy.

Budget sectors

The *General administration sector* includes the Office of the President, Office of the Prime Minister, Office of the Attorney General, Ministry of Economy, Ministry of iTaukei Affairs, Ministry of Defence, National Security and Immigration, Ministry of Employment, Productivity and Industrial Relations, Ministry of Foreign Affairs, Office of the Auditor General, Fijian Elections Office, Judiciary, Parliament, Independent Commissions, Office of the Director of Public Prosecutions, Ministry of Justice, Fiji Corrections Service, Ministry of Communication, Ministry of Civil Service, Ministry of Rural and Maritime Development and National Disaster Management, Republic of Fiji Military Forces, Fiji Police Force and Peacekeeping Missions .

The *Social services sector* covers Ministry of Education, Heritage and Arts, Ministry of Health and Medical Services, Department of Housing, Ministry of Women, Children and Poverty Alleviation, Ministry of Youth and Sports and Higher Education Institutions.

The *Economic services sector* includes Ministry of Agriculture, Ministry of Fisheries and Forests, Ministry of Lands and Mineral Resources, Ministry of Industry, Trade and Tourism, Ministry of Sugar, Ministry of Public Enterprise and Ministry of Local Government, Housing and Environment.

The *Infrastructure sector* covers Ministry of Infrastructure and Transport and grants paid to Water Authority of Fiji and Fiji Roads Authority. These entities prepare separate financial statements which are audited by the Auditor-General.

Unallocable expenditures

Unallocable expenditures include miscellaneous services, pensions, gratuities and compassionate allowances and finance charges on public debt.

2016-2017 Budget

Severe devastation was caused by TC Winston in February 2016 that resulted in total damage and loss to the economy of an estimated \$2.85 billion. As a result, Government designed the financial year 2016 - 2017 budget to meet the costs relating to rehabilitation of public infrastructure including

schools, health facilities and housing. It was anticipated that the systematic programming of rehabilitation expenditure through the budgetary process will smoothen out in the latter years. The re-focusing of expenditure was also anticipated to have a positive impact on medium to long term macroeconomic fundamentals of the country. The increased expenditure will stimulate economic activity across a number of sectors and in turn support employment creation, raise consumption levels and provide further impetus for growth.¹

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

Changes in format for reporting to Parliament

Prior year's Auditor-General's reports on the Financial Statements of Government and Annual Appropriation Statement contained a combination of financial analysis and recommendations for improvements which at times was found to be confusing to the users of the report.

The revised reporting format for this report is consistent with formats used by other national audit offices, separates the analysis from the audit findings. The significant audit findings and recommendations are discussed under the heading "*Significant audit matters*" section of this report in Chapter 6.

However, the format for reporting of results of audit of ministries and departments for various sectors has been retained pending review. Changes which have been introduced in these reports include status of controls, timeliness and quality of financial statements by sector.

This report summarizes our analysis of the financial position, performance, sustainability and timeliness and quality of financial reporting by ministries and departments. The report also includes the results of internal control reviews in respective agencies.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the entity. These have been included in this report as they impacted on the overall system of control of the ministries and departments as at 31 July 2017.

Results of our audits

We have issued audit opinions on agency financial statements of **33** Ministries and Departments.

Quality and timeliness of Financial Statements

- The *draft financial statements* of **18 or 55%** of Ministries/Departments were *timely* and **29 or 88%** of Ministries/Departments were of *good quality*.
- *Management comments* on draft management letters for **16 or 48%** of Ministries/Departments were *received on time* and audited accounts for **18 or 55%** of Ministries/Departments were *signed and returned on time*.
- We issued *unmodified opinions* on **21 or 64%** of the agency financial statements for 2016-2017.

¹ 2016-2017 Budget Supplement – 22 June 2016

For the 2017 financial year, we issued 21 or 64% unmodified opinions on 33 of the agency financial statements compared to 21 unmodified opinions on 34 of the agency financial statements for the 2016 financial year. This reflects a slight increase in percentage of unmodified opinions issued for 2017 financial year when compared to 2016.

In accordance with International Standards on Auditing (ISA), we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the provisions of the Financial Management Act 2004 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an entity.

We issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. Refer to Table 1.1 below for details.

Table 1.1: Independent Audit Reports issued for 2016 - 2017 financial year

Sector	Unmodified Opinions	Modified Opinions	Total
Number of Audits	21	12	33
Percentage of Total	64%	36%	100%

While majority of the ministries and departments submitted the draft financial statements for 2017 before the deadline of 16 October 2017 set by Ministry of Economy, 15 or 45% of the agencies were significantly late in submitting their financial statements which delayed our audit. The delay was attributed to the following:

- Corrections of errors and omissions in draft financial statements submitted to audit ;
- Adjustments and virements passed ;
- Delay in submission of management comments for issues raised in draft management letter which affected the draft financial statements ; and
- Documents not provided for audit purposes.

The draft financial statements for 2016 - 2017 of **21 or 64%** of ministries and departments were not adjusted during our audit. The remaining financial statements were adjusted through audit adjustments and adjustments passed by respective Ministries/Departments after submission of draft financial statements for our audit.

Financial performance, position and sustainability

Each year, the Permanent Secretary for Economy prepares the Financial Statements of Government and Annual Appropriation Statement.

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

Financial Snapshot

The key financial statement items namely expenditure, revenue, cash and cash equivalents, term loans receivables, investments, trust fund accounts, terms loans payable and equity are discussed below.

The 2017 financial year was for 12 months from 01/08/16 – 31/07/17 and 2016 financial year was for 7 months from 01/01/16 – 31/07/16. Thus for comparison of Statement of Revenue and Expenses, the 2017 financial year is compared in this report with 2015 since both financial year were for 12 months. However for Statement of Assets and Liabilities, the comparison is between 2017 and 2016 financial year since the Statement of Assets and liabilities are as at balance date.

Statement of Revenue and Expenses

Table 1.2 provides a snapshot of revenue and expenses for 2017 in comparison to 2015.

Table 1.2: Revenue and Expenses snapshot

Description	31/07/17 (\$)	Indicator	31/12/15 (\$)	Increase/ (Decrease) (\$)
Direct Taxes	766,055,195	▲	605,113,135	160,942,060
Indirect Taxes	1,813,120,249	▲	1,754,750,096	58,370,153
Fees, Fines and Charges	127,840,431	▲	105,511,209	22,329,222
Operating Revenue Sales	220	▼	382	(162)
Other Receipts	44,298,661	▲	41,813,616	2,485,045
Reimbursements and Recoveries	30,858,490	▲	19,252,509	11,605,981
Grant Aid	18,771,402	▲	18,321,910	449,492
Total Operating Revenue	2,800,944,648	▲	2,544,762,857	256,181,791
Repayments of Term Loan Receivable	1,398,587	▲	270,831	1,127,756
Sale of Government Assets	2,470,837	▼	188,173,658	(185,702,821)
Dividends from Investments	25,308,640	▼	62,331,570	(37,022,930)
Interest from Bank Balances	1,156,531	▲	309,535	846,996
Return of Surplus Capital from Investment	6,162,446	▲	4,361,514	1,800,932
Recovery of Scholarship Bonds	---	▼	24,821	(24,821)
Total Investing Revenue	36,497,041	▼	255,471,929	(218,974,888)
Total Revenue	2,837,441,689	▲	2,800,234,786	37,206,903
Operating Expenditure	593,142,733	▲	550,181,444	42,961,289
Capital Expenditure	60,340,461	▲	54,098,918	6,241,543
Total General Administration Services	653,483,194	▲	604,280,362	49,202,832
Operating Expenditure	763,344,255	▲	721,059,208	42,285,047

Description	31/07/17 (\$)	Indicator	31/12/15 (\$)	Increase/ (Decrease) (\$)
Capital Expenditure	55,812,027	▼	56,448,619	(636,592)
Total Social Services	819,156,282	▲	777,507,827	41,648,455
Operating Expenditure	108,281,854	▲	94,297,812	13,984,042
Capital Expenditure	110,496,336	▲	89,593,357	20,902,979
Total Economic Services	218,778,190	▲	183,891,169	34,887,021
Operating Expenditure	160,075,309	▲	130,925,366	29,149,943
Capital Expenditure	484,373,220	▼	722,085,594	(237,712,374)
Total Infrastructure Services	644,448,529	▼	853,010,960	(208,562,431)
Operating Expenditure	62,288,177	▼	122,789,900	(60,501,723)
Capital Expenditure	314,579,750	▲	50,458,614	264,121,136
Total Miscellaneous Services	376,867,927	▲	173,248,514	203,619,413
Pensions, Gratuities and Compassionate Allowance	34,880,413	▼	38,878,319	(3,997,906)
Value Added Tax	35,913,968	▼	55,558,866	(19,644,898)
Interest Payments on Loans	276,746,090	▼	295,416,310	(18,670,220)
Total Unallocable	347,540,471	▼	389,853,495	(42,313,024)
Total Expenditure	3,060,274,593	▲	2,981,792,327	78,482,266
Key Financial Ratio				
Operating Margin²	1.63	▲	1.60	0.03

▲ Increase from previous year

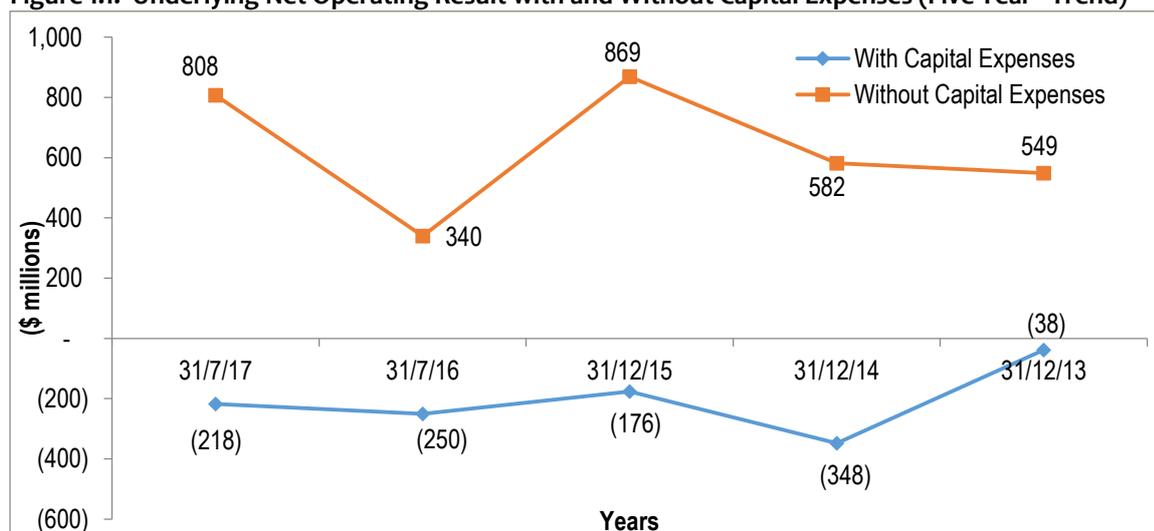
▼ Decrease from previous year

The operating revenue increased by \$256,181,791 or 10% in 2017. However, investing revenue decreased by \$218,974,888 or 86%. Overall, revenue increased by \$37,206,903 or 1%. The increase in revenue was mostly from direct taxes, indirect taxes and fees, fines and charges.

Expenditure for all sectors increased except for infrastructure services which decreased by \$208,562,431 and unallocable by \$42,313,024. Overall the expenditure increased by \$78,482,266 or 3%.

The net operating result with and without Capital Expenditures is shown in Figure 1.1 below.

² Operating margin benchmark is > 1.0

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

Source: Figures from 2017 and previous years audited Financial Statements of Government were used to compute the figures in the graph above

The Government's Net Operating balance (with capital expense) had remained in deficit for the last five years. The net operating deficit decreased by 13% from \$250 million in 2016 to \$218 million in 2017.

The Government had a Net Operating Surplus (without capital expenses) of \$808 million for the year ended 31 July 2017. This has remained positive over the last five years.

Payroll Details

The payroll expenditure of the government has established staffs and government wage earners. The established staff and government wage earners include full-time staff employed on contractual basis and project staff employed for specific projects within Ministries/Departments. The payroll expenditure includes personal emoluments, contributions to Fiji National Provident Fund, various allowances and overtime. Payroll costs and number of employees from 2013 to 2017 are shown in Table 1.3 below.

Table 1.3: Payroll details

	2013	2014	2015	2016 (7 months)	2017
	(\$)	(\$)	(\$)	(\$)	(\$)
Established Staff					
Actual Payroll	581,796,372	719,735,060	781,720,316	458,175,830	800,546,116
Number of Employees	20,745	21,785	23,126	23,477	23,932
Average Cost per employee	28,045	33,038	33,803	19,516	33,451
Government Wage Earners					
Actual Payroll	40,873,910	45,253,662	45,089,205	28,140,510	53,462,154
Number of Employees	4,361	4,633	4,351	4,520	4,642
Average Cost per employee	9,373	9,768	10,363	6,226	11,517
Overall Total					
Actual Payroll	622,670,282	764,988,722	826,809,521	486,316,340	854,008,270
Number of Employees	25,106	26,418	27,477	27,997	28,574

Source: Actual payroll amount for Established staff and Government Wage Earners were extracted from Notes to 2017 financial statements and previous years audited financial statements of government. Number of Established staff were extracted from payroll reports from FMIS payroll and number of Government Wage Earners were provided by Salaries Section of Ministry of Economy.

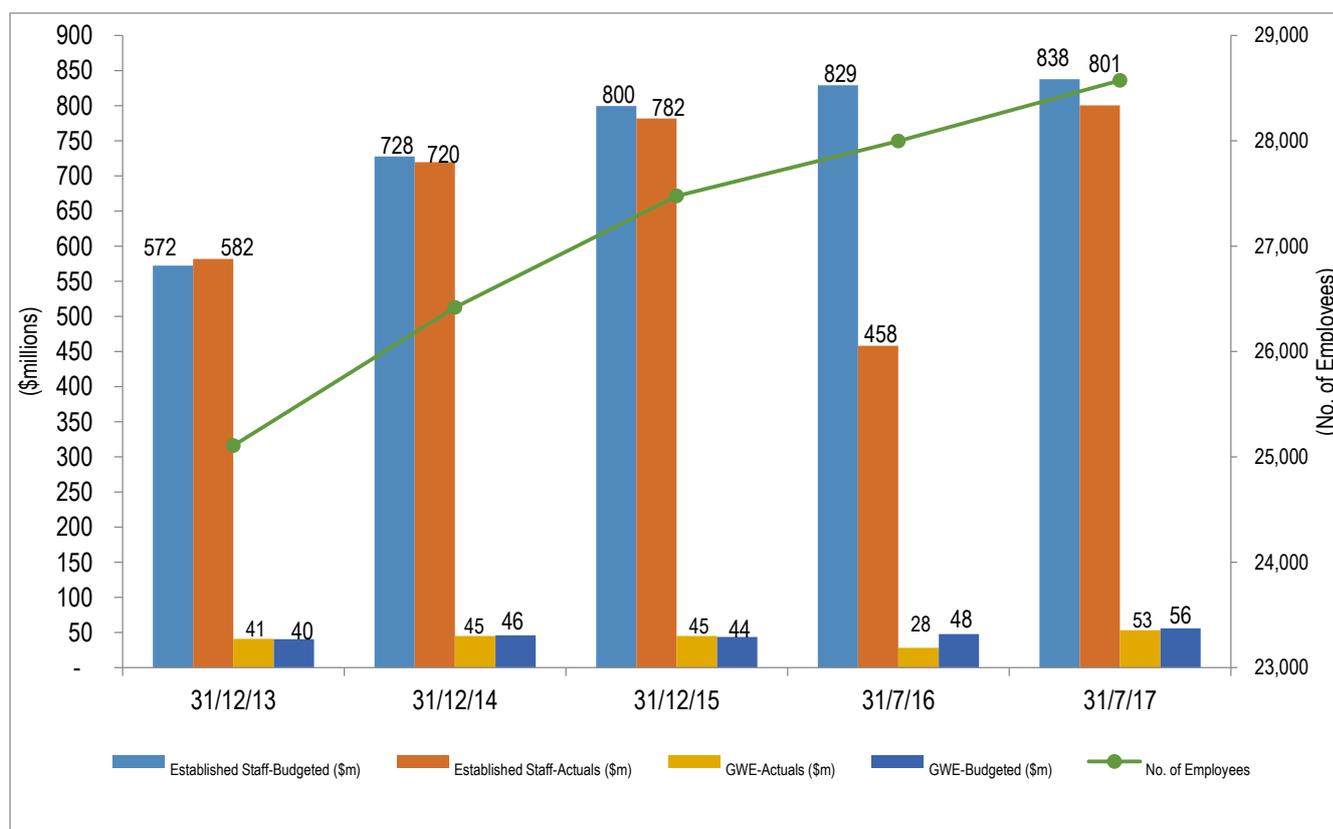
The payroll expenditure for established staff has been increasing from 2013 to 2017. The decline in 2016 was due to financial period of 7 months. Government Wage Earners had a similar trend except for a slight decrease in 2015.

In 2017, the number of established and government wage earners was the highest amounting to 23,932 and 4,642 respectively. As a result, the average cost per employee of established staff and government wage earners increased to \$33,451 and \$11,517, respectively.

The total payroll expenditure in 2017 was \$854,008,270 with actual number of 28,574 employees. The overall average payroll cost per employee was \$29,888.

The Figure 1.2 below shows budgeted and actual established staff and government wage earners and employee numbers from 2013 to 2017.

Figure 1.2: Trends in Payroll



Understanding financial position (Statement of Assets and Liabilities)

Table 1.4 provides a snapshot of assets and liabilities for 2017 in comparison to 2016.

Description	31/07/17	Indicator	31/07/16	Increase/ (Decrease)
	(\$)		(\$)	(\$)
Cash and Cash Equivalents	289,753,141	▲	218,496,898	71,256,243
Accounts Receivable	114,406,946	▲	83,468,643	30,938,303
Prepayments	1,203,897	▼	1,700,879	(496,982)
Inventory	3,441,302	▼	3,971,882	(530,580)
Term-Loans Receivable	481,928,586	▲	397,505,809	84,422,777
Equity Investments	440,342,400	▼	445,303,322	(4,960,922)
Total Assets	1,331,076,272	▲	1,150,447,433	180,628,839
Liabilities				
Accounts Payable	95,014,885	▼	100,948,253	(5,933,368)
Deferred Income	5,115,009	▲	3,230,049	1,884,960
Trust Fund Account	197,199,489	▲	143,329,585	53,869,904
Term Loans Payable - Treasury Bills	94,884,303	▼	163,844,780	(68,960,477)
Term Loans Payable - Overseas Loans	1,367,960,883	▲	1,258,728,393	109,232,490
Term Loans Payable - Domestic Loans	3,204,762,346	▲	3,079,850,613	124,911,733
Total Liabilities	4,964,936,915	▲	4,749,931,673	215,005,242
Net Liability	(3,633,860,643)	▲	(3,599,484,240)	(34,376,403)
Key Financial Ratios				
Current ratio ³	0.67	▲	0.55	0.12
Debt to equity ratio	(1.37)	▼	(1.32)	(0.05)
Debt to asset ratio	3.73	▼	4.13	(0.40)

▲ Increase from previous year

▼ Decrease from previous year

The total assets increased by \$180,628,839 or 16% due to the increase in cash and cash equivalents by \$71,256,243 and term loan receivables by \$84,422,777 and accounts receivable by \$30,938,303.

The liabilities increased by \$215,005,242 or 5% due to increase in trust fund accounts by \$53,869,904, term loans payable – overseas loans by \$109,232,490 and term loans payable – domestic loans by \$124,911,733. The increase in trust fund was due to opening up of new trust fund accounts in 2017. The increase in term loan payable was due to increase in government borrowing.

Total assets as at 31/07/17 was \$1.3 billion against total liabilities of \$4.9 billion resulting in a net liability of \$3.6 billion as at 31/07/17.

For every \$1 of assets there is \$3.73 of liabilities indicating an unfavourable financial position of the government as at 31/07/17. The, overall the net liability of the government declined by \$34.4 million or 1% from 31/07/16.

³ Current ratio benchmark is > 1.0

Understanding sustainability

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

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

Figure 1.3 below is the Debt Sustainability for the Government for the last five years.

Figure 1.3: Movement in Debt Sustainability for the Government debt to GDP

Total Debt	4,668m	4,502m	4,221m	4,083m	3,825m
GDP	9,865m	9,853m	9,211m	8,436m	7,716m
Debt to GDP Ratio	47%	46%	46%	48%	50%
Financial Year Ended	31/7/17	31/7/16 (7 months)	31/12/15	31/12/14	31/12/13
% Change	1 ↑	0	2 ↓	2 ↓	2 ↓

Source: Total Debt and Gross Domestic Product (GDP) figures were extracted from 2017 and previous years audited Financial Statements of Government.

An increase in debt to GDP ratio indicates there is slightly more burden of debt against the total production of goods and services by the government.

The provisional GDP amount provided by the Reserve Bank of Fiji Macroeconomic Committee for the fiscal year and was reflected in the Financial Statements of Government amounted to \$9,865,489,759 (p). The GDP amount recorded by the Fiji Bureau of Statistics for the calendar year was \$8,407,931,155.⁴

Financial Flexibility

Furthermore, a good debt indicator is financial flexibility. This shows the increase in financial resources or revenue to respond to increasing financial commitments either by expanding the revenue or increasing the debt burden.

This indicator would show the percentage of total debt repayments against the total revenue for the economy.

Figure 1.4 below shows the Debt Financial Flexibility for the Government for the last five years.

⁴ Written confirmation provided by Fiji Bureau of Statistics on 17 April 2019

Figure 1.4: Movement in Debt Financial Flexibility for the Government

Debt Repayment	664m	433m	1,286m	747m	577m
Revenue	2,859m	1,515m	2,820m	2,393m	2,120m
Debt Repayment to Revenue	23%	29%	46%	31%	27%
Financial Year Ended	31/7/17	31/7/16 (7 months)	31/12/15	31/12/14	31/12/13
% Change	6 ↓	17 ↓	15 ↑	4 ↑	9 ↓

Source: Debt Repayment and Revenue figures were extracted from 2017 and previous years audited Financial Statements of Government.

A lower percentage of debt to be repaid from total revenue is a good indicator for government as this indicates that a larger percentage of revenue is available to be used for other government programs.

Financial Vulnerability

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

Figure 1.5 below shows the Financial Vulnerability measure for the Government for the last five years.

Figure 1.5: Movement in Financial Vulnerability Measure for the Government

External Debt	1,368m	1,259m	1,241m	1,254m	1,081m
Total Debt	4,668m	4,502m	4,221m	4,083m	3,825m
External debt to Total debt	29%	28%	29%	31%	28%
Financial Year Ended	31/7/17	31/7/16 (7 months)	31/12/15	31/12/14	31/12/13
% Change	1 ↑	1 ↓	2 ↓	3 ↑	3 ↑

Source: Debt figures were extracted from 2017 and previous years audited Financial Statements of Government.

The government has a debt mix of approximately 30% external borrowings against 70% Domestic borrowings. However, the lesser the reliance on external borrowings, the better it is for the government.

Understanding internal controls

Good internal controls provide reasonable assurance that ministries or departments are achieving its objectives relating to operations, reporting and compliance. We assess the financial controls used by the public sector entities using the following five key elements:

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

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

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

The internal controls for the Ministries and Departments were assessed and categorized as effective, generally effective and ineffective. Summary of control assessments across whole of government are shown in Table 1.5 below.

Table 1.5: Summary of control assessments

	Number of Ministries/Departments				
	Control Environment	Risk Assessment	Control Activities	Information and Communication Control	Monitoring Activities
	(CE)	(RA)	(CA)	(IC)	(MA)
General Administration					
Effective	15	13	12	18	16
Generally Effective	2	6	7	1	3
Ineffective	3	1	1	1	1
Total	20	20	20	20	20
Social Services					
Effective	1	2	1	3	3
Generally Effective	2	2	3	2	2
Ineffective	2	1	1	---	---
Total	5	5	5	5	5
Economic Services					
Effective	2	2	3	3	4
Generally Effective	1	2	---	1	---
Ineffective	4	3	4	3	3
Total	7	7	7	7	7
Infrastructure Services					
Effective	---	---	---	---	---
Generally Effective	1	---	1	1	---
Ineffective	---	1	---	---	1
Total	1	1	1	1	1

Source: OAG

It is noted that the internal controls for majority of the ministries and departments are collectively effective. Detailed discussion of internal controls in ministries and departments and deficiencies noted are reported in the respective sector reports. These include Parliamentary Paper No. 07 of

2019, Parliamentary Paper No. 08 of 2019, Parliamentary Paper No. 09 of 2019 and Parliamentary Paper No. 10 of 2019.

Reference to comments

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

Report structure

Chapter	Summary
Audit Report on Financial Statements of Government and Appropriation Statement for the year ended 31 July 2017	
Chapter 1	<u>Provides context for audit findings and conclusions</u>
2	<u>Discusses the types of audit opinions</u>
3	<u>Evaluates the audit opinion results, timelines and quality of reporting</u>
4	<u>Provides financial analysis</u>
5	<u>Assess the strength of internal controls in ministries & departments</u>
6	<u>Discusses significant audit matters in the 2017 Financial Statements of Government.</u>
Appendix	Appendices containing Assessment, Audit Opinions, Glossary and Analysis on Financial Statements of Government

1.0 Context

Legislative framework

The following legislation establishes the financial accountability frameworks and legislative time frames to complete financial statements audits for state-agencies. Refer to Table 1.6 below.

Table 1.6: Legislative framework

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

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

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

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

Annual Financial statements of State-Agencies (Ministries & Departments)

Each state-agency must prepare the following statements as required by Section 71 (1) of the *Finance Instructions 2010* as part of annual financial statements:

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

On 1 June 2017, Ministry of Economy issued a circular number 04/2017 to all state-agencies to submit the draft 2017 annual financial statements to the Auditor-General by 16 October 2017 for audit.

Except for trading and manufacturing accounts which are accounted for on accrual basis, state-agencies prepare their financial statements using Financial Management Act 2004, Finance Instructions 2010 and Finance (Amendment) Instructions 2016.

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

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

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

Consolidation process

The accounts of state-agencies are consolidated with those of Ministry of Economy using International Public Sector Accounting Standards (IPSAS): Financial Reporting under Cash Basis of Accounting reporting requirements, Cabinet decision 277 of 2010 and disclosures made as required by Financial Management Act 2004. Additional statements are prepared in accordance with modified cash. Consolidated financial statements include state-agencies which are part of the national budget estimates and financials of those agencies outside the budget, such as Trading and Manufacturing Accounts and Trust Accounts, as required by law.

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

Role of the Auditor-General

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

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

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

- (a) transactions with or concerning the public money or public property of the State have been authorized by or pursuant to the Constitution or any written law; and
- (b) expenditure has been applied for the purpose for it was authorized.

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

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

The Auditor-General must satisfy himself or herself that -

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

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

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

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

the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Reporting to Parliament

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

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

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

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

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

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

2.0 Types of audit opinions issued

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

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

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

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

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

Results of our audits

Chapter Summary

We audit the financial statements of Ministries and Departments (State-agencies) to provide reasonable assurance about whether the financial statements are free from material misstatement.

Key findings

We issued 33 audit opinions on the 2017 financial statements of State-agencies. Out of this 21 or 64% were unmodified opinions and 12 or 36% were modified opinion. This means that in most cases, material misstatements, individually or in aggregate were not noted in our audit, which would affect the financial statements of an agency.

Audit conclusions

Out of 33 Ministries/departments financial statements audited, a total of 21 Ministries/Departments financial statements were issued with unmodified opinions while audit opinions on 12 were modified which indicated that amounts shown in these financial statements were materially misstated.

Introduction

Each year, we audit the financial statements of State-agencies to provide assurance to their reliability. In addition, we also audit the:

- accounts of the Consolidated Fund
- Financial Statements of Government
- annual appropriation statement

Ministry of Economy advised all State-agencies to provide the draft 2017 agency financial statements to the Auditor-General by 16 October 2017. If agencies comply with the monthly and quarterly reporting requirements set by *Finance Instructions 2010* throughout the year, they should be able to a set of high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by 33 agencies for financial year ended 31 July 2017 by considering:

- Year - end closing process – whether accounts were closed-off on agreed date.
- Timeliness – whether complete draft 2017 financial statements were submitted for our audit by an agreed date.
- Quality – the extent of accounting adjustments made during our audit.
- Management comments – time taken (in days) by Ministries/Departments to submit management comments for findings raised in Draft Management Letter (DML) from the date the DML was issued.
- Signing of financial statements – time taken (in days) by Ministries/Departments to submit signed financial statements from the date it was issued.

Our assessment criteria and the result of our assessment for each ministry/department is included in Appendix A.

Conclusion

The summary at whole of government assessment of timeliness and quality is shown in Table 1.7 below.

Table 1.7: Summary of timeliness and quality assessment

	Number of Ministries/Departments				
	Compliance to Year End Process (YE)	Quality of Financial Statements (Q)	Timeliness of Financial Statement (T)	Timeliness of Management Comments (MC)	Timelines of Signing of Financial Statements (SFS)
Effective	10	19	10	11	10
Generally Effective	18	10	8	5	9
Ineffective	5	4	15	17	14
Total	33	33	33	33	33

Source: OAG

It is noted that the majority of ministries/departments were either effective or generally effective in compliance to year-end closing process and quality of the financial statements.

Refer below to percentage of ministries/departments which were ineffective in the following:

- Timeliness of financial statements – 45%;
- Timeliness of management comments – 52%
- Timeliness of signing of financial statements -42%

3.0 Audit Opinion results

Table 1.8 summarizes the audit opinions we issued on the 2016-2017 financial statements for State-agencies.

Table 1.8: Audit opinions issued by OAG for 2016 - 2017 financial year

Sector	Unmodified opinions	Modified opinions
General Administration	14	6
Social Services	4	1
Economic Services	3	4
Infrastructure Services	---	1
Total	21	12

Source: OAG

The sector reports provide summary and detail of the agencies and the opinions issued on their financial statements for each sector.

Modified opinions

We issued modified opinions on 12 of the 2017 financial statements completed for various ministries and departments.

Reasons for modified audit opinions were as follows:

Twelve (12) or 36% of the Ministers/Departments financial statements had modified opinions. This means that material misstatements were noted in the financial statement that were audited. Refer to Table 1.9 for list of Ministries/Departments with modified audit opinion.

Table 1.9: Categories of Modified Audit Opinion

Ministries/Departments	Categories of Modified Audit Opinions							Categories of Emphasis of Matter			
	Revenue	Main Trust Fund Account	Record Keeping	Inventory	Expenditure	Value Added Tax	Trading and Manufacturing Accounts	Internal Controls	Board of Survey	Trading and Manufacturing Accounts	Main Trust Fund Account
General Administration											
1. Ministry of Defence, National Security and Immigration	✓	✓									
2. Ministry of Employment, Productivity and Industrial Relations		✓						✓			
3. Judiciary		✓	✓								
4. Ministry of Justice		✓									
5. Ministry of Rural and Maritime Development and National Disaster Management	✓							✓			
6. Republic of Fiji Military Forces		✓							✓		
Social Services											
1. Ministry of Health and Medical Services		✓						✓	✓		
Economic Services											
1. Ministry of Agriculture		✓		✓				✓			
2. Ministry of Lands and Mineral Resources	✓				✓						
3. Ministry of Fisheries and Forests		✓			✓		✓		✓	✓	
4. Ministry of Local Government and Environment	✓	✓	✓		✓			✓			
Infrastructure Services											
1. Ministry of Infrastructure and Transport						✓	✓	✓		✓	✓

✓ New modified opinion/emphasis of matter ✓ Repeated modified opinion/emphasis of matter

Unmodified opinions

We issued unmodified opinions on 21 or 64% of the 2017 financial statements for various ministries and departments. This means that material misstatements were not noted in majority of the agencies which were audited.

Refer Table 1.10 for list of Ministries/Departments with unmodified audit opinion.

Table 1.10: Ministries/Departments with unmodified audit opinion

Number	Ministries/Departments	Emphasis of Matter
General Administration		
1	Office of the President	No
2	Office of the Prime Minister	No
3	Office of the Attorney General	No
4	Ministry of Economy	No
5	Ministry of iTaukei Affairs	No
6	Ministry of Foreign Affairs	No
7	Parliament	No
8	Office of the Director of Public Prosecutions	No
9	Fiji Corrections Service	No
10	Department of Information and Communication	No
11	Department of Information, Technology and Computing Services	No
12	Ministry of Civil Service	No
13	Fiji Police Force	No
14	Peacekeeping Missions	Yes
Social Services		
15	Ministry of Education, Heritage and Arts	No
16	Department of Housing	No
17	Ministry of Women, Children and Poverty Alleviation	Yes
18	Ministry of Youth and Sports	No
Economic Services		
19	Ministry of Industry, Trade and Tourism	No
20	Ministry of Sugar	No
21	Ministry of Public Enterprise	No

Source: OAG

Common key findings

Common key findings which have been reported in sector audit reports are categorised in Figure 1.6 below.

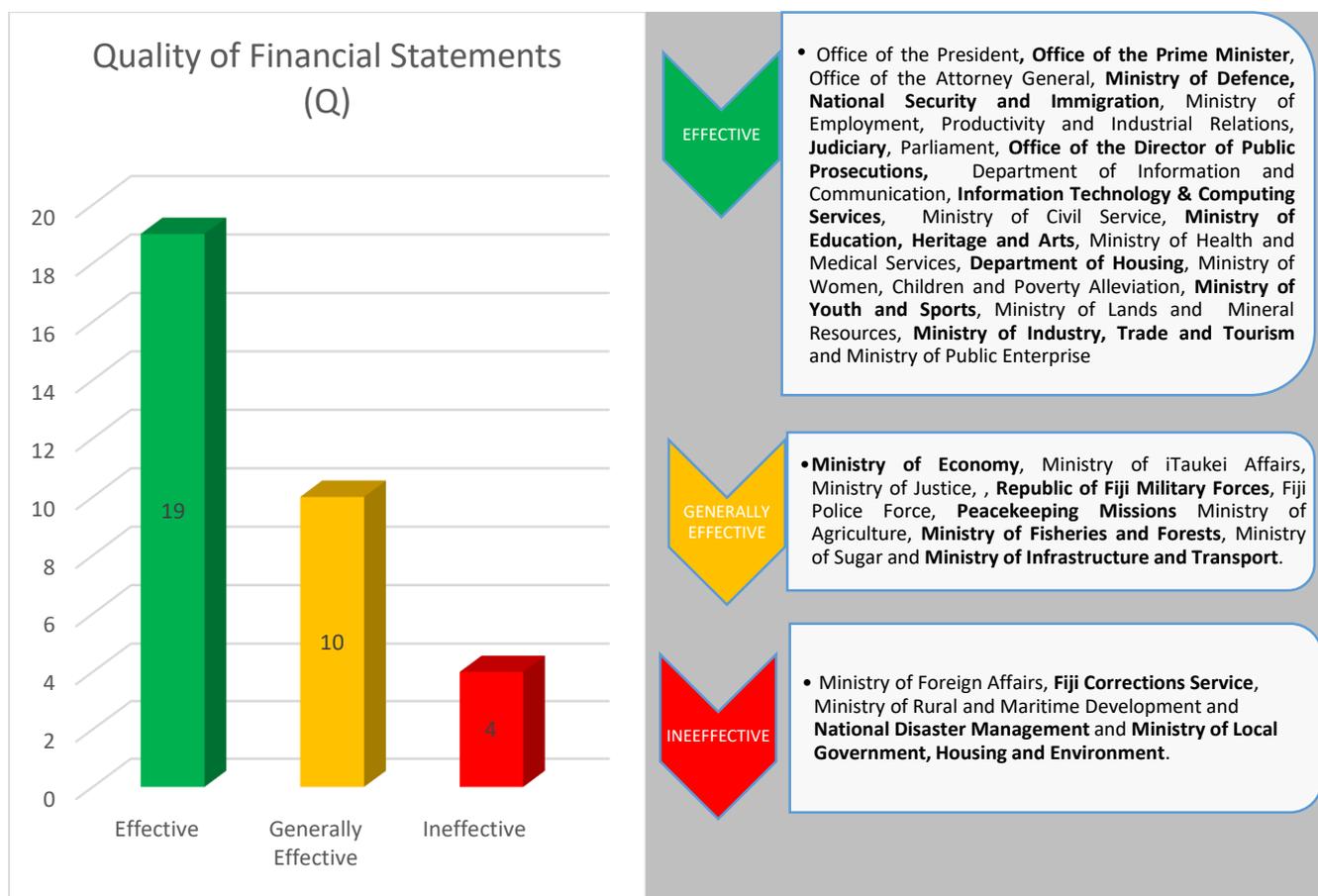
Figure 1.6: Common audit findings across Ministries/Departments



Quality of draft agency financial statements

The quality ratings for the draft financial statement for the Ministries and Departments were determined by classifying them into three categories namely effective, generally effective and ineffective. Refer to figure 1.7 below.

Figure 1.7: Quality Assessment of Ministries and Departments



The extent of audit adjustments made to draft financial statements indicates the effectiveness of the agency's internal review processes to identify and correct errors before these are provided for audit.

Nineteen (19) ministries and departments prepared good quality complete draft financial statements that did not require any adjustments.

Adjustments were passed on draft financial statements for twelve (12) ministries and departments.

Timeliness of financial reporting

To be useful to users, financial statements should be completed and made available as soon as possible after close of financial year. Information in financial statements becomes less relevant to users as the time passes from close of financial year. The deadline set by Ministry of Economy for submission of draft financial statements was 16 October 2017, as per Ministry of Economy closing of accounts circular number 4 of 2017. Refer to Table 1.11 below for details:

Table 1.11: Agencies which met or missed the agreed timeline for submission of draft financial statements

Ministries/Departments	Timelines Met	Timeliness Missed
General Administration		
1. Office of the President		✓
2. Office of the Prime Minister		✓
3. Office of the Attorney General		✓
4. Ministry of Economy	✓	
5. Ministry of iTaukei Affairs		✓
6. Ministry Defense, National Security and Immigration		✓
7. Ministry of Employment, Productivity and Industrial Relations		✓
8. Ministry of Foreign Affairs		✓
9. Judiciary		✓
10. Parliament	✓	
11. Office of the Director of Public Prosecutions	✓	
12. Ministry of Justice		✓
13. Fiji Corrections Service		✓
14. Department of Information and Communication	✓	
15. Department of Information, Technology and Computing Services	✓	
16. Ministry of Civil Service		✓
17. Ministry of Rural and Maritime Development and National Disaster Management		✓
18. Republic of Fiji Military Forces		✓
19. Fiji Police Force		✓
20. Peacekeeping Missions	✓	
Social Services		
21. Ministry of Education, Heritage and Arts	✓	
22. Ministry of Health and Medical Services		✓
23. Department of Housing		✓
24. Ministry of Women, Children and Poverty Alleviation		✓
25. Ministry of Youth and Sports	✓	
Economic Services		
26. Ministry of Agriculture		✓
27. Ministry of Fisheries and Forests	✓	
28. Ministry of Lands and Mineral Resources		✓
29. Ministry of Industry, Trade and Tourism		✓
30. Ministry of Sugar	✓	
31. Ministry of Public Enterprise		✓
32. Ministry of Local Government, Housing and Environment		✓
Infrastructure Services		
33. Ministry of Infrastructure and Transport		✓

✓ Met the agreed timeline for submission of draft financial statements

✓ Missed the agreed timeline for submission of draft financial statements

Reasons for delays in submission of draft financial statements by various Ministries/departments was as follows:

- The Ministry of Infrastructure and Transport was in consultation with Ministry of Economy and other stakeholder in identifying ways to rectify the issue of unsubstantiated balances which arose in audit report from the past years and on the format of presentation which will solve the Cash at Bank balance issue in the TMA Balance Sheet ;
- Delay in submission of departmental financial statement for compilation of overall financial statements ;
- Reconciliation of amended main trust fund figures to the FMIS general ledger ;
- Time taken in appointment of new Accounts Officer to prepare and submit financial statements for audit ;
- Unavailability of Head of Department to approve financial statement for submission to audit ; and
- Confirmation of financial statement notes.

Year-end closing process

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

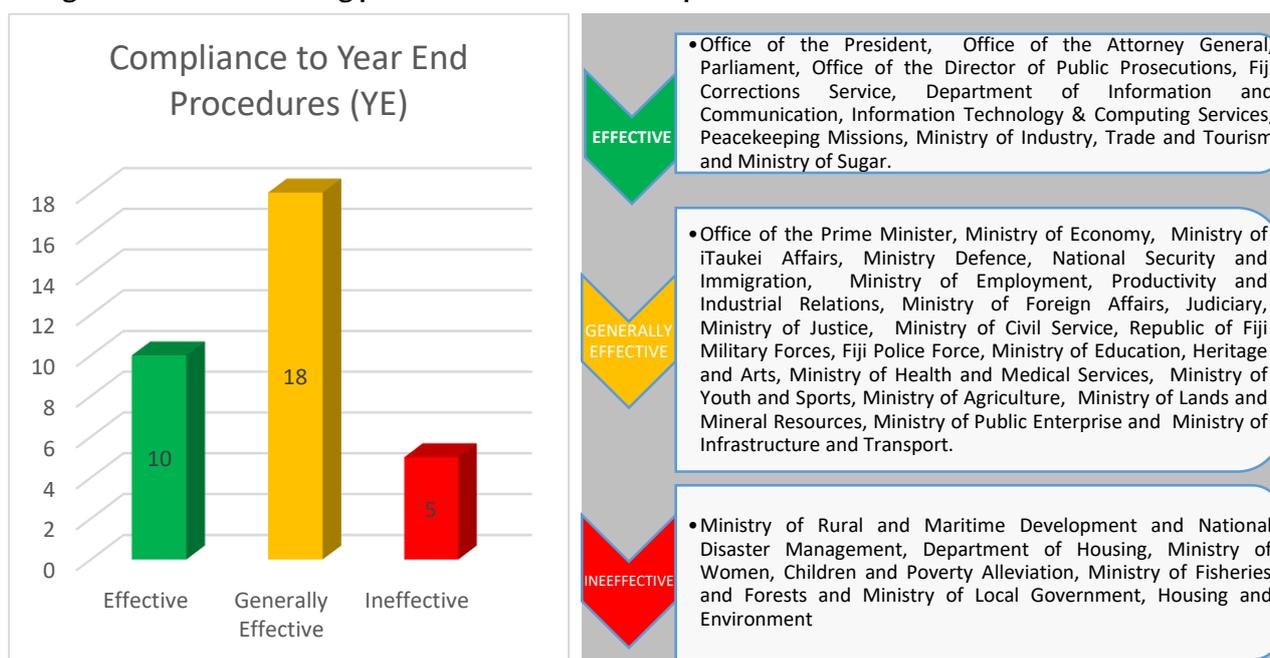
- Closing date for journal adjustments by 11 August 2017;
- Clearance of Inter-departmental clearance accounts by 4 August 2017;
- Monitoring of unpresented cheques by 31 July 2017;
- Clearance of stale cheques by 4 August 2017;
- Annual Board of Survey on Drawings Account cheques by 29 September 2017;
- Retirement of imprests by 21 July 2017;
- Cancellation of unprocessed purchase orders by 14 July 2017;
- Processing of payments and virements by 21 July 2017;
- Completion of reconciliations by 29 September 2017; and
- Submission of arrears of revenue returns by 30 August 2017.

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

There were 10 key focus areas in the 2017 closing of accounts circular. The year-end closing process ratings for the Ministries and Departments were determined by classifying them into the 3 categories namely effective, generally effective and ineffective.

Ten (10) ministries and departments completed all process by the due dates. Eighteen (18) ministries and departments completed 5 of 10 key processes within 2 weeks of due date and were categorized as effective and generally effective respectively. Five (5) ministries and departments were ineffective as they completed less than 5 of 10 key processes completed within two weeks of due date. Refer to Figure 1.8 below.

Figure 1.8: Year-end closing process of Ministries and Departments



Financial Statements of Government

Permanent Secretary for Economy prepares the consolidated financial statements of Government annually. These financial statements are prepared in accordance with the Cash-basis International Public Sector Accounting Standards reporting requirements and Cabinet decision 277 of 2010. Additional disclosures are also made in accordance with the requirements of the Financial Management Act 2004. Some statements forming part of the financial statements were drawn up using modified-cash figures from the general ledger.

Consolidated Fund reporting

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

This report covers the following transactions for the financial year:

- operating revenue including taxes, revenue from investments including those from operation of trading and manufacturing accounts;
- expenditures incurred for unallocable items;
- government borrowings and repayments;
- government guarantees and other contingent liabilities; and
- government assets and liabilities.

Consolidated Trust Account

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

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

Appropriation statement

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

Minister for Economy or permanent secretary for a constitutional body may in writing without further appropriation, authorize the transfer or virement of any unspent amount in an appropriation category within a head of appropriation to another appropriation category within the head of appropriation.

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

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

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

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

In addition, the Permanent Secretary for Economy (formerly Finance) may authorise the transfer of the following budgeted funds in respect of all agencies –

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

This report covers payments to ministries and departments through appropriation, deployment of funds, virements, expenditures incurred and unspent balances. Refer to Appropriation statement on Table 1.25.

Quality of financial report

The quality of the Financial Statements of Government largely depends on the reliability of the information provided to Ministry of Economy by all ministries and departments.

The audit opinions of Ministries and Departments is shown in Table 1.12 below:

Table 1.12: Audit opinions issued for Ministries and Departments

Ministries/Departments	Audit Opinion
Modified Audit Opinion	
Ministry of Defence, National Security and Immigration	<ul style="list-style-type: none"> • A variance of \$3,006,088 exists between the Integrated Border Control Management System (IBMS) which records the Department of Immigration’s operating revenue and the FMIS General Ledger. As a result, audit was unable to substantiate the correctness of the operating revenue balance of \$13,490,542 recorded in the financial statements for the period ended 31 July 2017. • Detailed listings of work permit holders equating to the security bond of \$25,215,349 held in trust are not maintained by the Department of Immigration. As a result, audit was unable to establish the number of work permit holders currently in the country and those that have left the country without claiming a refund.
Ministry of Employment, Productivity and Industrial Relations	<ul style="list-style-type: none"> • The Ministry receives \$70,000 annually fees from Ministry of Civil Service under the Shared Services Agreement. The Ministry deposited the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money. Consequently, the OHS Trust Fund Account is overstated by \$70,000 and Ministry’s operating revenue is understated by the same amount. • An unreconciled variance of \$381,087 exists between the OHS Consultancy Service, Workmen Compensation and Wages Disputes Trust Fund cash at bank balance and General Ledger (FMIS) balance. As a result audit was not able to ascertain that all receipts and payments had been accurately accounted and disclosed in the Trust Fund cash account.
Judiciary	<ul style="list-style-type: none"> • The Department’s reconciliations for Suitors, Sundries, and Maintenance Trust Fund were only prepared up to January 2015, January 2000 and December 1994 respectively as at 31 July 2017. Due to significant lapse in the years of reconciliation balance, audit was unable to ascertain the accuracy of the closing balance of \$31,623,770 disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2017. • Included in the Suitors Trust Fund Accounts are funds received on behalf of deceased persons who do not have nominees at Fiji National Provident Fund as required under section 57 of the FNPF Act 2011. The department does not maintain detailed breakdown listing of these funds received from FNPF, funds paid out to beneficiaries, and balance of fund to be refunded to FNPF

Ministries/Departments	Audit Opinion
	where no application has been made to claim the funds from High Court. Hence, audit was unable to establish the quantum of the amount to be refunded to the Fiji National Provident Fund.
Ministry of Justice	The Ministry did not maintain detailed breakdown listings of the companies under provisional liquidations and the individuals under receiverships. Consequently, audit was not able to substantiate the completeness of the closing balances of \$587,437 and \$255,603 reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account, respectively.
Ministry of Rural and Maritime Development and Natural Disaster Management	An unreconciled variance of \$197,953 exists between the total revenue recorded in the general ledger and subsidiary revenue records maintained by the Ministry. Consequently, audit could not confirm the accuracy and completeness of the operating revenue of \$1,417,065.
Republic of Fiji Military Forces	The Engineers Trust Fund Account Statement of Receipts and Payments does not provide receipts and payments for each project undertaken by the Force. The statement only includes closing cash balance for each project. As a result, audit was unable to determine whether any adjustment might have been necessary in respect of the Engineers Trust Fund Account cash at bank balance at year end and any corresponding adjustments to the elements making up the statement of income and expenditure.
Ministry of Health and Medical Services	An un-reconciled variance of \$114,950 exists between the Bank reconciliation and the Cash at bank general ledger balances. As a result, audit was unable to substantiate the accuracy and completeness of the closing balance of \$338,925 reflected in the Trust Fund Account Statement of Receipts and Payments.
Ministry of Agriculture	<ul style="list-style-type: none"> • Included in the Land Water Resource Management (LWRM) Trust Fund Account balance is retention fund of \$329,148. The Ministry was unable to provide appropriate supporting documents to ascertain whether the retention period for the projects of which retention funds were retained are valid. The balance is brought forward from prior years. As a result, audit was unable to ascertain the accuracy and obligation of the retention fund of \$329,148 included in the LWRM Trust Fund Account balance.

Ministries/Departments	Audit Opinion
	<ul style="list-style-type: none"> The Ministry suffered loss through expiration of drugs and livestock morality amounting to \$63,405. The amount of loss was not expensed, instead was directly adjusted to ending inventory balance thus overstating the cost of goods sold by \$63,405.
Ministry of Lands and Mineral Resources	<ul style="list-style-type: none"> There is an un-reconciled variance of \$673,811 in the Land and Property Rent collected as recorded in the Crown Land Lease System of \$12,745,771 and FMIS general ledger balance of \$13,419,582. Consequently, audit could not confirm the accuracy and completeness of Land and Property Rent of \$13,419,582. Expenditure amounting to \$157,174 in the Statement of Receipts and Expenditures did not relate to the financial year 2016-2017. This amount relates to the posting of an unsupported journal voucher of \$105,870 to clear prior year's Revolving Fund Account balances and the recording of \$51,304 expenditure in 2016-2017 for goods and services received in 2017-2018. As such, the expenditure balance for the year ended 31 July 2017 is overstated by \$157,174.
Ministry of Fisheries and Forests	<p><u>Operating Fund Account</u> Expenditures amounting to \$276,181 were not recorded in the Statement of Receipts and Expenditures for the year ended 31 July 2017. This amount relates to unrecorded expenditures of \$191,147 paid from Standard Liability Account 84 and retired Accountable Advances of \$85,034 for the current year which were not cleared from the Revolving Fund Account. As a result, the expenditure balance of \$23,012,137 for the year ended 31 July 2017 is understated by \$276,181.</p> <p><u>Trading And Manufacturing Account</u> There is an unreconciled variance of \$104,597 between the bank reconciliation and the Cash at Bank general ledger balance. Consequently, audit was not able to confirm the accuracy and completeness of the Cash at Bank balance of \$1,896,419 recorded in the TMA Balance Sheet as at 31 July 2017.</p> <p>The Ministry paid a sum of \$2.5 million to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Of this amount, a sum of \$301,451 was utilized for this purpose in 2017 leaving a balance of \$2,198,459 as at 31 July 2017. The cash at bank balance of \$1,896,419 recorded in the TMA Balance Sheet is not sufficient to support the remaining balance of \$2,198,459.</p>

Ministries/Departments	Audit Opinion
	<p>The Ministry recorded total expenses of \$1,288,574 in the TMA – Profit and Loss Statement for the year ended 31 July 2017. The Ministry was not able to provide documentations to support expenditures totalling \$515,515. As a result, audit was not able to verify the accuracy and completeness of the total expenses recorded in the Profit and Loss Statement.</p> <p>The Ministry recorded sales of \$1,161,623 in the TMA – Trading Account for the year ended 31 July 2017. The Ministry was not able to provide documentations to support transactions totalling \$306,623. As a result, audit was not able to verify the accuracy of the Sales amount recorded in the Trading Account.</p> <p><u>Trust Fund Account</u> The Ministry did not maintain a detailed listing of the beneficiaries of the Trust Accounts. Consequently, audit was not able to substantiate the completeness of the closing balances of \$190,095 reflected in the Statement of Receipts and Payments for the Trust Fund Account.</p>
<p>Ministry of Local Government and Environment</p>	<ul style="list-style-type: none"> • Revenue totalling \$444,780 reported in the Statement of Revenue and Expenditure could not be substantiated as the Ministry could not provide the journal vouchers to support the amount recorded in the general ledger. As such, audit was unable to verify the completeness and accuracy of revenue recorded in the Statement of Revenue and Expenditure. • The Ministry was unable to provide appropriate supporting documents including payment vouchers to substantiate payments totalling \$874,931 and \$1,171,987 for Operating Account and Main Trust Account, respectively. As such, audit was unable to ascertain if these payments were properly processed and recorded in the Statement of Revenue and Expenditure and Environment Trust Fund Account. • Expenditure totalling \$302,733 relating to Operating Grants and Transfers were recorded as Capital Construction Expenditure in the Statement of Revenue and Expenditure. As such, the Operating Grants and Transfers Expenditure is understated and Capital Construction Expenditure is overstated in the Statement of Revenue and Expenditure by \$302,733. • The Environment Trust Fund Account had a closing balance of \$4,530,939 for the year ended 31 July 2017. The Ministry did not maintain proper records including cash book, journal vouchers and payment vouchers. As a result, there was un-reconciled variance of \$2,500,755 between the

Ministries/Departments	Audit Opinion
	<p>general ledger balance and the bank reconciliation. Due to the variance audit was unable to ascertain the accuracy of the closing balance of the Environment Trust Fund Account.</p>
<p>Ministry of Infrastructure and Transport</p>	<ul style="list-style-type: none"> • An unreconciled variance of \$1,405,134 exists between the Consolidated TMA balance sheet cash at bank balance of \$3,154,993 and consolidated bank reconciliation balance of \$1,749,859 as at 31/07/17. Consequently, audit could not confirm the accuracy and completeness of the Cash at bank balance of \$3,154,993 stated in the consolidated TMA balance sheet as at 31 July 2017. • The Ministry adjusted its VAT receivable balance by \$322,428 to reconcile it with the Fiji Revenue Customs Services records by posting journal entries to the TMA Accumulated Surplus Account. Audit was not provided with appropriate reconciliations to support these journal entries. As such, audit was unable to ascertain the accuracy of these journal entries posted in the general ledger and its impact on the accounts affected.
<p>Emphasis of Matter</p>	
<p>Ministry of Employment, Productivity and Industrial Relations</p>	<p>Internal controls over management of trust fund receipts were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.</p>
<p>Ministry of Rural and Maritime Development and National Disaster Management</p>	<p>Internal controls over revenue, expenses and trust fund accounts were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future.</p>
<p>Republic of Fiji Military Forces</p>	<p>The RFMF did not carry out a board of survey to verify the existence and condition of assets under its authority contrary to Section 49 of the Finance Instructions 2010.</p>
<p>Ministry of Health and Medical Services</p>	<ul style="list-style-type: none"> • The Ministry did not prepare the board of survey report on the existence and condition of all assets under its authority contrary to section 49 of the Finance Instruction 2010. • Internal controls over account reconciliations were generally found to be weak and if not addressed promptly may result in material misstatements and financial implications in future.

Ministries/Departments	Audit Opinion
Ministry of Agriculture	Internal controls over payroll expenses and management of inventory for Trading Activity were general found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.
Ministry of Fisheries and Forests	<ul style="list-style-type: none"> • The Ministry did not carry out a board of survey to verify the existence and condition of assets under its authority contrary to Section 49 of the Finance Instructions 2010. • The TMA accounts continue to operate at a loss for eight consecutive years from 2010. • There was an overall excess of liabilities over assets of \$111,344 in the TMA balance sheet as at 31 July 2017.
Ministry of Local Government and Environment	Necessary internal controls including timely reconciliations were not performed for Drawings Account, SLG 84 Account, Operating Trust Fund, Environment Trust Fund Account, Advances and Salaries Account during the year. These are critical areas of the Ministry's operation and if not addressed promptly may result in financial losses or financial irregularities in the near the future.
Ministry of Infrastructure and Transport	<ul style="list-style-type: none"> • Internal controls over Plumber shop inventory and TMA sales for Plumbing and Joinery were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future. • The Ministry has disclosed its 17 Trading and Manufacturing Accounts (TMA) in the financial statements Note 7 by consolidating it according to the divisions. The change in the format of the presentation has resulted in the limited information disclosed in the financial statements for each type of TMA in terms of its performance and cash flows. • The Energy Trust Account had a balance of \$2,232,312 as at 31/7/17. The closing balance comprises of refunds for the FEA (EFL) Grid and Housing wiring, bond payment for projects and revenue bills collected from the Solar Home Systems. The Ministry has not maintained appropriate details of this Trust Fund.

In addition, the following issues relate to the 2017 Financial Statements of Government:

Emphasis of matter

- Included in the Trust Fund Account balance of \$197,199,489 in the Statement of Assets and Liabilities (Schedule 3) is Main Trust amounting to \$168,831,120. Main Trust Fund Account balance amounting to \$50,873,557 was not supported with detailed listing of claimants of the monies held in the trust. Hence, I was unable to satisfy myself on the accuracy and completeness of the Trust Fund Account balance of \$197,199,489 as at 31 July 2017.

Recommendations in relation to the emphasis of matters above are as follows:

- The Ministry of Economy should ensure that Ministries/Departments are maintaining detailed listings of claimants of the monies held in Main trust.

Other Matter

Internal control deficiencies

- Internal controls were generally found to be weak for Ministry of Employment, Productivity and Industrial Relations, Ministry of Rural and Maritime Development and National Disaster Management, Republic of Fiji Military Forces, Ministry of Health and Medical Services, Ministry of Agriculture, Ministry of Fisheries and Forests and Ministry of Local Government and Environment. These have been reported to the management of the respective agencies in the Auditor General's report to Parliament.

If not addressed promptly, these may result in material misstatements and possible financial losses in the future.

We received the first complete draft of the Financial Statements of Government for audit on 28 June 2018. Following the receipt of draft accounts amendments were made on compliance with Cash Basis IPSAS, additional disclosures and correction of errors and omissions. Refer to Table 1.13 below for details.

Table 1.13: Dates Financial Statements of Government was received

Draft Financial Statements	Date Received
First draft	28/06/18
Revisions	24/07/18
Revisions	26/09/18
Revisions	25/01/19
Revisions	06/02/19
Revisions	15/03/19
Revisions	12/07/19

Our recommendations and management comments in relation to the issue discussed above are as follows:

Recommendations

The Ministry of Economy should ensure that correct set of Financial Statement of Government is submitted for audit purposes.

Ministry of Economy must emphasise to respective heads of Ministries and Department to be mindful of the significant audit issues and take corrective action to avoid any delays in finalizing the audit.

Management Comments

Noted. MOE and OAG will need to work together as 'way forward' to enhance the audit process.

This has been undertaken.

We also request OAG to advise the MOE of significant audit matters/concerns at Agency level for pro-active actions.

Result of our audits

The Permanent Secretary for Economy signed the 2016/2017 Financial Statements of Government on 7 August 2019. We issued an unmodified audit opinion with emphasis of matter and other matters on the financial statements which was after the legislative deadline of 30 April 2018.

Key Changes in the Financial Statements of Government

There were major improvements in the Financial Statements of Government in 2017 when compared to the 2016 Financial Statements. The key changes were noted in the recognition of assets and liabilities in the Statement of Asset and Liabilities (Schedule 3) as detailed below.

- Tax Receivables which included Inland Revenue Department and Customs Receivables have now been recognised in the Financial Statements of Government under the Statement of Assets and Liabilities;
- Tertiary Loan Scheme has now been recognised in the Financial Statements of Government under Statement of Assets and Liabilities;
- Fiji Revenue and Customs Service VAT and Income Tax refunds outstanding has been recognised in the Financial Statements of Government;

The key changes above has resulted in a more transparent and reliable financial statements of government which depict a more fair and factual picture of the financial position of the government for the financial year ending 31 July 2017.

The Office of the Auditor-General acknowledges the Ministry of Economy's agreement to the improvements effected into the Financial Statements of Government.

In the effort to improve the presentation of the financial statements, the timeliness characteristics may have been compromised resulting in the delay in the signing of the financial statements.

4.0 Financial position, performance and sustainability

Chapter Summary

This chapter details major transactions and events for the Financial Statements of Government. Our analysis cover the key components of the financial statements which are revenue, expenditure, assets and debt. Other analysis based on the financial statement of government is provided in Appendix D.

Introduction

The primary objective of our analysis in this chapter is to help users understand the Financial Statements of Government of Republic of Fiji by clarifying the financial effects of key transactions and events in 2016/2017.

Financial statements also assist users understand the sustainability of the government. We used a range of ratios to help inform users.

Ratios used were as follows:

Operating margin

This is calculated by dividing operating revenue by operating expenses with a bench mark of greater than 1. The Operating margin ratio for the year ended 31/07/17 was 1.63, indicating that for every \$1 of operating expenses there is \$1.63 of operating revenue to meet those operating expenses.

Current ratio

In current ratio, current assets are divided by current liability with a bench mark of greater than 1. This ratio shows amount of current assets available to meet current liabilities as they fall due. The current ratio for the year ended 31/07/17 was 0.67 indicating that for every \$1 of current liabilities the government has \$0.67 of current assets.

Debt to equity ratio

Debt to equity ratio, debt divided by total equity for the year ended 31/07/17 was 1: 1.3. This shows that for every \$1 of equity, \$1.37 is owed to creditors and lenders.

Debt to assets ratio

Debt divided by total assets for the year ended 31/07/17 was 3.73. This shows that all assets were financed by creditors and lenders.

Sectors of government covered

In this chapter, we assess the position, performance and sustainability of government as reported in the Financial Statements of Government of Republic of Fiji. These financial statements report on the consolidated position of the Government of Republic of Fiji comprising of the general administration, social services, economic services, infrastructure services sectors and those which are unallocable. The financial statement contain details of ministries and departments in each sector.

Assessing position and performance

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

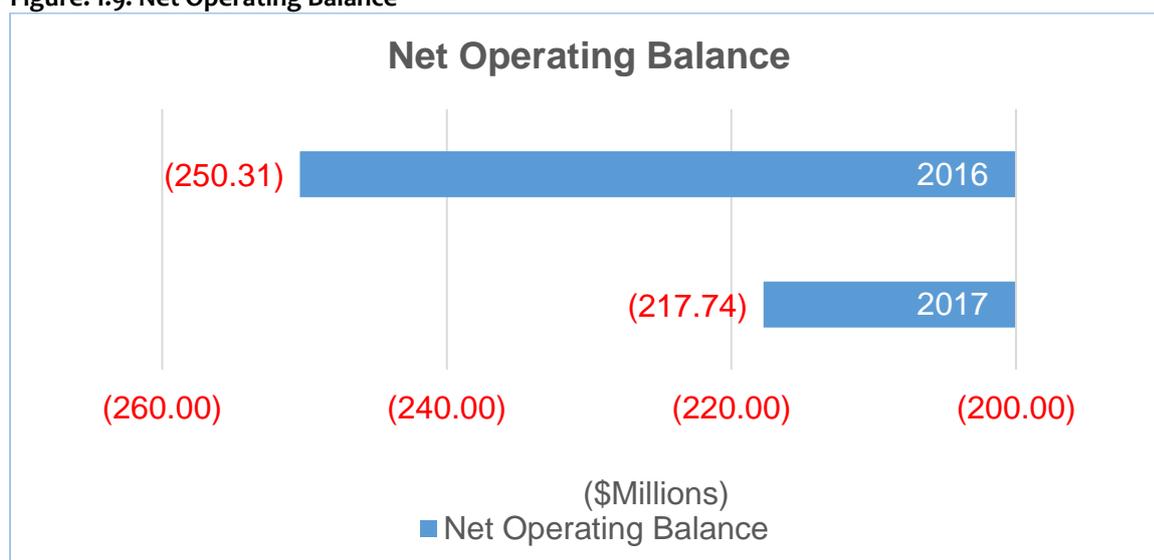
We measure position by looking at the net worth or equity at the end of the financial year. This indicates the degree to which government's assets exceeds liabilities and indicates the extent to which government would be able to absorb unexpected adverse economic conditions.

We assess sustainability by considering how government's position and performance change over time. We also consider how government is able to fund both day to day operations and its investment in assets. This includes an assessment of whether the revenue the government earns is sufficient to finance its operations and capital investments or whether it needs to borrow for these purposes.

Net operating balance

The net operating balance is total revenue less total expenses. Figure 1.9 shows net operating balance for 2017 and 2016 below.

Figure: 1.9: Net Operating Balance



Net operating Result

Net operating result with capital and without capital expenses is shown in Table 1.14 below.

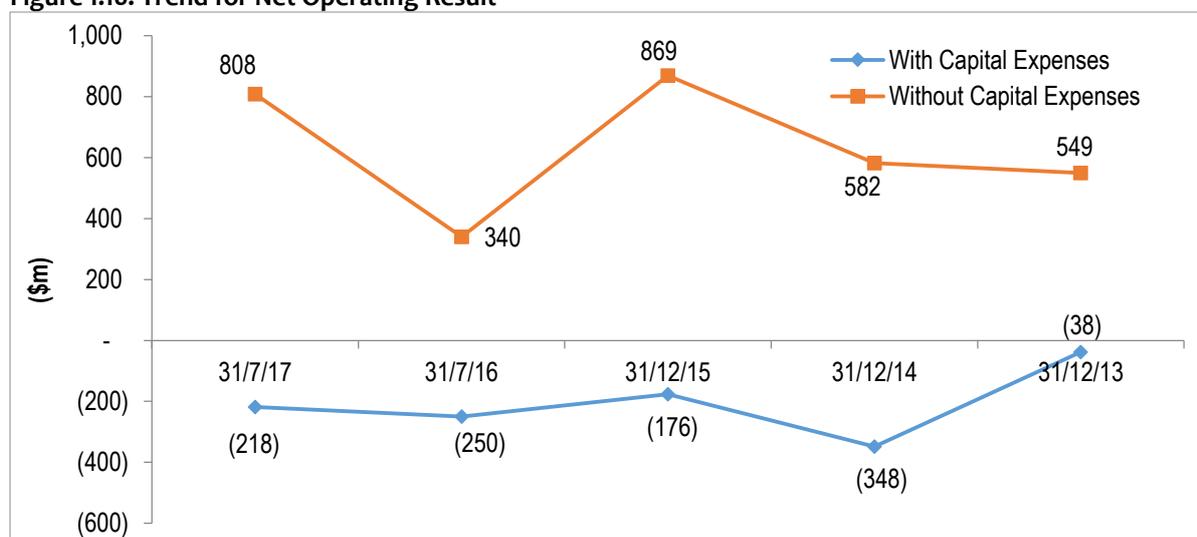
Table 1.14: Net Operating result

	31/07/17 (\$)	31/07/16 (\$)
Revenue (Includes TMA revenue)	2,859,097,304	1,514,963,112
Expenses (Includes TMA expenses)	3,076,840,916	1,765,277,642
Capital Expenses	1,025,601,795	590,688,998
Overall Net Operating Deficit	(217,743,612)	(250,314,530)
Net Operating Surplus without Capital Expenses	807,858,183	340,374,468

The net operating with capital expenses and without capital expenses remained at a deficit and surplus respectively in both years. In 2017 the net operating deficit improved from 2016.

Refer to Figure 1.10 for trend of net operating result for the past five years.

Figure 1.10: Trend for Net Operating Result



Equity

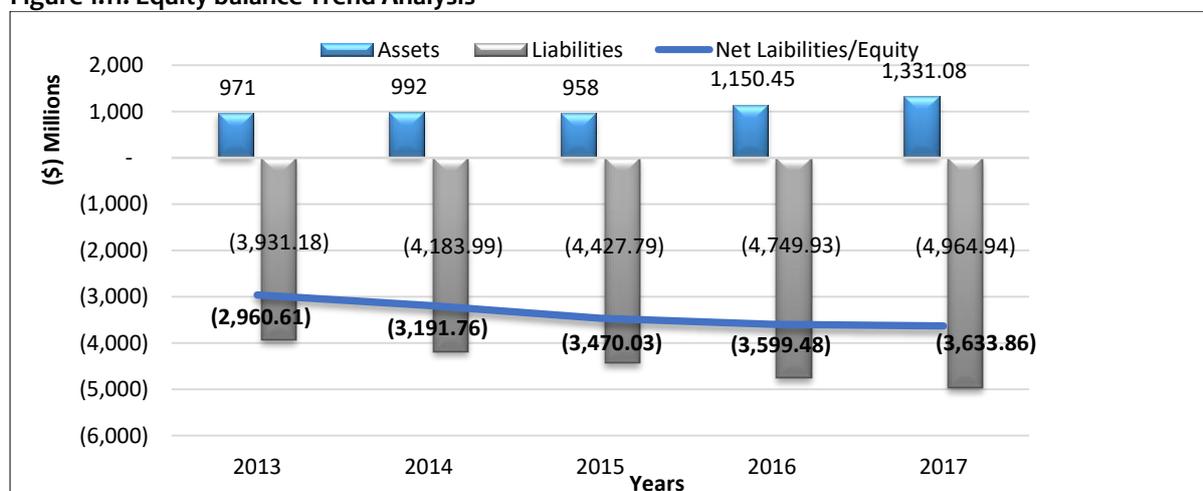
As at 31 July 2017, the Financial Statement of Government showed net liability of \$3.6 billion. This means that total liabilities were more than total assets at balance date. Refer to Table 1.15 below for details.

Table 1.15: Net liability

Total Assets (\$)	Total Liabilities (\$)	Net Liability (\$)
1,331,076,272	4,964,936,915	3,633,860,643

Changes in an entity’s net assets/equity between two reporting dates reflect the increase or decrease in its net assets/liabilities during the period.⁵ Figure 1.11 below shows the total assets, total liabilities and net equity balances for the past 5 years.

Figure 1.11: Equity balance Trend Analysis



⁵ IPSAS 1 - Presentation of Financial Statements, Section 120

Total liabilities had an increasing trend while total assets fluctuated over the past 5 years. The increase in equity balance in 2017 was due to increase in term loan receivable as result of recognition of outstanding debt from Tertiary Education Loans Scheme (TELS) due to government.

Contingent Liabilities

The Government under the authority of the Parliament provides guarantee for the financial liability of entities in respect of loans or otherwise. A contingent liability is a potential liability that may or may not become due, depending on whether a possible event occurs, such as a claim for compensation, an indemnity or other legal claims.

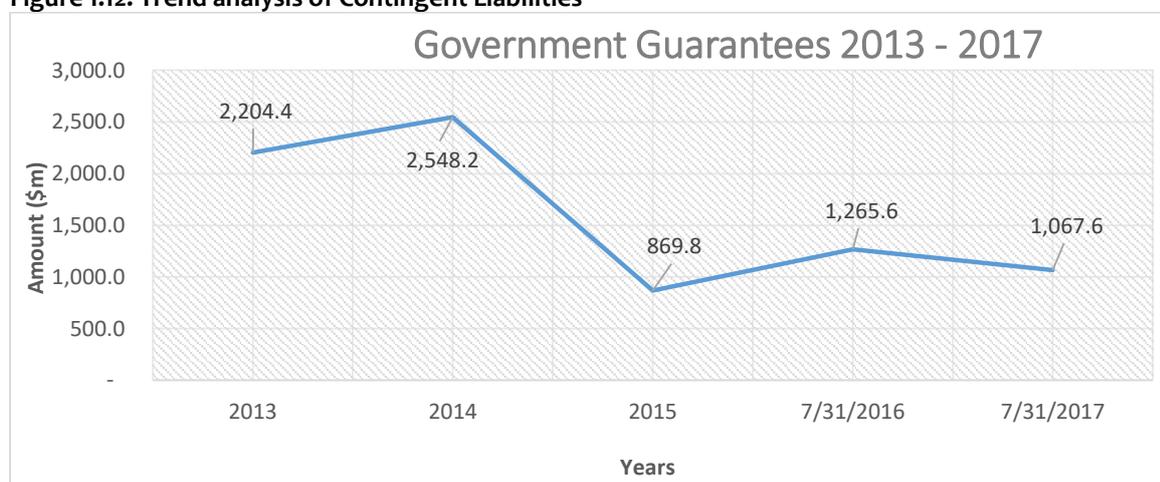
Government contingent liabilities are classified into two categories namely Government Guarantee (explicit) and Other Contingent Liabilities (implicit). In Government Guarantee (explicit) the government's obligation is defined by the deed of guarantee. The government is legally mandated to settle an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

Other contingent liabilities (implicit) includes guarantee such as that of international agencies securities accounts, and municipal and provisional council's borrowings which contribute to the overall public sector risk. These are classified differently on the basis that no deed of guarantee exists for the contingent liabilities and are not officially recognized until a failure occurs.⁶

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

The total contingent liabilities as at 31 July 2017 was \$ 1,067,616,141. The contingent liabilities balance decreased by \$198,019,874 or 16% compared to the balance of \$1,265,636,015 in 2016. Refer to Figure 1.12 for a trend analysis of the balances over the past five years.

Figure 1.12: Trend analysis of Contingent Liabilities



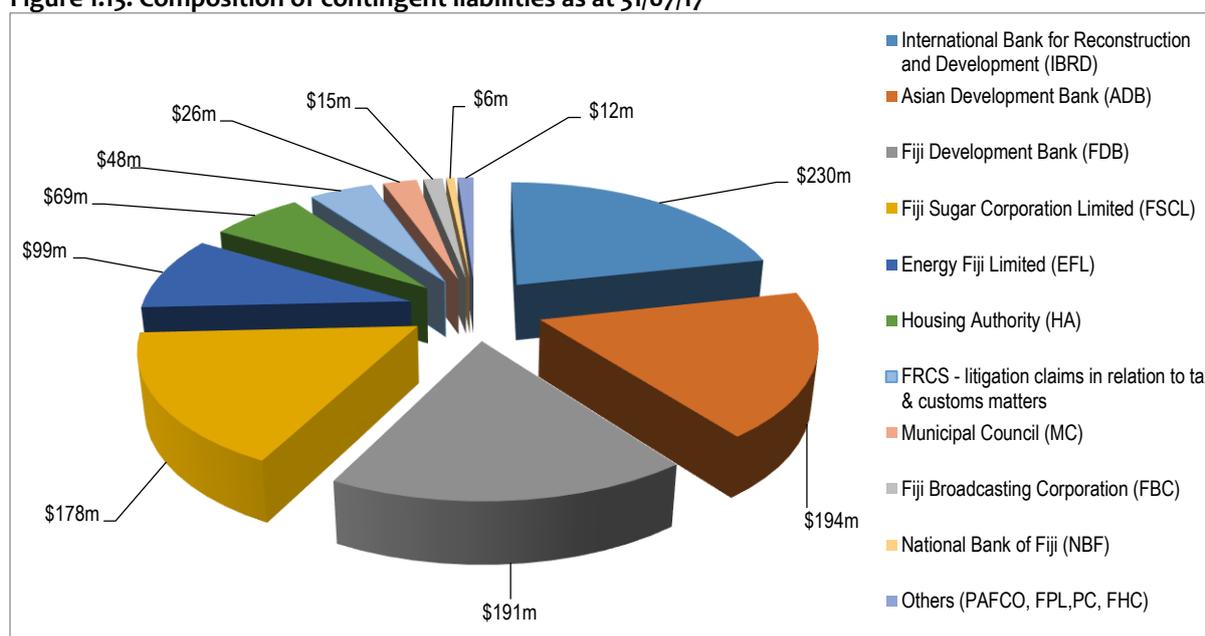
The decrease in government's total contingent liability in 2017 was mainly due to the significant loan repayment by former Fiji Electricity Authority (Energy Fiji Limited) of \$225,205,194, and the full settlement of loan balances by Fiji Sports Council of \$2,125,452 and Fiji Ports Corporation Ltd of \$1,380,637.

⁶ Contingent Liabilities Report as at 31 July 2017, Debt Management Unit

For the year ending 31 July, 2017, callable capital⁷ subscribed in International Bank for Reconstruction and Development (IBRD) and Asian Development Bank (ADB) were noted at significant figures of \$229,887,817 or 22% and \$193,880,399 or 18% of total contingent liability, respectively. The change in the balances was attributed to the exchange rate used in the conversion of the ‘callable portions’.

Other significant balances included Fiji Development Bank (FDB), Fiji Sugar Corporation (FSC) and Fiji Electricity Authority (Energy Fiji Limited) of 18%, 17% and 9% respectively of total contingent liability. FDB and FSC had significant balances due to new loan guarantees obtained during the year. Parliament approved new loan guarantees to three entities during the year. These were for new loan guarantee of \$90,600,000 issued to Fiji Development Bank, \$102,097,260 issued to Fiji Sugar Corporation Limited and \$3,355,055 issued to Pacific Fishing Company Limited. Refer to Figure 1.13 for composition of contingent liabilities as at 31/07/17.

Figure 1.13: Composition of contingent liabilities as at 31/07/17



Understanding financial performance

The net operating balance is used to measure financial performance. It shows the difference between revenue earned and expenses incurred from day-to-day operations. Refer to Table 1.16 for details.

Table 1.16: Net operating deficit

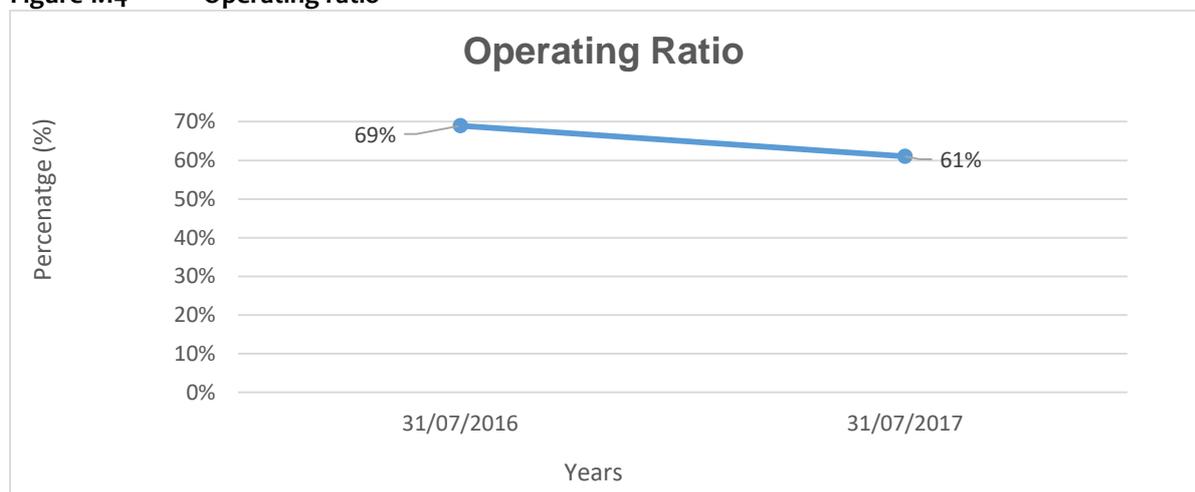
	31/07/17 (\$)	31/07/16 (\$)
Revenue (Includes TMA revenue)	2,859,097,304	1,514,963,112
Expenses (Includes TMA expenses)	3,076,840,916	1,765,277,642
Capital Expenses	1,025,601,795	590,688,998
Overall Net Operating Deficit	(217,743,612)	(250,314,530)

⁷ 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.

The estimated net deficit as per budget estimates was \$468.0 million and the actual net operating deficit for the year ended 31/07/17 was \$217.7 million resulting in reduction in net actual operating deficit by \$32.6 million. This was due to actual total expenditure of \$3,060.3 million (excludes TMA expenditure) being within estimated total expenditure of \$3,643.4 million resulting in savings of \$583.1 million.

Operating ratio is calculated by dividing operating expenses by operating revenue. This shows the percentage of operating expenses for every \$1 of operating revenue. Refer to line graph below.

Figure 1.14 Operating ratio



Within the 7 month financial period of 2016, the Government of Fiji had an operating ratio of 69% or in other terms, from every \$1 of operating revenue the government paid out \$0.69 of operating expenses. The remaining \$0.31 was available for use for non-operating expenses.

In 2017, the operating ratio improved to \$0.61 indicating that \$ 0.39 was available for non-operating expenses.

Revenue

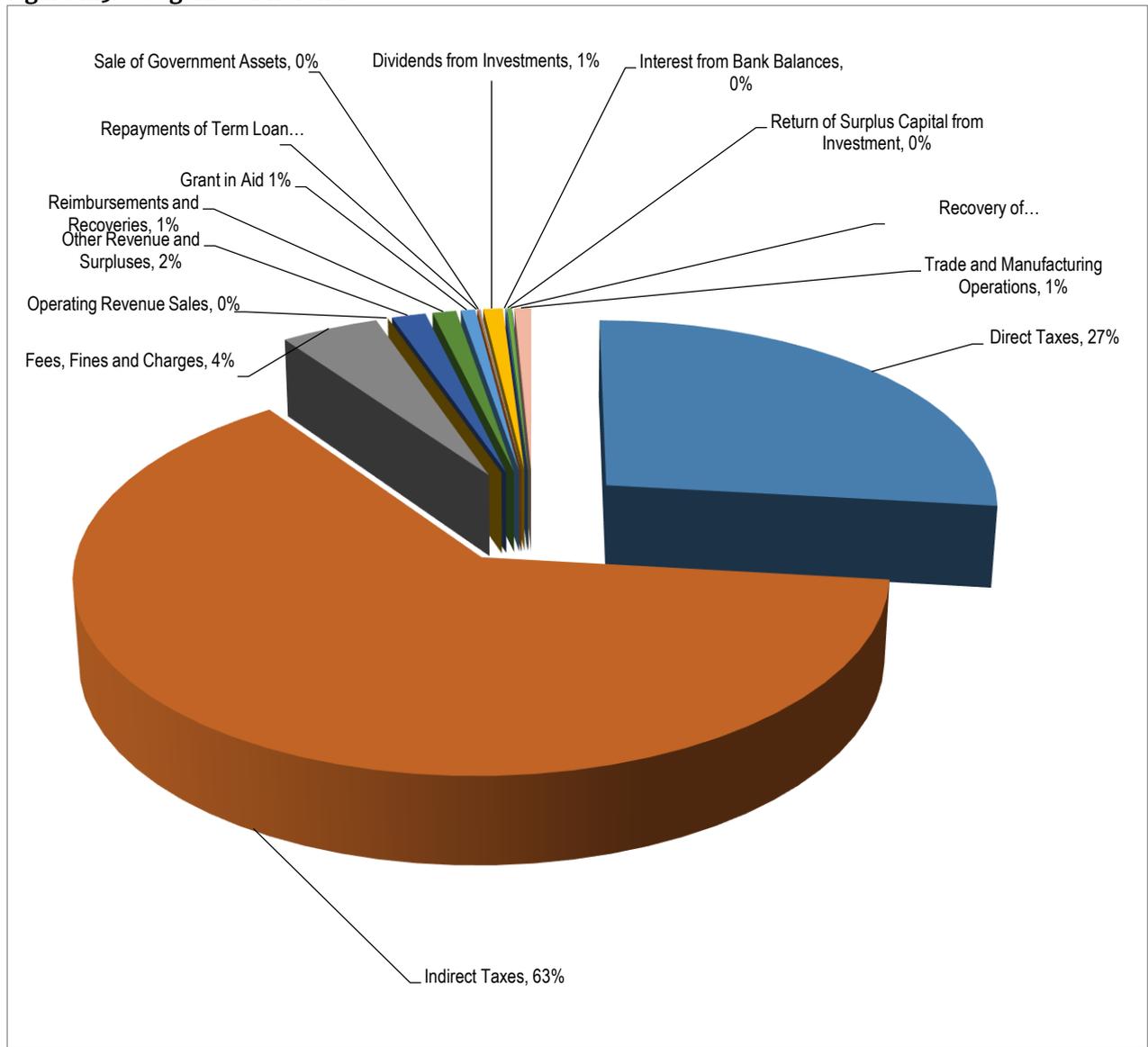
The total forecasted revenue by government in 2017 was \$3,175,311,256 which comprised of operating revenue of \$2,880,592,850 and investing revenue of \$294,718,406. No forecast was provided for revenue generated from government Trading and Manufacturing operations.

However, the actual revenue collections by government in 2017 from its normal operations totalled \$2,837,441,689⁸, thus recording a shortfall of \$337,869,567 or 11% of the total estimated revenue collections. The contributing factor for the shortfall in revenue was due to zero collections for budgeted revenue totalling \$149,769,856.

The categories of revenue is shown in Figure 1.15 below:

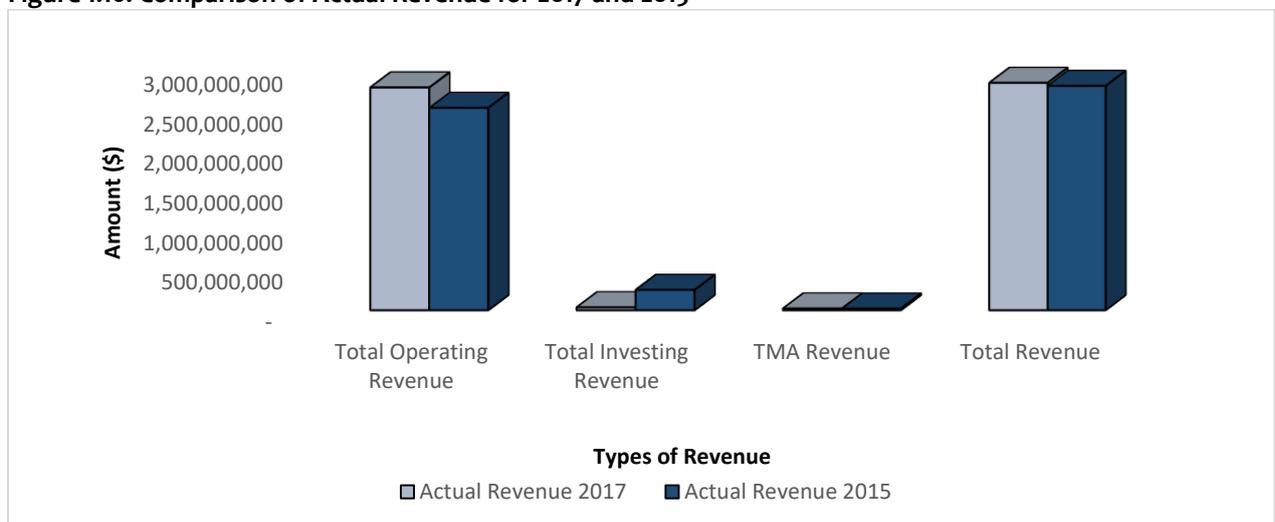
⁸ Excludes revenue from TMA operations

Figure 1.15: Categories of Revenue



Comparison of Actual Revenue for 2017 and 2015 for the full 12 months is shown in Figure 1.16 below.

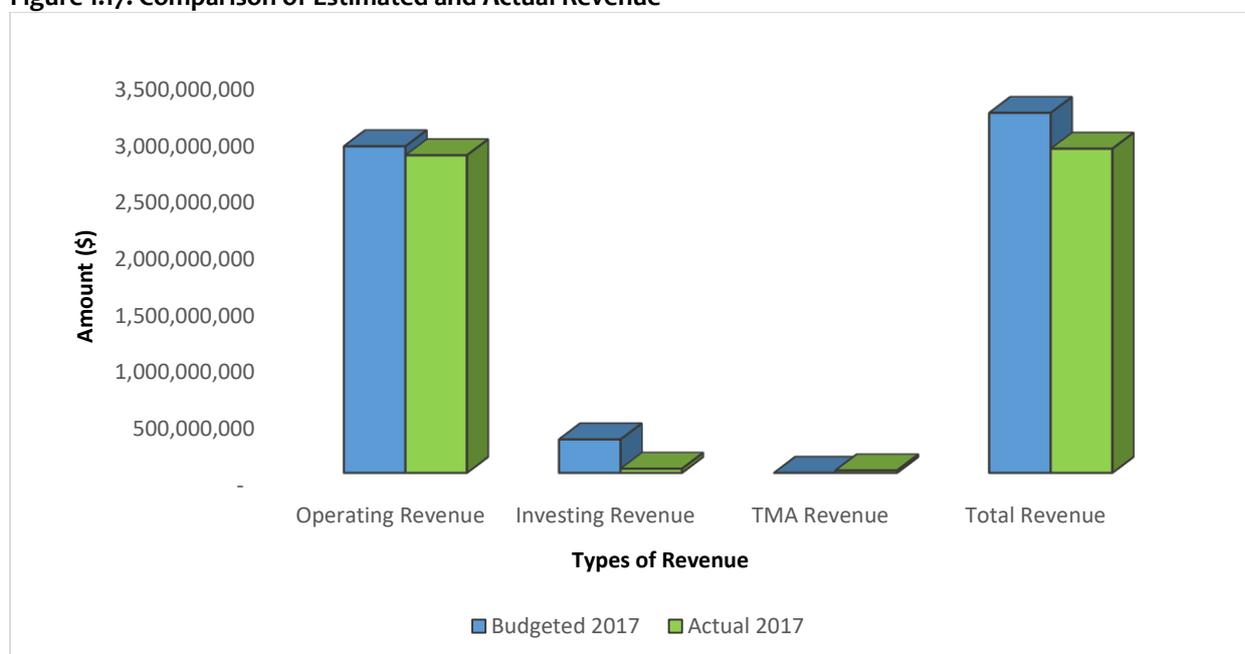
Figure 1.16: Comparison of Actual Revenue for 2017 and 2015



Total revenue in 2017 increased by \$38,682,910 or 1.4% from 2015. The reason for increase in revenue was due to increase in direct taxes by \$160.9 million or 26.6%, Indirect taxes by \$58.4 million or 3.3%, fees, fines and charges by \$22.3 million or 21.2% and reimbursements and recoveries by \$11.6 million or 60.3%.

Comparison of estimated and actual revenue is shown in the Figure 1.17 below.

Figure 1.17: Comparison of Estimated and Actual Revenue



Operating revenue formed 97.9% total revenue, investing revenue was 1.3% and revenue from trading and manufacturing operations was 0.8%.

Major revenue types were Indirect Taxes of \$1,813.1 million or 63.4%, Direct taxes of \$766.1 million or 26.8% and Fees, Fines and Charges of \$127.8 million or 4.5%.

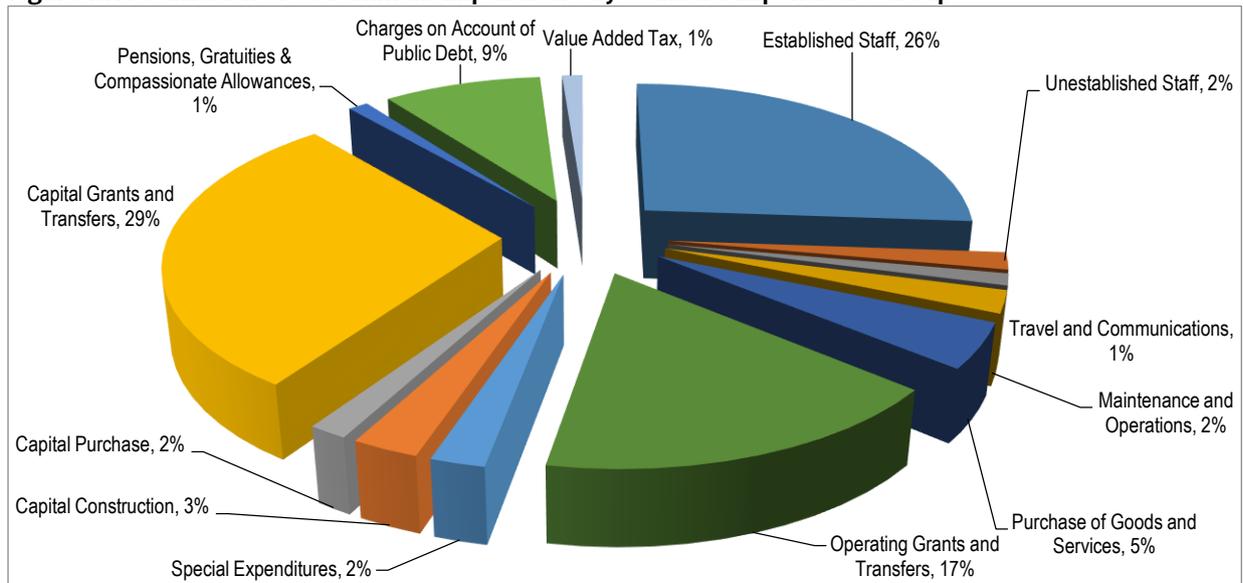
Revenue collections which exceeded budget estimates included direct taxes of \$106.2 million or 16.1%, fees, fines and charges \$16.0 million or 14.3%, other receipts of \$5.1 million or 13.1%, reimbursements and recoveries \$13.8 million or 81%, repayments of term loan receivables of \$1.0 million or 268%, interest from bank balances by \$1.1 million or 11,040% and return or surplus capital from investment by \$0.8 million or 15.7%.

Expenditure

The total revised estimate was \$3,643 million, with actual expenditure of \$3,060 million resulting in savings of \$583 million or 16%.

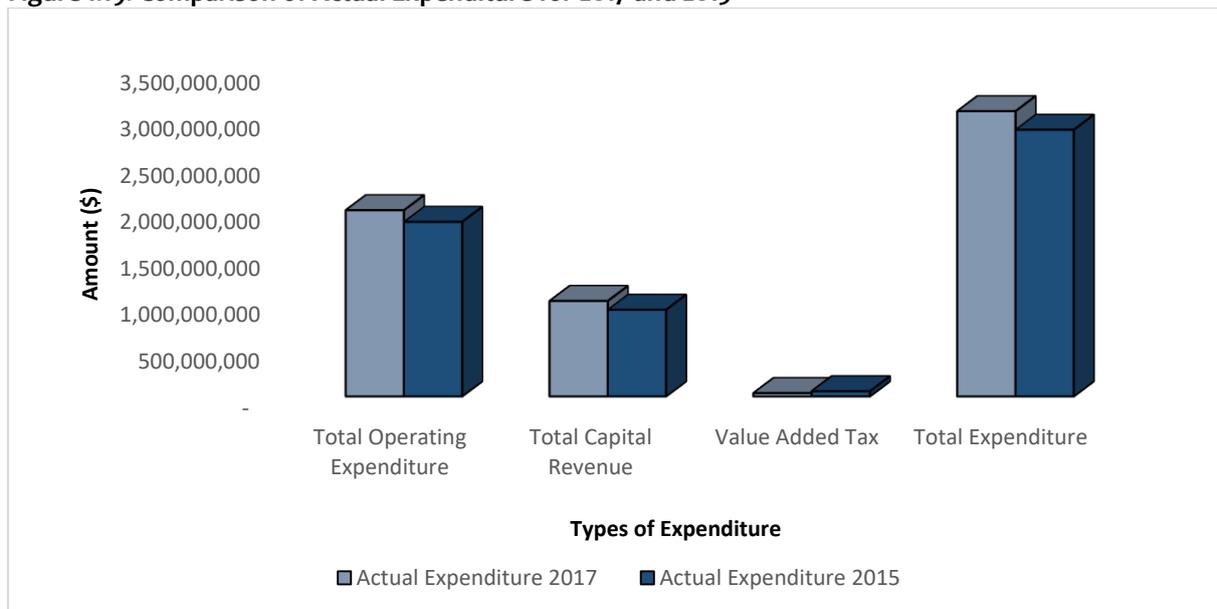
Figure 1.18 shows percentages of utilization by categories of expenditure groups.

Figure 1.18: Utilization of Government Expenditure by Standard Expenditure Group



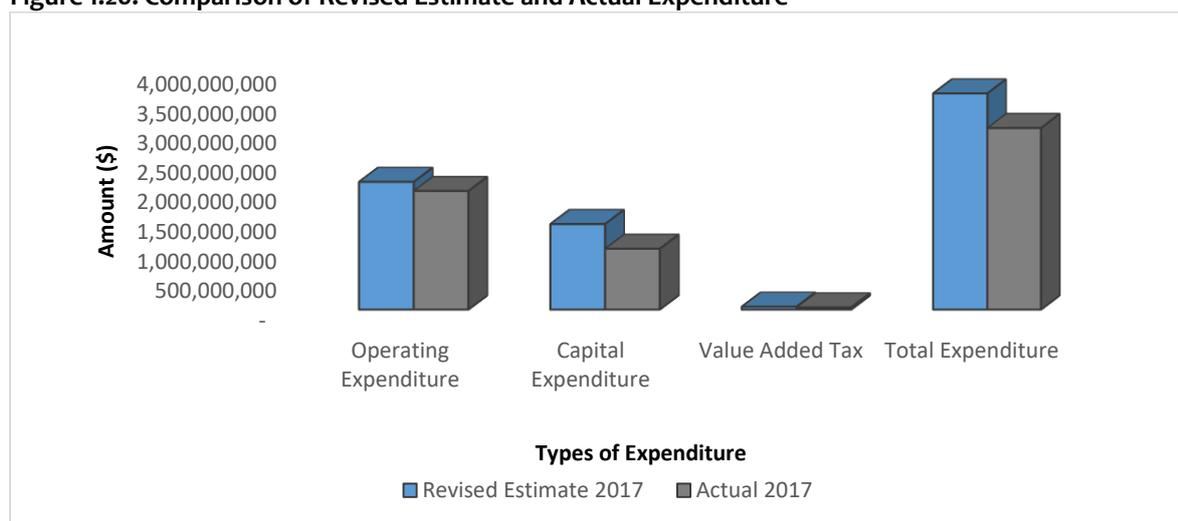
Comparison of Actual Expenditure for 2017 and 2015 for full 12 months is shown in Figure 1.19 below.

Figure 1.19: Comparison of Actual Expenditure for 2017 and 2015



The actual expenditure increased by \$199 million or 7% in 2017 in comparison to 2015. The increase in expenditure was due to increase in expenditure of established staff by \$27.3 million or 3.5%, government wage earners by \$8.4 million or 18.6%, travel and communication by \$7.1 million or 24.2%, purchase of goods and services by \$50.7 million or 56.6%, operating grants and transfers by \$82.4 million or 18.9%, capital purchases by \$2.7 million or 5.9% and capital grants and transfers by \$96 million or 12%.E.6. Expenditure cell F and G 117.

Comparison of Revised Estimate and Actual Expenditure is shown in Figure 1.20 below.

Figure 1.20: Comparison of Revised Estimate and Actual Expenditure

All standard expenditure group from 1 - 13 had savings resulting in overall savings of \$583,082,123 or 16%. Significant savings was in special expenditure of \$45.3 million or 40%, Capital construction of \$76.6 million or 48% and Capital grants and transfers of \$323.0 million or 26.5%.

For total expenditures, operating expenditure was 55.1%, capital expenditure was 34%, charges on public debt was 9%, pensions and gratuities and compassionate allowances and value added tax was 1% each.

Payroll expenditures

The total Government Payroll expenditure for the year ended 31 July 2017 was \$854,008,270. 94% or \$800,546,116 was paid to Established Staff while 6% or \$53,462,154 was paid to Government Wage Earners. Refer to Table 1.17 below for comparison of revised estimate and actual expenditure.

Table 1.17: Comparison of Revised Estimate and Actual Expenditure for Payroll

SEG	SEG Description	Revised Estimate (\$)	Actual Expenditure (\$)	Variance (\$)	Percentage (%)
1	Established Staff	837,823,002	800,546,116	37,276,886	4.4
2	Government Wage Earners	55,866,975	53,462,154	2,404,821	4.3
	Total	893,689,977	854,008,270	39,681,707	4.4

The total payroll expenditure for Established Staff was \$800.5 million against a revised budget estimate of \$837.8 million resulting in a savings of \$37.3 million. The total expenditure for Government Wage Earners was \$53.5 million against a revised budget of \$55.9 million resulting in savings of \$2.4 million. The savings was due to the number of post being vacant across ministries/departments.

The Total Payroll expenditure increased by \$35.7 million in 2017 when compared to 2015⁹. This was due to the implementation of the Job Evaluation Exercise across whole of Government. Refer to Table 1.18 below for comparison of actual payroll expenditure for 2017 and 2015.

⁹ Financial period for 2016 was for seven months hence 2015 figures was used

Table 1.18: Comparison of Actual Payroll Expenditure for 2017 and 2015

SEG	SEG Description	Actual Expenditure 2017 (\$)	Actual Expenditure 2015 (\$)	Variance (\$)	Percentage (%)
1	Established Staff	800,546,116	781,720,316	18,825,800	2.4
2	Government Wage Earners	53,462,154	45,089,205	8,372,949	18.6
	Total	854,008,270	826,809,521	27,198,749	3.3

Number of employees for established staff and government wage earners for years 2017 and 2015 are shown in Table 1.19 below.

Table 1.19: Payroll details

	2017 (\$)	2015 (\$)
Established Staff		
Actual Payroll	800,546,116	781,720,316
Number of Employees	23,932	23,126
Average Cost per employee	33,451	33,803
Government Wage Earners		
Actual Payroll	53,462,154	45,089,205
Number of Employees	4,642	4,351
Average Cost per employee	11,517	10,363
Overall Total		
Actual Payroll	854,008,270	826,809,521
Number of Employees	28,574	27,477

Source: Actual payroll amount for Established and Government Wage Earners were extracted from Notes to 2015 and 2017 financial statements of Government. Number of established staffs was extracted from payroll reports from FMIS. Number of Government Wage Earners was provided by the Salaries Section of Ministry of Economy

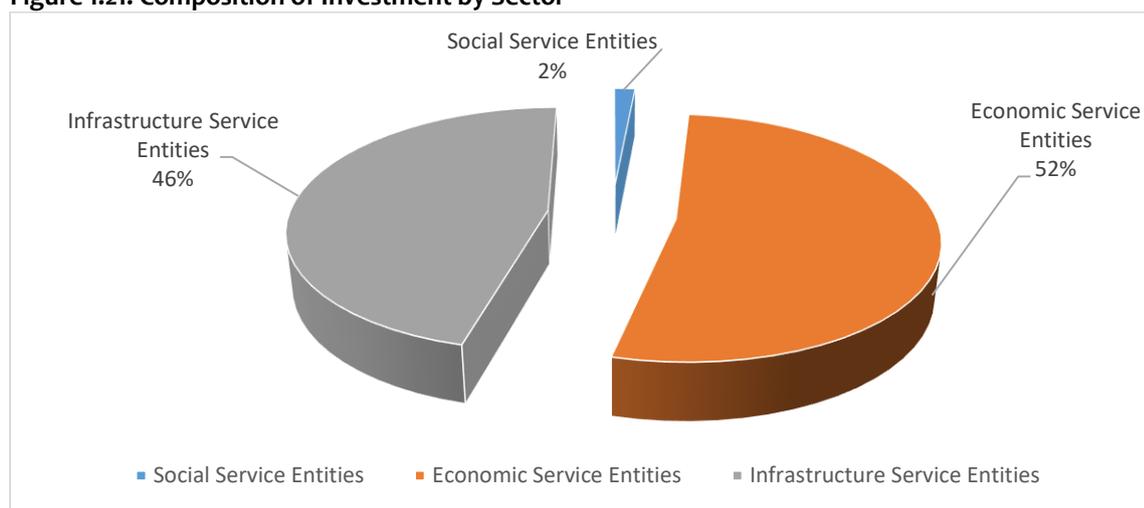
The total number employed by the Government of Fiji was 28,574 as at 31 July 2017 which increased by 1,097 or 4% from 2015.

Investments

The total investments in 2017 of \$440,342,400 decreased by \$4,960,922 or 1% in comparison to 2016 due to liquidation of Daily Post, Air Fiji Limited and National Trading Corporation and winding-up of Yaqara Group Limited. The investment values for these entities is reduced to zero in 2017. In addition the decrease in investment for International Bank for Reconstruction and Development and Asian Development Bank was due to exchange rate adjustments.

There was no sale of investments for the year ended 31/07/17.

Governments investments in the Economic Services sector entities comprises majority of government investments totalling \$231,157,071 or 52%. Investments in the Infrastructure sector entities make up 46% or \$202,556,386 while the remaining 2% or \$6,628,943 comprises of governments investments in Social Services sector entities. Refer to Figure 1.21 below for the composition of government investments by sector.

Figure 1.21: Composition of Investment by Sector

Changes in investment from 2016 to 2017 is shown in Table 1.20 below.

Table 1.20: Changes in investment by sector

Description	2017 (\$)	2016 (\$)	Increase/ (Decrease) (\$)
Investment in Social Services			
Post Fiji Limited	5,600,000	5,600,000	---
Unit Trust of Fiji (Trustee) Limited	778,839	778,839	---
Unit Trust of Fiji (Management) Limited	50,000	50,000	---
Daily Post	---	951,620	(951,620)
Fiji Broadcasting Corporation Limited	200,002	2	200,000
Walesi Ltd	100	---	100
Fiji Public Trustee Corporation Limited	2	---	2
Total	6,628,943	7,380,461	(751,518)
Investment in Economic Services			
Fiji Airways Limited	13,307,075	13,307,075	---
Fiji Hardwood Corporation	90,000,000	90,000,000	---
Pacific Fishing Company Limited	14,728,956	14,728,956	---
Air Fiji Limited	---	171,804	(171,804)
Assets Fiji Limited	2	---	2
Fiji Pine Limited	61,002,064	61,002,064	---
Fiji Sugar Corporation Limited	15,119,580	15,119,580	---
National Trading Corporation Limited	---	3,358,186	(3,358,186)
Rewa Rice Limited.	1,506,224	1,506,224	---
Viti Corps Company Limited	6,000,000	6,000,000	---
Yaqara Pastoral Company Limited	1,191,846	1,191,846	---
Food Processors (Fiji) Limited	687,679	687,680	(1)
Air Terminal Services	765,000	765,000	---
International Finance Corporation	577,349	596,550	(19,201)
International Bank for Reconstruction and Development	9,634,905	9,955,334	(320,429)
Copra Millers Fiji Limited	6,429,183	6,429,183	---
Asian Development Bank Subscription	10,207,208	10,455,426	(248,218)
Yaqara Group Limited	---	91,567	(91,567)
Total	231,157,071	235,366,475	(4,209,404)

Description	2017 (\$)	2016 (\$)	Increase/ (Decrease) (\$)
Investment in Infrastructure Services			
Airports (Fiji) Limited	92,300,180	92,300,180	---
Amalgamated Telecom Holdings Limited	80,262,716	80,262,716	---
Fiji Ports Corporation Limited	29,993,490	29,993,490	---
Total	202,556,386	202,556,386	---
Total Investments	440,342,400	445,303,322	(4,960,922)

Term loan Receivable

Term loan receivable as at 31/07/17 was \$481,928,586. Refer to term loans receivable by sector below in Table 1.21 below.

Table 1.21: Term loans Receivable by sector

	2017 (\$)	2016 (\$)	Increase/ (Decrease) (\$)
Term Loan Receivables for Social Services			
Public Officers and Ministers	14,476	14,476	---
I-Taukei Affairs Board	5,778,924	6,158,924	(380,000)
PSC Scholarship Lending	9,041,153	1,463,143	7,578,000
Tertiary Education Loan Scheme	209,060,301	124,175,975	84,884,326
Loans to Fiji Sports Council	4,450,611	4,450,611	---
Total	228,345,465	136,263,129	92,082,336
Term Loan Receivables for Economic Services			
Fiji Pine Commission	8,400,000	10,200,000	(1,800,000)
Fiji Sugar Corporation Limited	173,816,930	173,816,930	---
Viti Corporation Limited	2,905,000	3,189,667	(284,667)
National Trading Corporation Limited	1,900,000	1,900,000	---
Rewa Rice Limited	1,900,000	1,900,000	---
Pacific Fishing Company Limited	9,000,162	9,000,162	---
South Pacific Fertilizer	9,722,100	9,722,100	---
Housing Authority	36,230,048	40,626,724	(4,396,676)
Public Rental Board	9,708,881	10,887,097	(1,178,216)
Total	253,583,121	261,242,680	(7,659,559)
Total Term Loan Receivable	481,928,586	397,505,809	84,422,777

WOG Audited Account 31 July 2017: Note 17 – 19

The term loan receivable balances increased by \$84,422,777 or 21% compared to 2016 as a result of recognition of outstanding debt from Tertiary Education Loans Board.

Arrears of revenue

Arrears of revenue in 2017 was \$83,575,308 in comparison to \$151,426,557 in 2015. This was a decrease of \$67,851,049 or 45%.

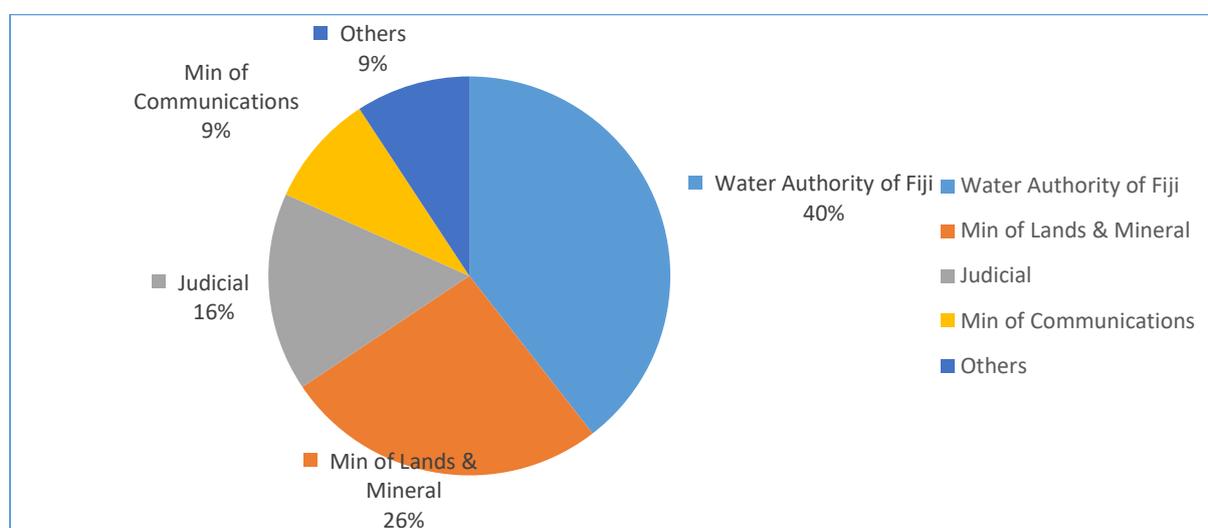
The decrease in arrears of revenue was mainly due the recognition of the Fiji Revenue and Customs Service arrears into the Statement of Assets and Liabilities as Accounts Receivables

The huge proportion of debt were in relation to water rates for Water Authority of Fiji totalling to \$33,006,642 followed by land rental due to Department of Lands of \$21,820,630. Refer to Table 1.22 and Figure 1.22 for details of arrears of revenue.

Table 1.22: 2017 Arrears of Revenue

Ministry/ Department	2017 (\$)	Percentage of Total (%)
Water Authority of Fiji	33,006,642	40
Department of Lands	21,820,630	26
Judiciary	13,450,691	16
Ministry of Communications	7,599,780	9
Others	7,697,565	9
Total	83,575,308	100%

Figure 1.22



Accounts payable

The accounts payable balance as at 31/07/17 was \$95,014,885 and decreased by \$5,933,368 or 6% from 2016 balance of \$100,948,253.

The balance of \$95,014,885 is made up of VAT & Income Tax Refunds Outstanding of \$94,467,190 or 99%, litigation claims of \$466,490 or 0.5%, Withholding tax of \$196,225 or 0.2% and Trading and Manufacturing Trade and Sundry Creditors \$115,020 debit or 0.1%.

Results from operation of Trading & Manufacturing Accounts

The revenue and expenses from Trading and Manufacturing operations carried out by various government ministries and departments were \$21,655,615 and \$16,566,320 as at 31/07/17, respectively resulting in surplus of \$5,089,295 or 24% of revenue earned.

Viability of some Trading and Manufacturing Accounts needs to be analysed as some are operating at a loss.

Trust Fund Accounts

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

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

The total trust fund account balance for the year ended 31 July 2017 was \$197,199,489. Refer to Table 1.23 below.

Table 1.23: Trust fund account balances

	31/07/17 (\$)	31/0716 (\$)	Variance (\$)	Percentage (%)
Deposits, Deductions and Retention Money (Operating Trust Fund Account)	28,368,369	22,741,423	5,626,946	25
Consolidated Trust Fund (Main Trust Fund Account)	168,831,120	120,588,162	48,242,958	40
Total	197,199,489	143,329,585	53,869,904	38

WOG Audited Account 31 July 2017: Note 17-39

The operating trust fund account balance as at 31/07/17 was \$28,368,369 which increased by \$5,626,946 or 25% from 2016. The increase in balance was due to inclusion of dormant and carried forward balances and new balances for the year.

In comparison the consolidated trust fund account balance as at 31/07/17 was \$168,831,120 which increased by \$48,242,958 or 40% from 2016. The reason for increase in main trust fund account balance was largely due to opening of five new trust fund accounts in 2017 and increase in balances of existing trust fund accounts. Refer to Table 1.24 below for new trust fund accounts opened in the year ended 31 July 2017.

Table 1.24: New Main Trust Fund Accounts Opened in 2017

Ministry	Description	Ending Balance as at 31/07/17 (\$)
New Main Trust Account Created in 2016 -2017		
Attorney General's Office	Laws of Fiji Trust Fund	931,144
Ministry of Economy	COP 23 Trust Fund	11,837,452
Ministry of Economy	EU Grant Trust Account	22,553,548
Ministry of Economy	Adopt – A - School Programme Prog Trust	2,382,415
Ministry of Economy	Adopt – A - School Programme Prog Trust	2,716,788
	Total	40,421,347
Increase in Closing balance for existing Main Trust Account		
Republic of Fiji Military Forces	Engineer Trust Fund Account	3,891,624
Total		44,312,971

The main trust fund account cash balances as per FMIS general ledger as at 31/07/17 was \$169,295,442. This is sufficient to cover main trust fund account liability of \$168,831,120.

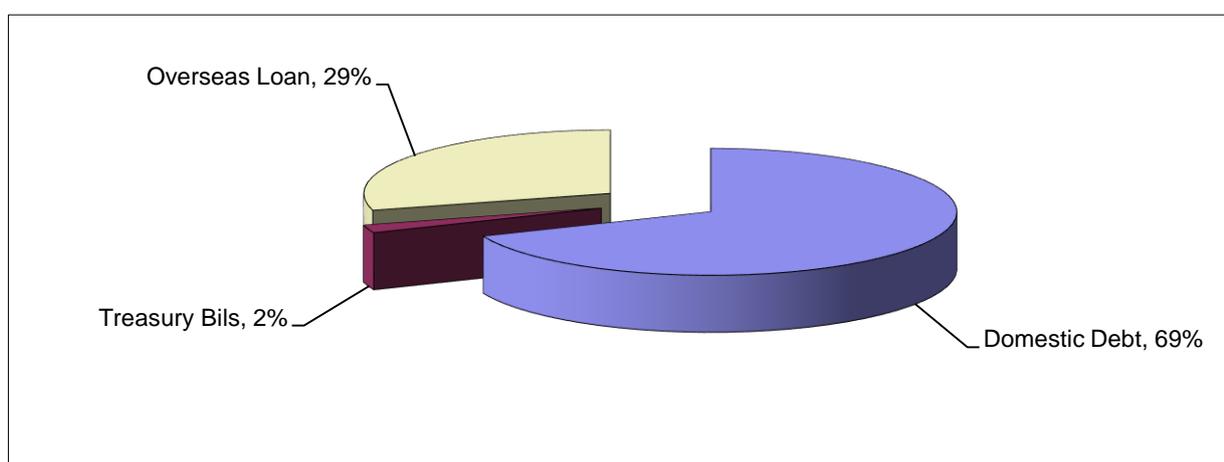
However, the operating trust fund accounts do not have separate bank accounts and funds from the consolidated fund account is used to settle payments. The Domestic cash at bank balance net of unpresented cheques as at 31 July 2017 was \$87,966,550 which was more than sufficient to cover total operating trust fund account balance of \$28,368,369. This shows that 32% of the total net domestic cash as at 31/07/17 will be utilized to settle payments for operating trust fund account.

Term loans payable

Public debt in 2016-2017 totalled \$4,667,607,532. This comprised of domestic borrowings of \$3,204,762,346 which made up 69% of total debt; overseas borrowings of \$1,367,960,883 or 29%; and Treasury Bills of \$94,884,303 which made up the remaining 2%.

These are illustrated in Figure 1.23 below.

Figure 1.23: Composition of Public Debt in 2016/2017



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

During the year, Government had utilized \$107,500,000 of this facility through the Reserve Bank of Fiji.

For the year ended 31/07/17, a principal loan repayments for overseas loans and domestic loans was \$49,336,100 and \$99,643,000, respectively totalling to \$148,979,100.

Interest payments were \$45,538,172 for overseas loans and \$229,340,752 for domestic loans. Treasury bills fees and charges were \$1,722,933. Other charges totalling \$144,236 included Reserve bank of Fiji Registry fees of \$137,901 and agency and management fees of \$6,335.

Public debt sustainability

The total Gross Domestic Product (GDP) as at 31/07/17 was \$9,865,489,759 which increased by \$12,785,646 or 0.13% from \$9,852,704,113 in 2016. The total debt as at 31/07/17 of \$4,667,607,532 also increased by \$165,183,746 or 4%. Total debt as a percentage of GDP was 47% as at 31/07/17.

Total government revenue was \$2,859,097,304 and total debt was \$4,667,607,532. Debt to revenue ratio was 1: 1.61 indicating that for every \$1 of government revenue there is \$1.61 of government debt.

Interest charges on loans and other charges on public debt was \$276,746,093, Interest expense to revenue was 1: 0.10, indicating that 10% of total revenue can be used for repayment of interest expenses on loans.

Appropriation Statement

The Appropriation Statement for Government is shown in Table 1.25 below.

Table 1.25: Appropriation Statement

Summary by Standard Expenditure Group (SEG)	Original Budget 2017	Redeployment	Virements	Revised Estimate 2017	Actual Expenditure 2017	Surplus/ (Deficit)	(Over) / Under Expenditure
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	%
1. Established Staff	858,177,689	---	(20,354,687)	837,823,002	800,546,116	37,276,886	4
2. Unestablished Staff	45,760,695	---	10,106,280	55,866,975	53,462,154	2,404,821	4
3. Travel and Communications	34,820,423	---	5,658,039	40,478,462	36,571,471	3,906,991	10
4. Maintenance and Operations	75,635,040	---	1,198,565	76,833,605	69,927,885	6,905,720	9
5. Purchase of Goods and Services	149,379,483	221,396	1,608,030	151,208,909	140,315,711	10,893,198	7
6. Operating Grants and Transfers	522,928,042	8,303,934	8,125,736	539,357,712	518,445,776	20,911,936	4
7. Special Expenditure	113,966,050	---	(824,214)	113,141,836	67,863,214	45,278,622	40
8. Capital Construction	169,752,580	---	(10,168,564)	159,584,016	83,016,151	76,567,865	48
9. Capital Purchase	55,255,821	---	10,135,411	65,391,232	48,526,290	16,864,942	26
10. Capital Grants and Transfers	1,229,056,796	(8,547,226)	(3,461,181)	1,217,048,389	894,059,354	322,989,035	27
11. Pensions, Gratuities & Compassionate Allowances	42,409,700	---	---	42,409,700	34,880,413	7,529,287	18
12. Charges on Account of Public Debt	10,500,000	---	---	10,500,000	1,867,170	8,632,830	82
13. Value Added Tax	50,775,600	21,896	(2,023,414)	48,774,081	35,913,968	12,860,113	26
14. Interest Payment on overseas loans	52,478,440	---	---	52,478,440	45,538,170	6,940,270	13
15. Interest Payment on domestic loans	232,460,357	---	---	232,460,357	229,340,750	3,119,607	1
Grand Total	3,643,356,716	---	---	3,643,356,716	3,060,274,593	583,082,123	16

The revised estimate was \$3,643,356,716 and actual expenditure was \$3,060,274,593 resulting in a savings of \$583,082,123 or 16%. This was due to significant saving in special expenditure, capital construction and capital grants and transfers in various Heads of Appropriations as reported in the Sector Reports.

5.0 Assessment of Internal Controls

Chapter summary

In this chapter we detail our assessment of the strength of the internal controls designed, implemented and maintained by the 33 ministries and departments to ensure reliable financial reporting.

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

Introduction

This chapter evaluates the effectiveness of the internal controls maintained by 33 ministries and departments.

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

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

Internal control issues noted during our audit are reported to the Permanent Secretary or Head of Department of ministries and departments.

Summary of our internal control assessments for each ministry and department against each element of internal controls is shown in *Appendix A*.

Internal control framework.

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

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

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

Internal controls

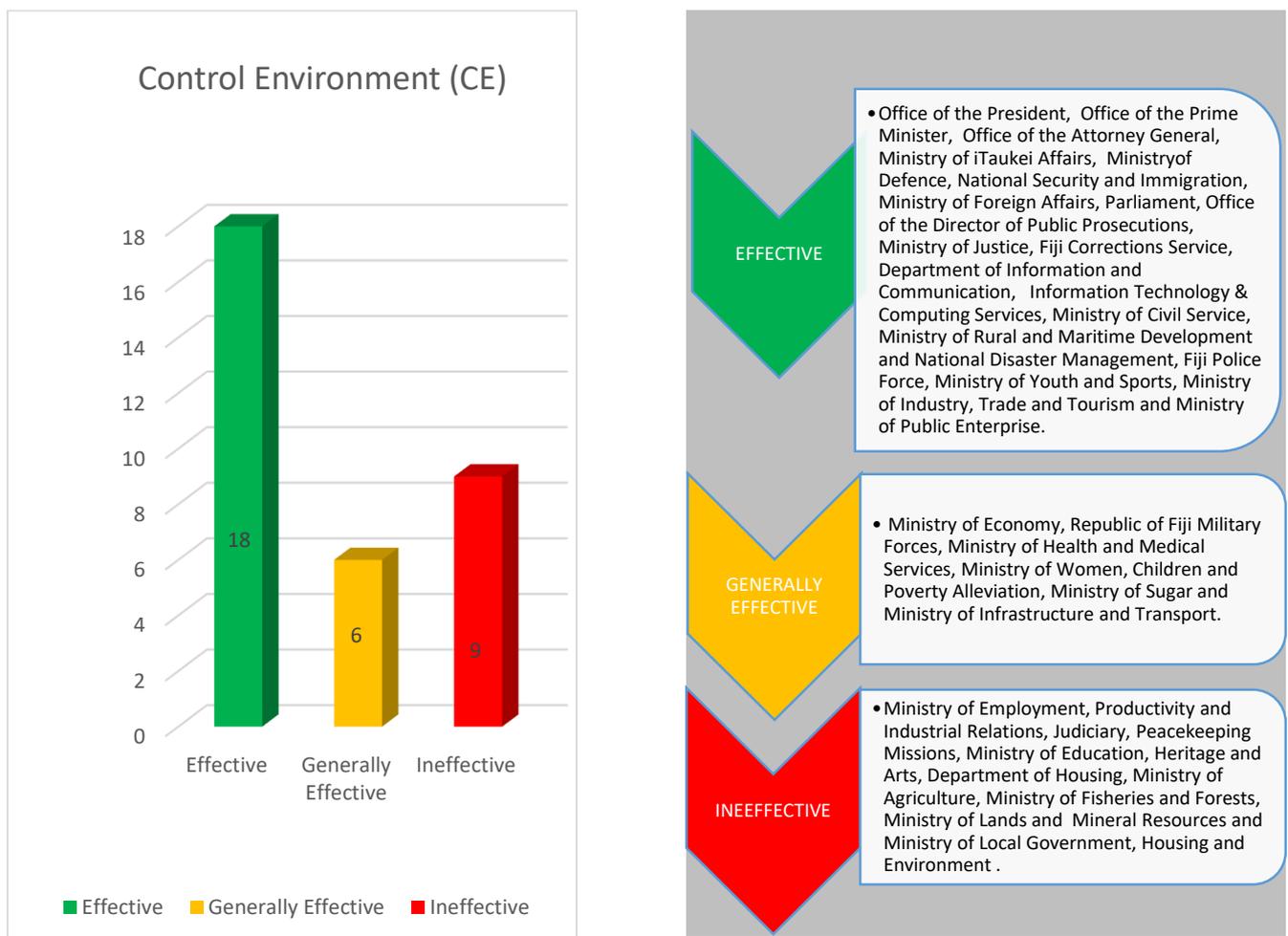
Internal controls are categorized against the following five components of internal control.

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

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

The control environment of the Ministries and Departments was assessed and categorized as effective, generally effective and ineffective in the line graph below.

Figure 1.24: Categories of Control Environment

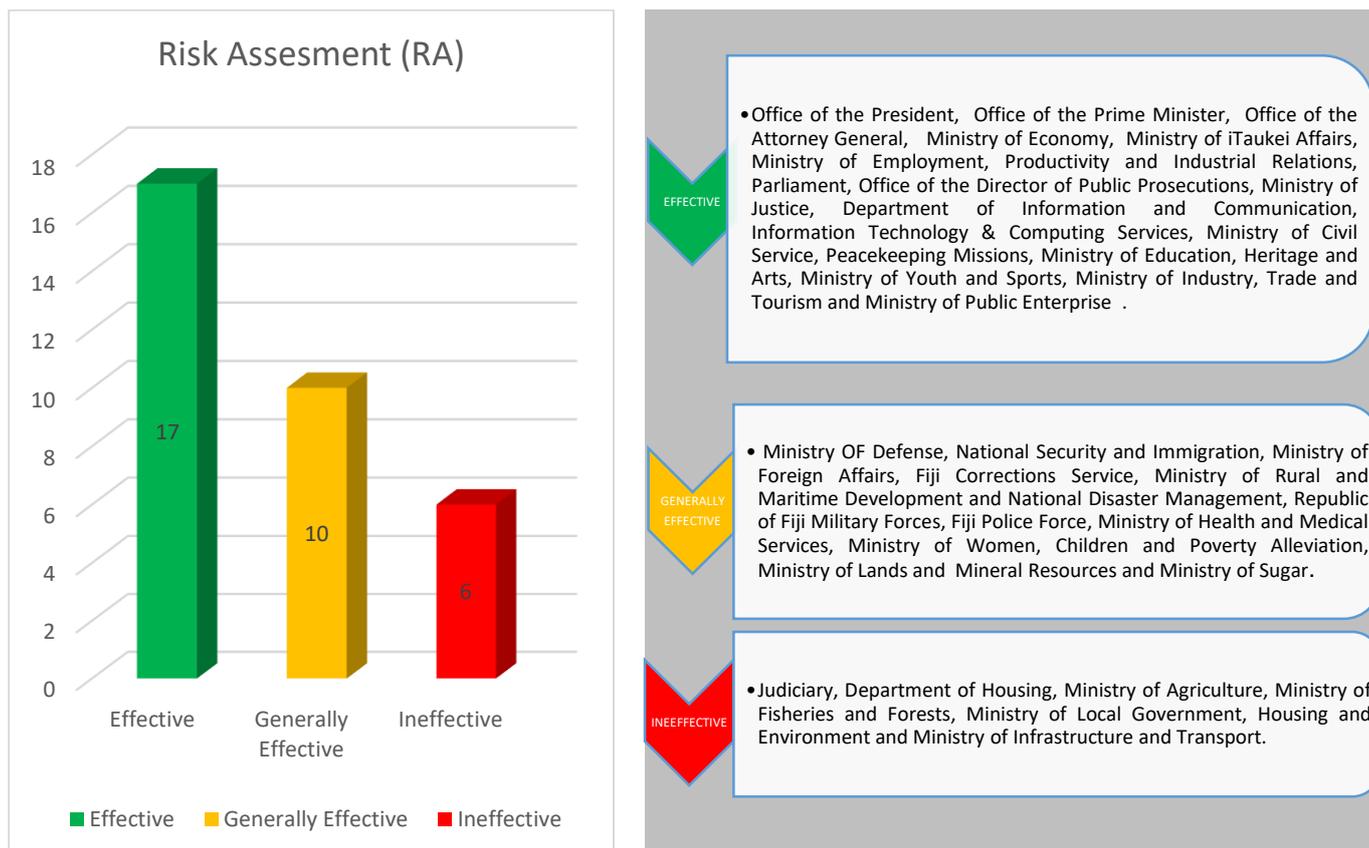


- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

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

The risk assessment of the Ministries and Departments was assessed and categorized as effective, generally effective and ineffective in the line graph below.

Figure 1.25: Categories of risk assessment

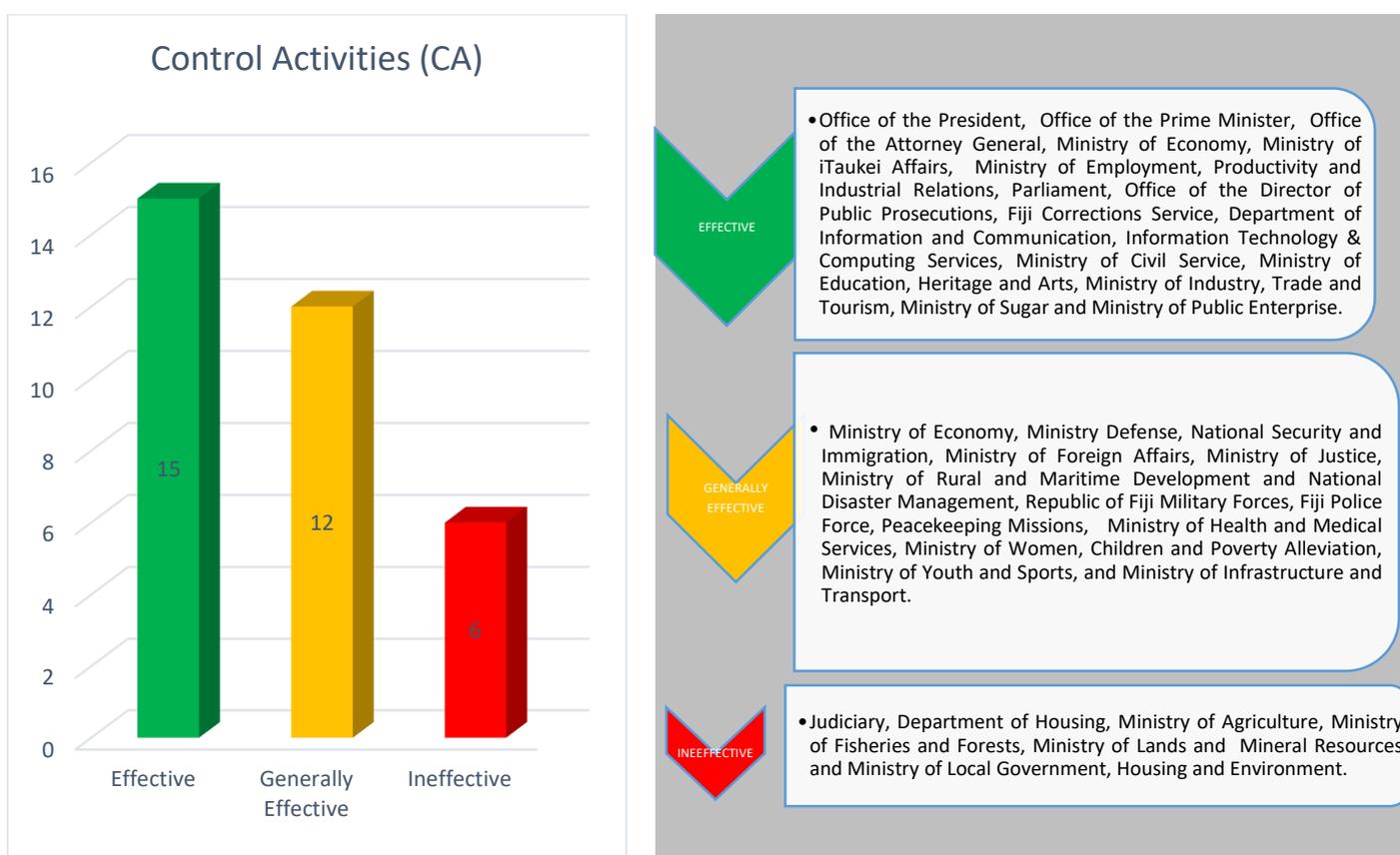


- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes,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

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

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

Figure 1.26: Categories of control activities

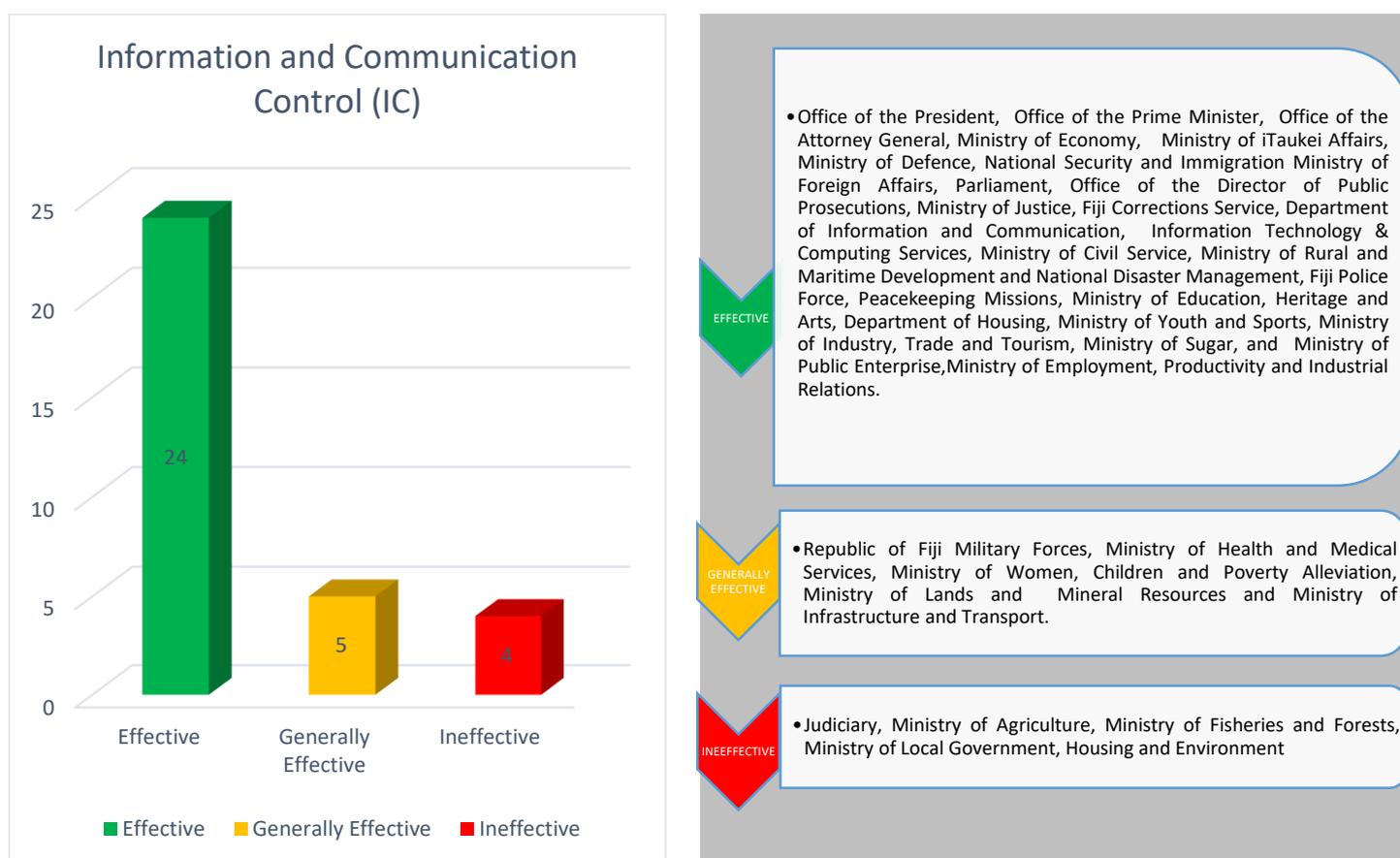


- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day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

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

The information and communication control of the Ministries and Departments was assessed and categorized as effective, generally effective and ineffective in the line graph below.

Figure 1.27: Categories of information and communication control

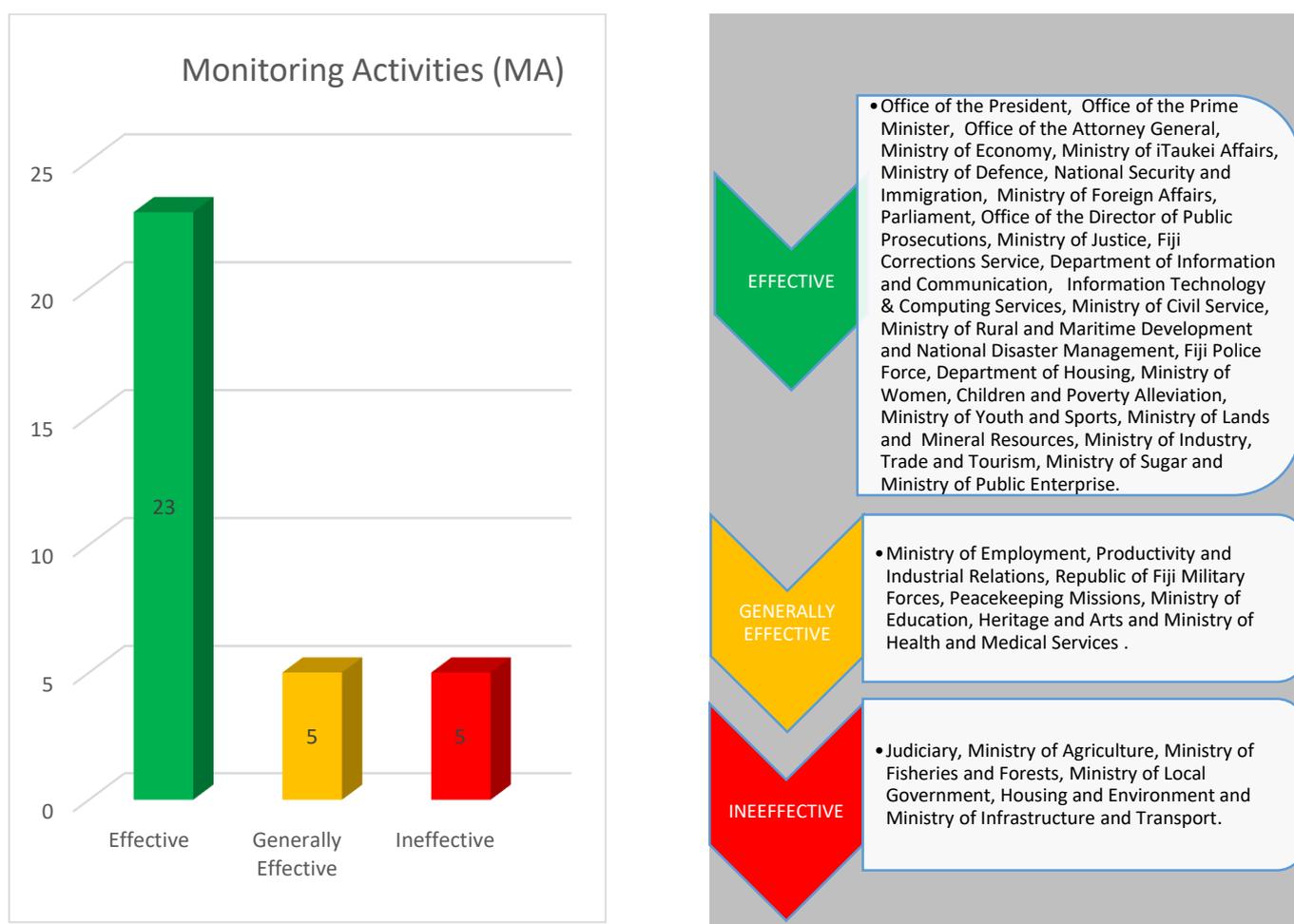


- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

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

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

Figure 1.28: Categories of monitoring activities



6.0 Significant Audit Matters

In this chapter we discuss significant audit matters in the 2017 Financial Statements of Government. The significant audit matters in ministries and departments is reported in the other Sector Reports

Key findings

Summary of control issues cutting across agencies

- Absence of risk management policy;
- Delay in preparation of reconciliations;
- Anomalies in drawings account and main trust fund account;
- Expenditure charged to incorrect allocation; and
- Anomalies in inventory

Significant control deficiencies

- Detailed listings of work permit holders equating to the security bond of \$25,215,349 held in trust are not maintained by the Department of Immigration.
- Included in the Suitors Trust Fund Accounts are funds received on behalf of deceased persons who do not have nominees at Fiji National Provident Fund as required under section 57 of the FNPF Act 2011. The Judicial department does not maintain detailed breakdown listing of these funds received from FNPF, funds paid out to beneficiaries, and balance of fund to be refunded to FNPF where no application has been made to claim the funds from High Court.
- The Ministry of Justice did not maintain detailed listings of the companies under provisional liquidations and the individuals under receiverships. Consequently, audit was not able to substantiate the completeness of the closing balances of \$587,437 and \$255,603 reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust Fund Account and the Official Receiver Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account, respectively.
- The Ministry of Fisheries and Forests did not maintain a detailed listing of the beneficiaries of the Trust Accounts.

Appendix A: Assessment of Financial Governance

Internal controls

The following table outlines the rating we have used to assess internal controls:

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

Preparation of Draft 2016-2017 Agency Financial Statements

On 1 June 2017, the Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unpresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 30 August 2017

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

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

Quality of Draft Financial Statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit.

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required and no re-submission of financial statements
● Generally effective	Adjustments on operating results/net assets were less than one percent
● Ineffective	Adjustments on operating results/net assets were more than one percent Re-submission of draft financial statements more than once

Timeliness of Draft Financial Statements for Entities

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

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received before or on 16 October 2017
● Generally effective	Acceptable draft financial statements received on or before 15 November 2017
● Ineffective	Acceptable draft financial statements received after 15 November 2017

Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date agency financial statement draft management letter (DML) was issued and the date management comments was received.

Rating	Timeliness of management comments
● Effective	Management comments received within 14 days
● Generally effective	Management comments received within 21 days
● Ineffective	Management comments received after 21 days

Timeliness of Signed Accounts Received

To assess the timeliness of signed accounts received, we have compared the date financial statements were sent to ministries/departments for signing and the date signed financial statements was received.

Rating	Timeliness of signed accounts received
● Effective	Received signed accounts within 5 days
● Generally effective	Received signed accounts within 15 days
● Ineffective	Received signed accounts after 15 days

Result summary

The following table summarizes our assessment of controls and the 2016-2017 financial statement preparing processes across ministries and departments which were audited.

Ministries / Departments by Sector	Internal Controls					Financial Statement Preparation			Management Comments	Signing of Accounts
	CE	RA	CA	IC	MA	YE	Q	T	MC	SFS
General Administration										
1. Office of the President	●	●	●	●	●	●	●	●	●	●
2. Office of the Prime Minister	●	●	●	●	●	●	●	●	●	●
3. Office of the Attorney General	●	●	●	●	●	●	●	●	●	●
4. Ministry of Economy	●	●	●	●	●	●	●	●	●	●
5. Ministry of iTaukei Affairs	●	●	●	●	●	●	●	●	●	●
6. Ministry Defence, National Security and Immigration	●	●	●	●	●	●	●	●	●	●
7. Ministry of Employment, Productivity and Industrial Relations	●	●	●	●	●	●	●	●	●	●
8. Ministry of Foreign Affairs	●	●	●	●	●	●	●	●	●	●
9. Judiciary	●	●	●	●	●	●	●	●	●	●
10. Parliament	●	●	●	●	●	●	●	●	●	●
11. Office of the Director of Public Prosecutions	●	●	●	●	●	●	●	●	●	●
12. Ministry of Justice	●	●	●	●	●	●	●	●	●	●
13. Fiji Corrections Service	●	●	●	●	●	●	●	●	●	●
14. Department of Information and Communication	●	●	●	●	●	●	●	●	●	●
15. Information, Technology & Computing Services	●	●	●	●	●	●	●	●	●	●
16. Ministry of Civil Service	●	●	●	●	●	●	●	●	●	●
17. Ministry of Rural and Maritime Development and National Disaster Management	●	●	●	●	●	●	●	●	●	●
18. Republic of Fiji Military Forces	●	●	●	●	●	●	●	●	●	●
19. Fiji Police Force	●	●	●	●	●	●	●	●	●	●
20. Peacekeeping Missions	●	●	●	●	●	●	●	●	●	●
Social Services										
21. Ministry of Education, Heritage and Arts	●	●	●	●	●	●	●	●	●	●
22. Ministry of Health and Medical Services	●	●	●	●	●	●	●	●	●	●
23. Department of Housing	●	●	●	●	●	●	●	●	●	●
24. Ministry of Women, Children and Poverty Alleviation	●	●	●	●	●	●	●	●	●	●
25. Ministry of Youth and Sports	●	●	●	●	●	●	●	●	●	●
Economic Services										
26. Ministry of Agriculture	●	●	●	●	●	●	●	●	●	●
27. Ministry of Fisheries and Forests	●	●	●	●	●	●	●	●	●	●
28. Ministry of Lands and Mineral Resources	●	●	●	●	●	●	●	●	●	●
29. Ministry of Industry, Trade and Tourism	●	●	●	●	●	●	●	●	●	●
30. Ministry of Sugar	●	●	●	●	●	●	●	●	●	●
31. Ministry of Public Enterprise	●	●	●	●	●	●	●	●	●	●

Ministries / Departments by Sector	Internal Controls					Financial Statement Preparation			Management Comments	Signing of Accounts
	CE	RA	CA	IC	MA	YE	Q	T	MC	SFS
32. Ministry of Local Government, Housing and Environment	✖	✖	✖	✖	✖	✖	✖	✖	✖	✔
Infrastructure Services										
33. Ministry of Infrastructure and Transport	✔	✖	✔	✔	✖	✔	✔	✖	✖	✖

CE=Control Environment RA=Risk Assessment CA=Control Activities
 IC=Information and Communication Control MA=Monitoring Activities
 T=Timeliness of draft financial statements Q=Quality of draft financial statements
 YE= Year-end close processes
 MC = Management comments received SFS = Signing of Financial Statements

Appendix B: Audit Opinion Results

The following tables present the results of our audit of 2016-2017 financial statements for ministries and departments. Consistent with presentation in this report, the results have been summarized by general administration, social services, economic services and infrastructure services sectors.

General Administration

Ministry/Department	Legislative time frame	Date audit report signed	Audit opinion type
1. Office of the President	31 December 2017	8 March 2018	Unmodified
2. Office of the Prime Minister	31 December 2017	13 February 2018	Unmodified
3. Office of the Attorney General	31 December 2017	29 January 2018	Unmodified
4. Ministry of Economy	31 December 2017	9 August 2019	Unmodified
5. Ministry of iTaukei Affairs	31 December 2017	30 April 2018	Unmodified
6. Ministry of Defence, National Security and Immigration	31 December 2017	7 May 2018	Modified
7. Ministry of Employment, Productivity and Industrial Relations	31 December 2017	24 July 2018	Modified
8. Ministry of Foreign Affairs	31 December 2017	20 June 2018	Unmodified
9. Judiciary	31 December 2017	2 July 2018	Modified
10. Parliament	31 December 2017	22 November 2017	Unmodified
11. Office of the Director of Public Prosecutions	31 December 2017	18 December 2017	Unmodified
12. Ministry of Justice	31 December 2017	22 May 2018	Modified
13. Fiji Corrections Service	31 December 2017	4 September 2018	Unmodified
14. Department of Information and Communication	31 December 2017	14 March 2018	Unmodified
15. Department of Information, Technology and Computing Services (ITC)	31 December 2017	11 May 2018	Unmodified
16. Ministry of Civil Service	31 December 2017	23 May 2018	Unmodified
17. Ministry of Rural and Maritime Development and National Disaster Management	31 December 2017	3 April 2018	Modified
18. Republic of Fiji Military Forces	31 December 2017	16 April 2018	Modified
19. Fiji Police Force	31 December 2017	19 March 2018	Unmodified
20. Peacekeeping Missions	31 December 2017	3 May 2018	Unmodified - Emphasis of Matter

Social Services

Entity	Legislative time frame	Date audit report signed	Audit opinion type
21. Ministry of Education, Heritage and Arts and Higher Education Institutions	31 December 2017	15 October 2018	Unmodified
22. Ministry of Health and Medical Services	31 December 2017	14 August 2018	Modified
23. Department of Housing	31 December 2017	16 October 2018	Unmodified
24. Ministry of Women, Children and Poverty Alleviation	31 December 2017	23 May 2018	Unmodified - Emphasis of Matter
25. Ministry of Youth and Sports	31 December 2017	11 January 2018	Unmodified

Economic Services

Entity	Legislative time frame	Date audit report signed	Audit opinion type
26. Ministry of Agriculture	31 December 2017	2 July 2018	Modified
27. Ministry of Fisheries and Forests	31 December 2017	18 September 2018	Modified
28. Ministry of Lands and Mineral Resources	31 December 2017	8 March 2018	Modified
29. Ministry of Industry, Trade and Tourism	31 December 2017	12 February 2018	Unmodified
30. Ministry of Sugar	31 December 2017	14 March 2018	Unmodified
31. Ministry of Public Enterprise	31 December 2017	18 January 2018	Unmodified
32. Ministry of Local Government, Housing and Environment	31 December 2017	30 July 2018	Modified

Infrastructure Services

Entity	Legislative time frame	Date audit report signed	Audit opinion type
33. Ministry of Infrastructure and Transport	31 December 2017	13 November 2018	Modified

Appendix C: Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws.
Accounting estimates	An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation.
Appropriation	A sum of total budget for the ordinary services of government for the financial year ending 31 July 2017.
Audit evidence	All the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.
Audit Memorandum	Management Letter highlighting areas where improvements can be made by an entity following an audit.
Audit strategy	The strategy that sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan.
Consolidated fund account	The main bank account of the government where public monies are paid into for the operations of government. Trust money is not paid into this account.
Deferred income	Deferred income refers to money received by an entity before it provides the related goods or services to the customer.
Deficiencies	Failing, weakness or shortcoming.
Express an opinion	A written expression of the auditor's overall conclusion on the financial report based on audit evidence obtained.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
Governance	The control arrangements in place at an entity that are used to govern and monitor its activities to achieve its strategic and operational goals.
International Public Sector Accounting Standards (IPSAS) under cash basis of accounting	Standards adopted by Government of Fiji for financial reporting of Financial Statements of Government.
Management	Those with the executive responsibility for conducting an operations.
Material misstatement	A significant difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Misstatement	A difference between the amounts, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the

Term	Definition
	applicable financial reporting framework. Misstatements can arise from error or fraud.
Other significant matters	Include control weaknesses which <i>could cause</i> or <i>is causing</i> severe disruption of the process or severe adverse effect on the ability of an auditee to achieve process objectives and comply with relevant legislation. It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.
Reasonable assurance	A high but not absolute level of assurance.
Re-deployment	Transfer of budgeted funds from one appropriation head to another which is approved by Cabinet.
Revaluation	The action of assessing the value of something again.
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action.
Standards on auditing	International Standards on Auditing adopted by Fiji Institute of Accountants and applied by Office of the Auditor-General for audits carried out.
Trading and Manufacturing activities	Are operated on semi-commercial basis to increase the returns which are derived from them and to provide goods, services or works more cost-effectively.
Value-adding	Financial or non-financial gains arising from improved compliance or mitigation of risks.
Virements	Permanent Secretaries of ministries and departments may authorise the transfer of budgeted funds between Standard Expenditure Groups as per section 10(1) of the Finance Instructions 2010.

Appendix D: OAG Analysis Based on the 2016-2017 Financial Statements of Government

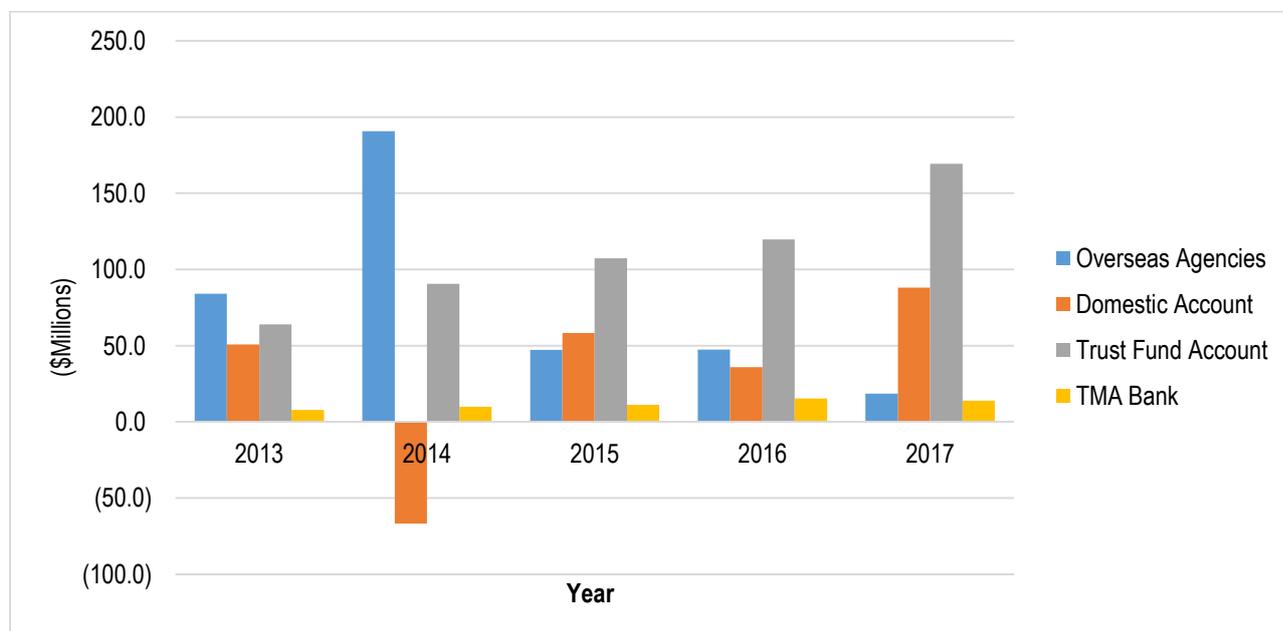
CASH AND CASH EQUIVALENTS

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorised to operate on it. All agency bank accounts must be kept in the name of the agency or the official title of a unit within the agency.¹⁰

The cash and cash equivalents balance increased from \$218,496,898 in 2016 to \$289,753,141 in 2017. Major increases were noted in Trust Fund Account and Domestic Fund Account bank balances by 41% and 17%, respectively. Overseas cash significantly reduced by 61% and unrepresented cheque by 25%, respectively in 2017. The table below shows changes in net cash.

Account	2017 Balances(\$)	2016 (7 months) Balances(\$)	Variance (\$)	% Change
Overseas Agencies	18,546,563	47,411,540	(28,864,977)	(61)
Domestic Account	169,913,602	145,705,229	24,208,373	17
Trust Fund Account	169,295,442	119,788,149	49,507,293	41
Trading & Manufacturing Account (TMA)	13,944,586	15,462,371	(1,517,785)	(10)
Unrepresented Cheques	(81,947,052)	(109,870,391)	27,923,339	(25)
Net Cash	289,753,141	218,496,898	71,256,243	33

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



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

¹⁰ Finance Instructions 2010 – Section 32(1) & (4)

BORROWING FUND ACCOUNT

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

During the year, Government had utilised \$107,500,000 of this facility through the Reserve Bank of Fiji.

Borrowings over the 15 Year Period

Government borrowed a total of \$688,865,448 in 2017 which increased by \$101,243,118 or 17% from a total of \$587,622,330 borrowed in 2016.

Of the total amount borrowed in 2017, 32% or \$223,042,448 was borrowed from Overseas, 35% or \$241,600,000 were from Treasury Bills and 33% or \$224,223,000 was borrowed through domestic bonds.

Tabulated below are the total amounts borrowed by government from 2003 to 2017.

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
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	478,804.8	298	332,840.6	8	1,069,001.6	62
2016*	295,167.0	15	80,667.6	(83)	211,787.7	(36)	587,622.3	(45)
2017	224,223.0	(24)	223,042.4	176	241,600.0	14	688,865.4	17

* 7 months

An increase was noted for overseas and treasury bills borrowing. Overseas borrowing increased by 176% in 2017 from a total of \$80,667,618 borrowed in 2016 while treasury bills raised in 2017 increased by 14% from \$211,787,728 raised in 2016. Domestic borrowings decreased by 24% from \$295,166,984 in 2016.

Trends in Government Borrowing by Category

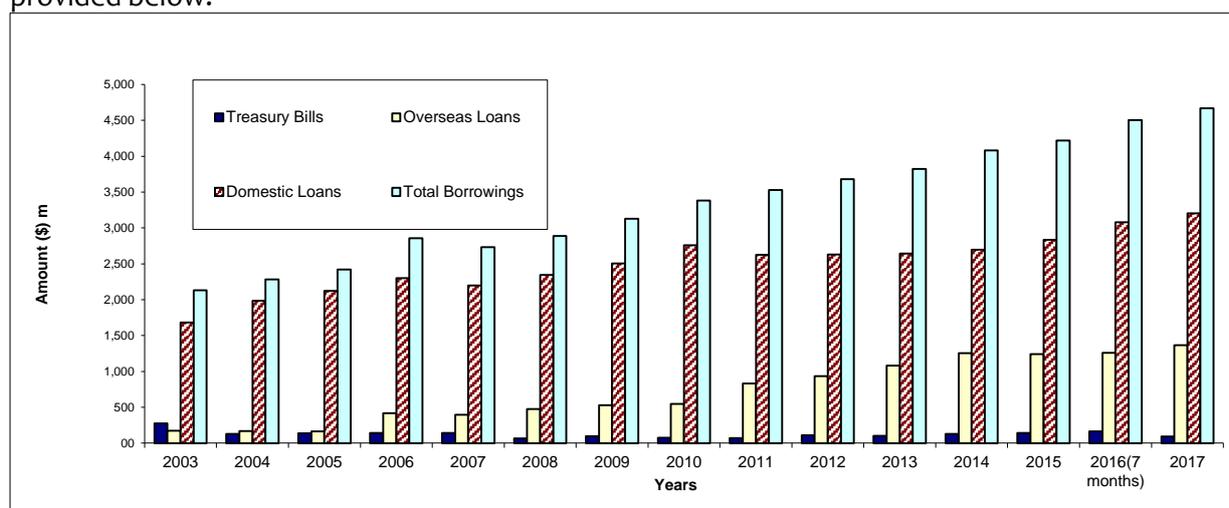
The total public debt at the end of each year from 2003 to 2017 and its composition for the last 15 years are summarised in the Table below.

Year	Domestic Bond (\$)	Percentage of Total Borrowing (%)	Treasury Bills (\$)	Percentage of Total (%)	Overseas Loan (\$)	Percentage of Total Borrowing (%)	Total (\$)
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	102,278,055	3	1,081,097,414	28	3,824,939,969
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
2016*	3,079,850,613	68	163,844,780	4	1,258,728,393	28	4,502,423,786
2017	3,204,762,346	69	94,884,303	2	1,367,960,883	29	4,667,607,532

* 7 months

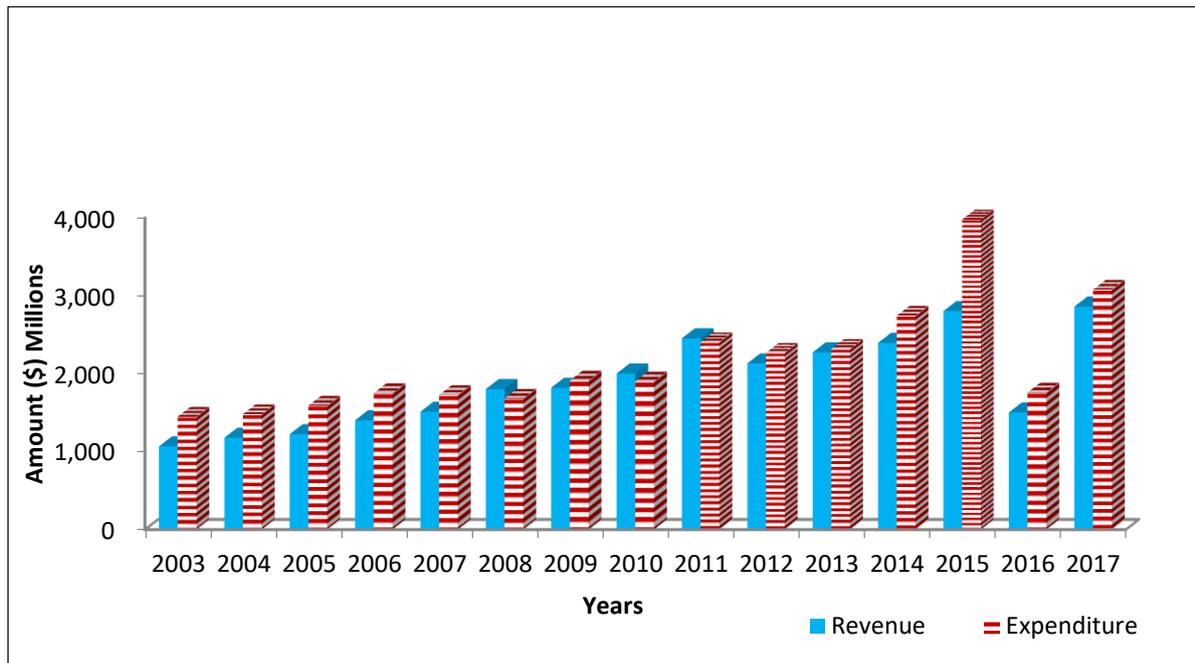
The government bonds mature between 3 to 15 years. In contrast, the term of Treasury Bills which constitute 2% of the borrowings ranges between 14 days to 245 days.

Over the last 15 years, the percentage of overseas borrowings constituted an average 20% of the borrowings. A graphical representation of the outstanding government borrowings position is provided below.



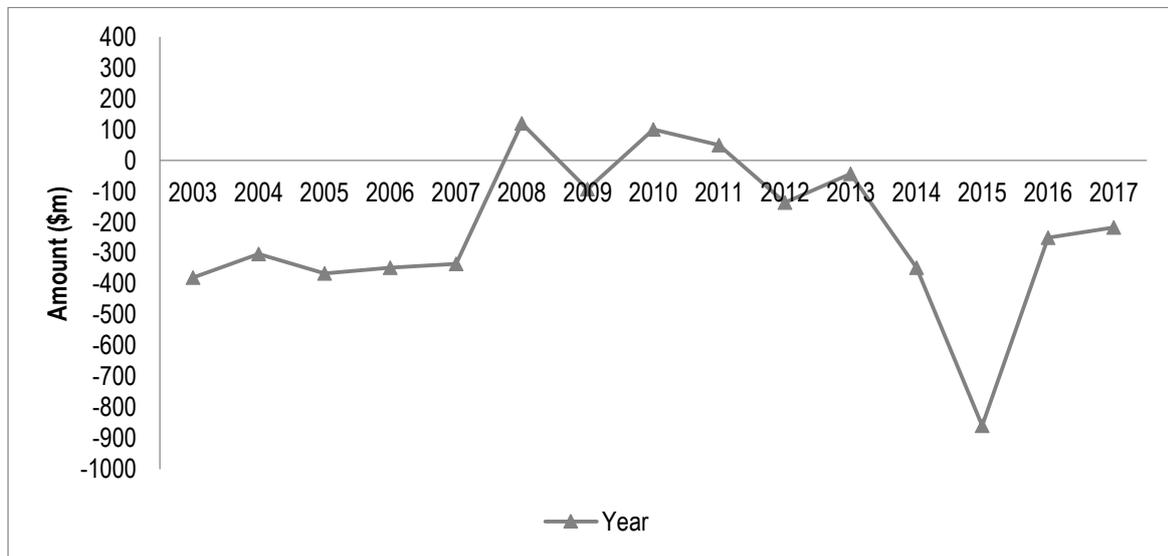
Public debt has been increasing over the years and in 2017, a further increase of \$165,183,746 or 4% was noted when compared to the debt of \$4,502,423,786 owed in 2016. The rise in the national debt level was due to increases in domestic debt by \$124.9 million, overseas debt by \$109.2 million and a decrease in treasury bills by \$68.9 million.

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



*Year 2016 was for 7 months

The figure below reveals that government expenditure of \$3,076,840,916 exceeded revenue of \$2,859,097,304 during 2017 resulting in a net deficit of \$217,743,612 for the year 2017.



*Year 2016 was for 7 months

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 the table below.

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total Repayment & Interest (\$)
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	
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
2016*	51,805,000	125,058,218	39,445,755	22,612,476	191,198,800	2,417,936	432,538,185
2017	99,643,000	229,342,301	49,336,100	43,809,204	239,716,590	1,883,410	663,730,605

* 7 months

Principal repayments for domestic bonds increased by \$47,838,000 or 92%, principal repayments for overseas borrowings increased by \$9,890,345 or 25% and treasury bills increased by \$48,517,790 or 25%. Overall the total principal debt repayments increased by \$106,246,135 or 38% in 2017.

Principal payments in 2017 for government borrowings totalled \$388,695,690 whilst interest payments amounted to \$275,034,915. Refer to the table below for details.

Description	Principal Repayment (\$)	Interest Repayment (\$)
Domestic Bonds	99,643,000	229,342,301
Overseas Borrowings	49,336,100	43,809,204
Treasury Bills	239,716,590	1,883,410
Total	388,695,690	275,034,915

The interest repayment on Domestic Borrowings for 2017 was \$229,342,301 compared to \$43,809,204 for Overseas Borrowings and \$1,883,410 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%.

We noted that the Fiji Government had recorded a loan amounting to 40 million RMB Yuan as Chinese Interest Free Loan. The total interest free loan recorded in the books of the government amounts to \$12 million Fiji dollars when converted to the local currency as at 31/07/17.

The Chinese Government had written to the Fiji Government to exempt the Fiji Government from having to repay the debt.

On 16 May 2017, the Government of the People's Republic of China and the Government of the Republic of Fiji signed a partial debts exemption protocol in Beijing, China whereby the Government of the People's Republic of China exempted the loan repayment obligation of two

interest free loans to support the development of the national economy and reduce the debt burden of the Republic of Fiji. Refer to the table below for details.

Loan	Date Loan agreement was Signed	Amount (RMB Yuan)
Agreement on Economic and Technical Cooperation between the Government of the People's Republic of China and Government of the Republic of Fiji	2 nd May 1989	10,000,000
Agreement on Economic and Technical Cooperation between the Government of the People's Republic of China and Government of the Republic of Fiji	19 th April 1990	30,000,000

The total amount used from these two interest free loans was RMB Yuan 40,000,628. As at 31 July 2017 the equivalent amount of these two interest free loans was FJ \$11,943,653 and outstanding overseas loan balance was adjusted downwards by the same amount.

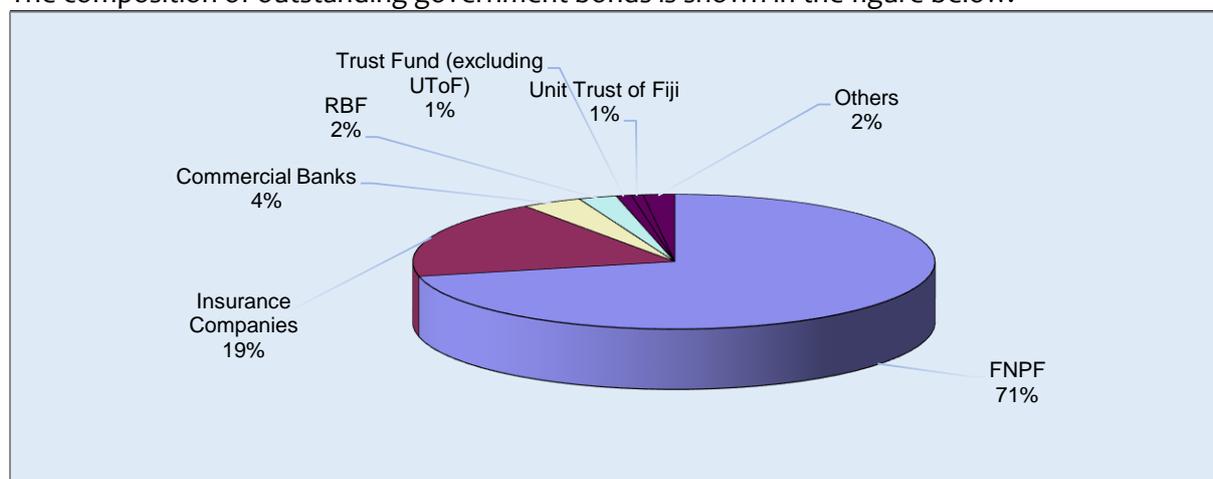
Domestic Bonds

The total domestic bonds as at 31 July 2017 amounted to \$3,204,762,346 or 69% of total Government borrowings. The table below shows the amounts that are owed by the Government of Fiji to bond holders.

Bond Holder	Amount (\$)	Percentage of Outstanding Debt (%)
FNPF	2,290,903,500	71
Insurance Companies	603,358,000	19
Commercial Banks	119,270,000	4
RBF	75,830,000	2
Trust Fund (excluding UTOF)	30,136,950	1
Unit Trust of Fiji	22,970,000	1
Others	61,952,050	2
Total	3,204,420,500¹¹	100

Fiji National Provident Fund (FNPF) held 71% of the bonds as at 31 July 2017; Insurance Companies 19%; Commercial Banks 4%; RBF 2%; the remaining 4% of the bonds were held by Trust Fund, Unit Trust of Fiji and others.

The composition of outstanding government bonds is shown in the figure below.



¹¹ Amount is reflected at face value and excludes accrued Interest earned and unamortized premium less discount of \$341,846

Borrowings & Interest Payments

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

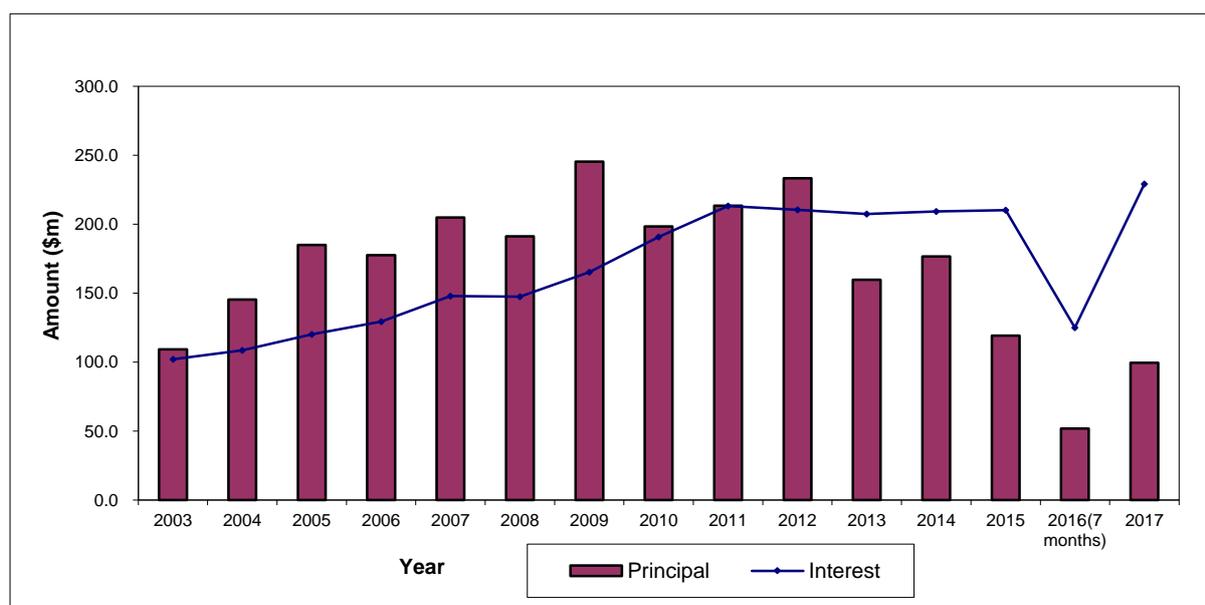
Year	Domestic Borrowings (\$m)	% Increase / (Decrease)	Interest Paid (\$m)	% Increase/ (Decrease)	Budgetary Provision (\$m)	% Change
2003	1,682.7	12	102.0	7	110.0	8
2004	1,986.5	18	108.6	6	121.5	10
2005	2,121.4	7	120.2	11	124.0	2
2006	2,300.7	8	129.5	8	127.7	3
2007	2,196.2	(5)	148.0	14	148.2	16
2008	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
2016*	3,079.9	9	125.1	(41)	219.3	4
2017	3,204.8	4	229.3	83	232.5	6

* 7 months

Total domestic borrowings outstanding increased by \$124.9 million or 4% in 2017 compared to 2016. Interest paid on domestic borrowings increased by \$104.2 million or 83%.

The Government had allocated \$232.5 million in the 2017 Budget for interest payments of which \$229.3 million was paid during the year.

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

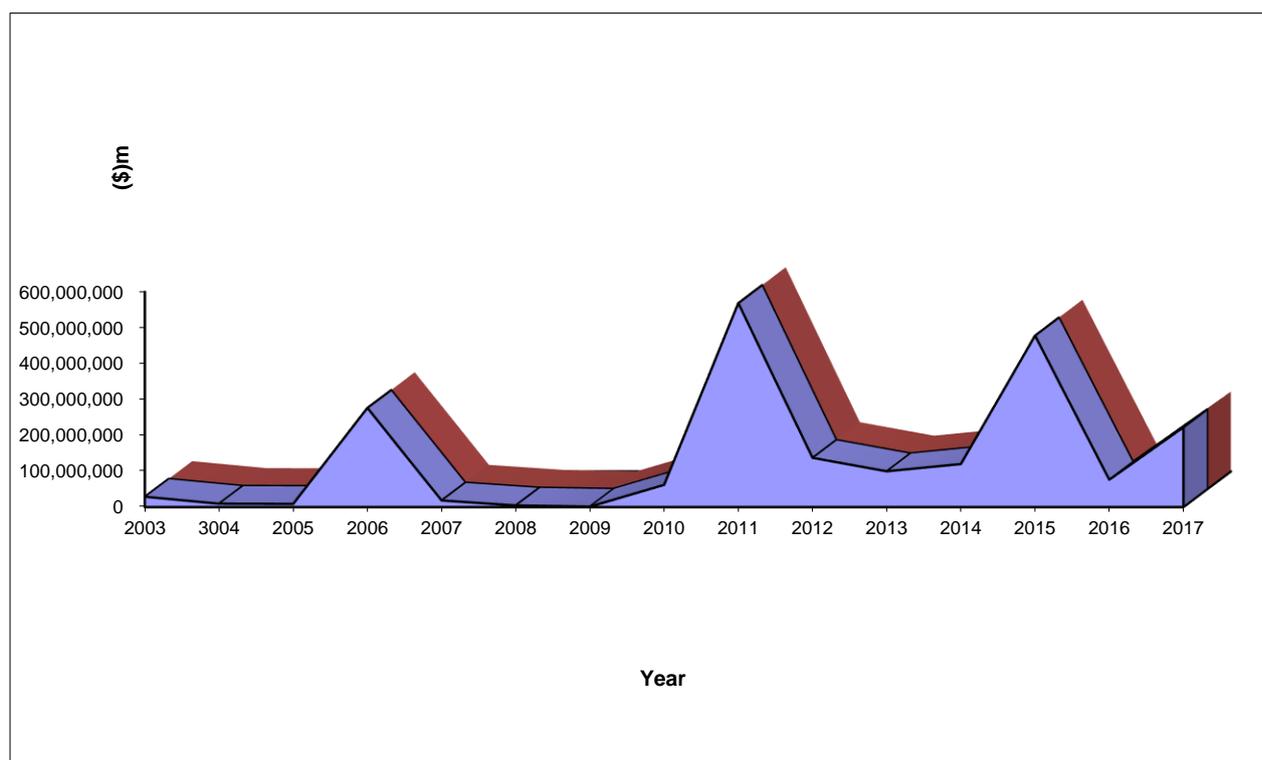


Overseas Borrowings

The total outstanding overseas borrowing of Government as at 31 July 2017 was \$1,367,960,883 which represents 29% of the total outstanding borrowings. Majority of the overseas borrowings obtained were to finance capital projects.

Yearly Overseas Borrowings

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



*Year 2016 was for 7 months

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

However, in 2016 there was a sharp decline in borrowing trend due to no issuance of bonds by the Government. In 2017, borrowing increased significantly due to cash borrowing by the Government.

The Government borrowed a total of \$223,042,448 from overseas which consisted of cash disbursements of \$211,440,261 and direct disbursements of \$11,602,187. Overseas loan repayments totalling \$93,145,304 were made in 2017, which comprises of \$43,809,204¹² in interest and \$49,336,100 in principal payments.

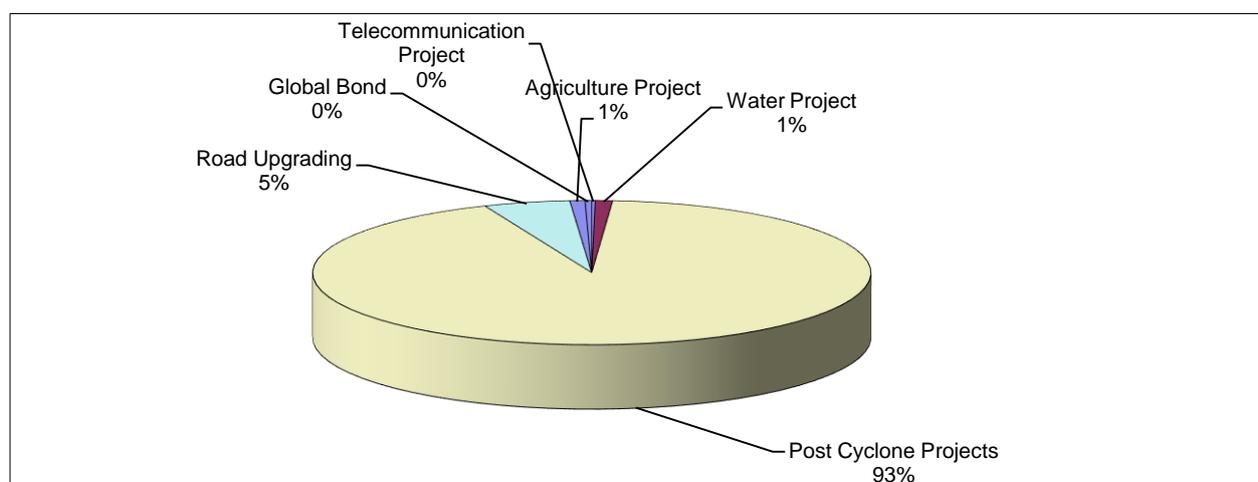
Refer to the table below for details of overseas borrowings made in the year 2017.

¹² Amount reflected is external interest paid and excludes capitalized interest, amortization and front-end fee of \$1,728,966

Loan	Cash (\$)	Capitalisation of Interest (\$)	Direct Disbursement (\$)	Front End Fee (\$)	Loan Amortisation (\$)	Total (\$)
Road Upgrading Projects						
ADB Transport Sector Infrastructure Project	1,064,050	332,754	3,095,836	---	---	4,492,640
World Bank Transport Infrastructure Investment Project	---	246,561	6,264,848	258,425	---	6,769,834
Post Cyclone Projects						
Post Cyclone Winston Emergency Development Policy Operation	102,919,934	---	---	---	---	102,919,934
Emergency Assistance for Recovery from Cyclone Winston	105,065,000	---	---	---	---	105,065,000
Water Project						
Urban Water Supply & Wastewater Management Program	---	---	2,241,503	---	---	2,241,503
Telecommunication Project						
Pacific Regional Connectivity Project: Fiji Connectivity Project	422,921	---	---	31,237	---	454,158
Agriculture Project						
Fiji Agricultural Partnership Project	1,968,356	---	---	---	---	1,968,356
Global Bond						
2015 Global Bond Borrowing	---	---	---	---	859,989	859,989
Total	211,440,261	579,315	11,602,187	289,662	859,989	224,771,414

Borrowings in relation to the Post Cyclone Project comprised of 93% or \$207.98 million of the total overseas borrowings by Government as at 31 July 2017. The funds obtained for this project were utilised for recovery and rehabilitation purposes after the destruction left behind by Tropical Cyclone Winston in 2016.

The composition of the Overseas Borrowings is illustrated in the figure below.



Overseas Borrowings Outstanding & Interest Paid

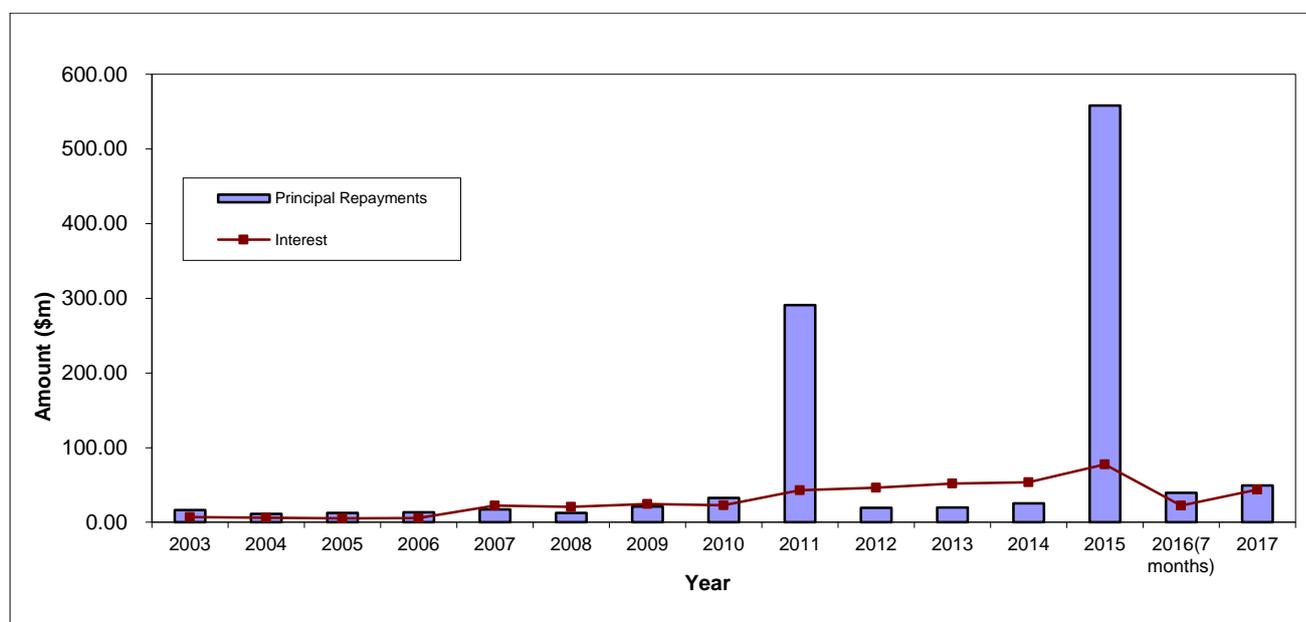
The table below provides details of overseas borrowings outstanding over the past 15 years with the total interest paid each year.

Year	Overseas Borrowings (\$m)	% Increase/ (Decrease)	Interest Paid (\$m)	% Increase/ (Decrease)	Budgetary Provision (\$m)	Variance (\$m)
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	1,241.4	(1)	77.4	44	91.6	44
2016*	1,258.7	1	22.6	(71)	48.2	(47)
2017	1,367.9	9	43.8	94	52.5	9

* 7 months

In 2017, the outstanding overseas borrowings increased by 9% compared to 2016. A sum of \$52,478,400 was provided in the 2017 Budget Estimates (revised) for interest expense of which \$43,809,204 was actual interest payment made in 2017.

The principal and interest payments are illustrated in the figure below.



Principal repayment for overseas loans in 2017 amounted to \$49.3 million while interest payment totalled \$43.8¹³ million. This is an increase by \$31 million or 50% compared to 2016.

¹³ Amount reflected as external interest paid and excludes capitalized interest, amortization and front-end fee of \$1,728,966

Revaluation of Overseas Borrowings

Overseas borrowings are revalued at year end using the Reserve Bank Fiji (RBF exchange rate as at 31/07/17) which has an effect on public debt balance outstanding at year end. Revaluation may result in increase or decrease in the public debt balance based on the exchange rate prevailing at the end of the year.

The table below outlines the amounts attributed to overseas borrowings due to revaluation over a 15-year period.

Year	Revaluation Increase/ (Decrease) (\$)	Overseas Borrowings (\$)	Unrealised Exchange (Gain)/Loss as a % of Overseas Borrowings
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	70,666,171	1,241,407,387	6
2016*	(24,319,154)	1,258,728,393	(2)
2017	(54,259,170)	1,367,960,883	(4)

* 7 months

The value of the overseas borrowings decreased by \$54,259,170 or 4 % due to floating exchange rates¹⁴ in 2017.

Treasury Bills

The Government through the Reserve Bank of Fiji floats Treasury bills to raise funds in the domestic market to meet its short-term needs.

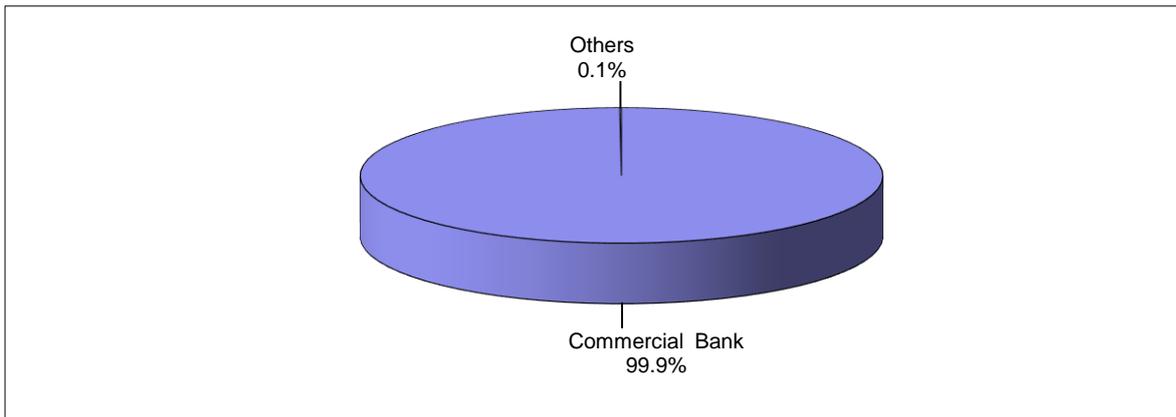
Treasury bills are sold at a discount on face value of which the investor will receive face value upon maturity.

During the year, the government raised \$241,600,000 in Treasury bills of which \$239,716,590 constituted net borrowings by the government whilst \$1,883,410 represented discounts, as summarised in the table below.

Bank	Face Value (\$)	% of Total	Discount (\$)	% of Total	Net Receipts (\$)	% of Total
Commercial Banks	241,500,000	99.9	1,881,275	99.9	239,618,725	99.9
Others	100,000	0.1	2,135	0.1	97,865	0.1
Total	241,600,000	100	1,883,410	100	239,716,590	100

¹⁴ In a floating rate system, the exchange rate is determined directly by market forces, and is liable to fluctuate continually.

Of the total Treasury bills issued in 2017, 99.9% were purchased by commercial banks and the remaining 0.1% was purchased by other entities and individuals. This composition is graphed below.



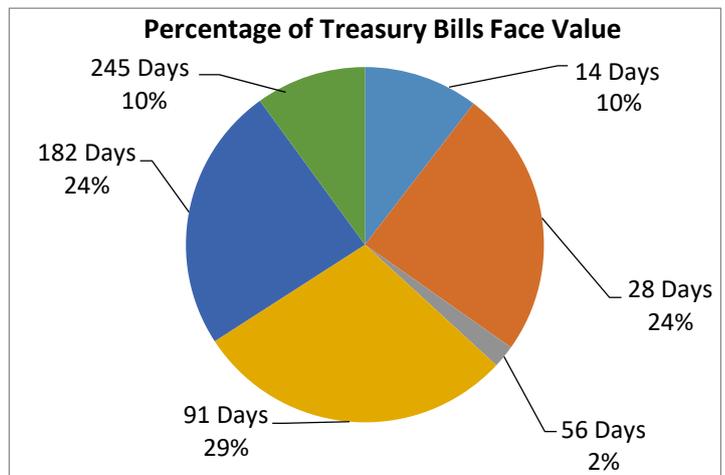
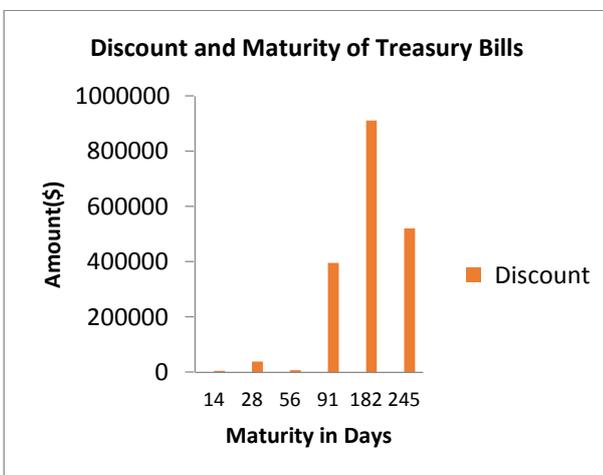
The Treasury bills are issued by the Government through the RBF and have maturity periods ranging from 14 to 245 days.

The table below show details the total Treasury bills raised in the year together with their maturity dates and discount.

Maturity in Days	Face Value (\$)	Discount (\$)	Treasury Bill Cost (\$)
14	25,100,000	5,388	25,094,612
28	59,000,000	39,518	58,960,482
56	5,000,000	8,424	4,991,576
91	70,000,000	396,120	69,603,880
182	58,400,000	912,372	57,487,628
245	24,100,000	521,588	23,578,412
Total	241,600,000	1,883,410	239,716,590

The discount increases as the maturity date increases.

Refer to figures below for these details:



Treasury Bills Over a 15-year Period

Treasury bills issued and redeemed over the last 15 years is summarised in the table below for details.

Year	Balance Brought Forward (\$)	Issues (\$)	Redemption (\$)	Outstanding (\$)
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
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 ¹⁵
2015	128,583,452	336,000,000	321,327,600	143,255,852
2016	143,255,852	213,200,000	192,611,072	163,844,780
2017	163,844,780	241,600,000	310,560,477 ¹⁶	94,884,303

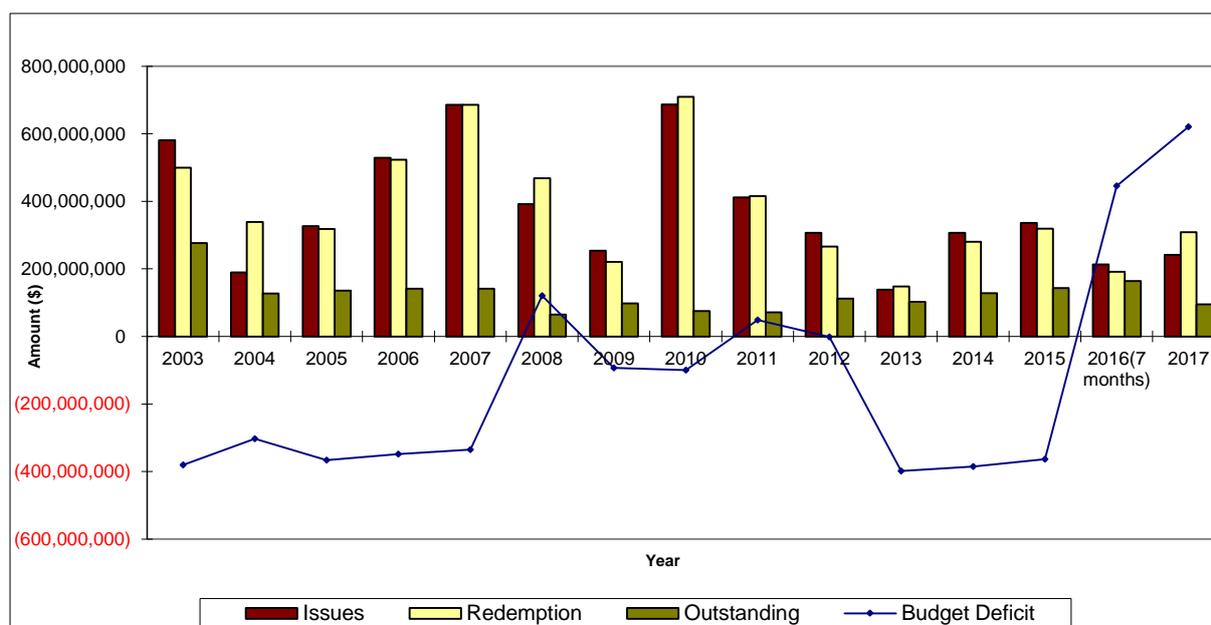
* 7 months

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 the figure below

¹⁵ Excludes discount of \$2,016,548.07

¹⁶ Excludes unamortised interest of \$1,883,410



In 2017 a budgeted gross deficit of \$620.7 million was recorded, with treasury bills outstanding totalling \$94.9 million.

Treasury Bills Management

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

*Budgeted revenue was for 12 months; however actual revenue was for 7 months due to the change in the financial year. Hence there is a significant shortfall.

Revenue	2008 (\$m)	2009 (\$m)	2010 (\$m)	2011 (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)	2015 (\$m)	2016 (7 months) (\$m)	2017 (\$m)
Budgeted Revenue										
Operating Receipts & Investing	1,411.50	1,522.40	1,496.50	1,745.70	1,942.80	2,108.40	2,721.80	3,122.40	3,128.7	3,175.3
Loan Receipts	370.20	522.50	497.50	734.50	338.40	398.90	385.40	891.90	445.4	620.7
Total	1,781.70	2,044.90	1,994.00	2,480.20	2,281.20	2,507.30	3,107.20	4,014.30	3,574.1*	3,796.0
Actual Revenue										
Operating Receipts & Investing	1,454.9	1,412.80	1,536.50	1,801.30	1,937.10	2,098.40	2,371.0	2,943.5	1,500.8	2,837.4
Loan Receipts	345.60	405.40	463.00	693.40	192.20	173.10	353.60	801.8	305.5	447.3
Total	1,800.50	1,818.20	1,999.50	2,494.70	2,129.30	2,271.50	2,724.60	3,745.3	1,806.3	3,284.7
Revenue Variance	18.80	(226.70)	5.50	14.50	(151.90)	(235.80)	(382.60)	(269.00)	(1,767.8)	(511.3)
Treasury Bills raised	391.73	253.82	687.31	411.97	306.66	138.12	306.88	336.00	213.2	241.6
Excess/(shortfall)	410.53	27.12	692.81	426.47	154.76	(97.68)	(75.72)	67	(1,554.6)	(269.7)

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.

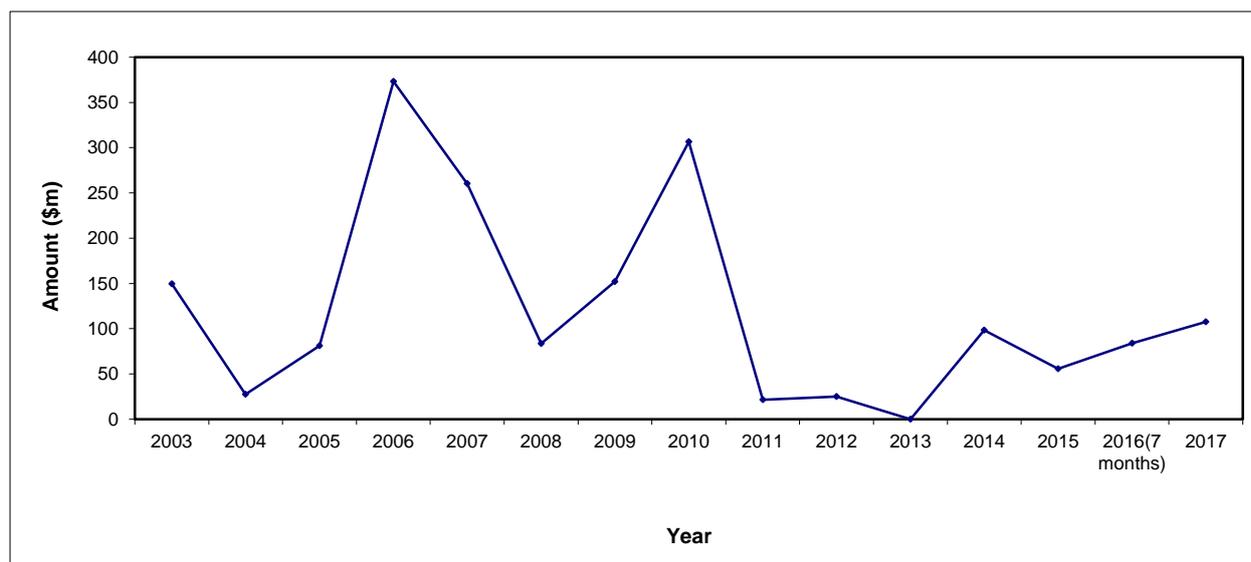
Treasury bills are raised to cover operational deficits provided that they are no more than the estimated operating and investing receipts to be collected during the year.

Government revenue and borrowings from domestic and overseas markets were not sufficient to meet the actual expenditure hence a total of \$241.6 million was raised through Treasury bills in 2017.

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 the figure below.



Government utilised this facility and borrowed \$107,500,000 in 2017 compared to \$84,000,000 utilised in 2016.

Financial Flexibility

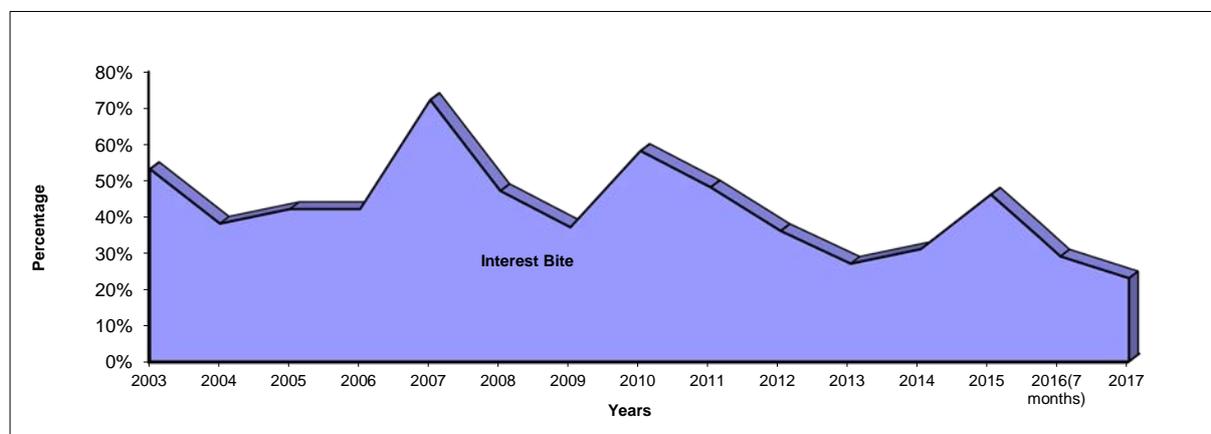
Financial Flexibility is an indicator of the degree a Government can increase its financial resources or revenue to respond to increasing financial commitments either by expanding the revenue or increasing its debt burden.

The table below contains data for total revenue and debt repayments of Government for a period of 15 years. The revenue derived by the Government includes a significant portion which is derived from borrowings. The flexibility analysis includes revenue data and loan components.

Year	Revenue (\$)	Debt Repayments (\$)	Interest Bite %
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
2015	2,793,515,336	1,286,113,338	46
2016*	1,500,808,190	432,538,185	29
2017	2,837,441,689	663,730,605	23

* 7 months

Debt repayment comprises the principal and interest components of the domestic and overseas borrowings as well as the Treasury Bills redemption. The Interest Bite represents the percentage of Debt Repayments to Total Revenue.



In 2017, the financial flexibility measure was 23% indicating that the total debt repayment was equivalent to 23% of the revenue received by the Government during the year compared to 29% during 2016.

Hence, 77% of revenues collected were available for government programs compared to 71% during 2016.

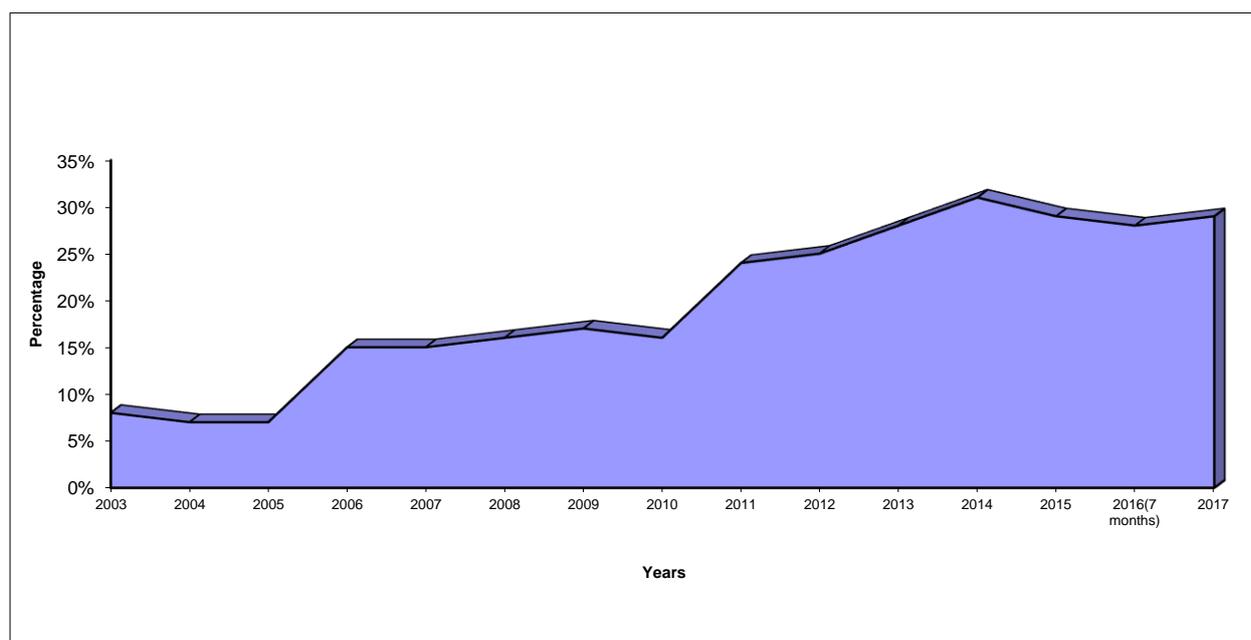
Financial Vulnerability

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

Year	Outstanding Overseas Borrowings (\$)	Government Debt (\$)	%
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
2016*	1,258,728,393	4,502,423,786	28
2017	1,367,960,883	4,667,607,532	29

* 7 months

In 2017, overseas borrowings made up 29% of outstanding government borrowings which increased by 1% when compared to 2016.



The overall trend indicates an increasing reliance by Government on overseas borrowings from 2006. There were sharp increases in 2006, 2011 and 2014 followed by a slightly decreased reliance in 2016 and a slight increase in 2017.

Another measure of Financial Vulnerability is the comparison of overseas borrowings to Gross Domestic Product (GDP). The table below compares overseas borrowings to GDP over a period of 10 years.

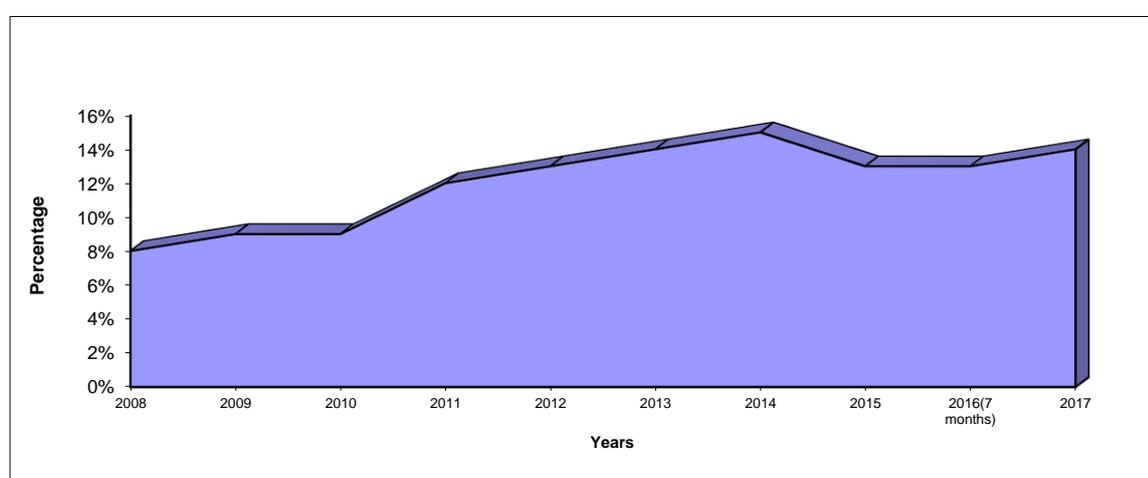
Year	Overseas Borrowings (\$)	Nominal GDP (\$)	% of Overseas Borrowings/GDP
2008	475,994,415	5,614,900,000	8
2009	527,248,475	5,614,100,000	9
2010	548,461,798	6,024,400,000	9
2011	832,147,104	6,768,500,000	12
2012	935,530,587	7,109,500,000[r]	13
2013	1,081,097,414	7,715,700,000[r]	14
2014	1,254,277,326	8,435,900,000[r]	15
2015	1,241,407,386	9,210,800,000[p]	13
2016*	1,258,728,393	9,852,704,113[p]	13
2017	1,367,960,883	9,865,489,759(p)	14

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

[*]:* 7 months

Source: Macroeconomic Committee



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

Year	Domestic Borrowings (\$)	Nominal GDP (\$)	% of Domestic Borrowings/G DP
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
2015	2,836,488,629	9,210,800,000 ¹⁷ [p]	31
2016*	3,079,850,613	9,852,704,113	31
2017	3,204,762,346	9,865,489,759(p)	32

[r]: GDP Revised Figure

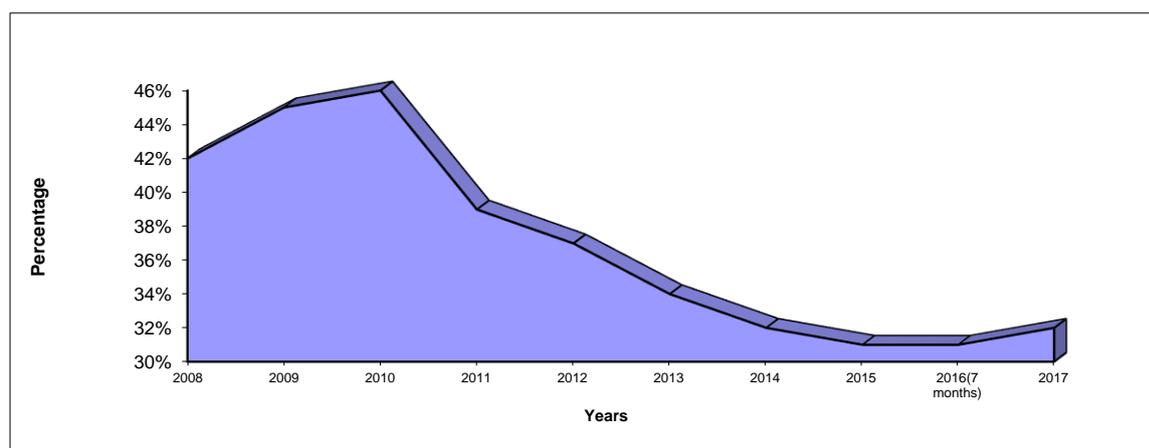
[p]: GDP Provisional Figure

[*]: 7 months

Source: Macroeconomic Committee

¹⁷ Excludes Treasury Bills outstanding at year end

Domestic Borrowing as a percentage of GDP remained stagnant at 31% in 2015 and 2016 and slightly increased to 32% in 2017.



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

The table below shows the comparison between Tax Revenue and the GDP.

Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/GDP
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
2015	2,359,863,231	9,210,800,000[p]	26
2016*	1,314,519,968	9,852,704,113	13
2017	2,579,175,444	9,865,489,759(p)	26

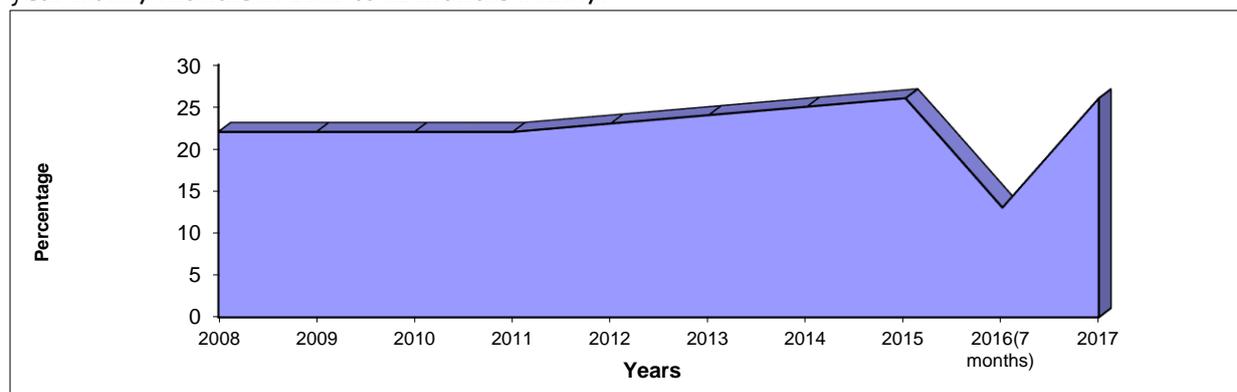
[r]: GDP Revised Figure

[p]: GDP Provisional Figure

[*]: 7 months

Source: Macroeconomic Committee

The figure below shows that the Tax Revenue as a percentage of GDP in the last 10 years has been between 22% - 26%. In 2017, this percentage increased from 13% to 26% due to change in the financial year from 7 months in 2016 to 12 months in 2017.



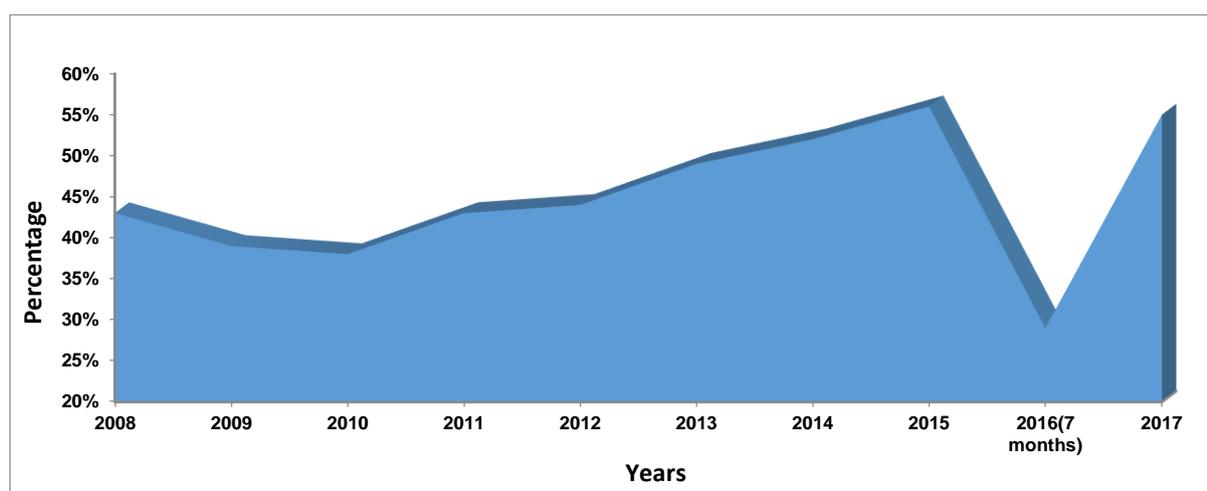
Another measure of Financial Vulnerability is the comparison of tax revenue to debt. The table below compares tax revenue to debt for a period of 10 years.

Year	Tax Revenue (\$)	Debt (\$)	% of Tax Revenue/Debt
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
2015	2,359,863,231	4,221,151,867	56
2016*	1,314,519,968	4,502,423,786	29
2017	2,579,175,444	4,667,607,532	55

[*]: 7 months

The tax revenue as a percentage of debt has significantly increased to 55% compared to 2016.

This indicates that 55% of total government debt can be met from tax revenue in 2017.



The ability of tax revenue to meet the debt over the 10-year period was on a declining trend since 2008 and gradually increased from 2010 to 2015 due to increase in tax collections during these years. However, a sharp decrease in 2016 was due to the change in accounting period from 12 months in 2015 to 7 months in 2016. Hence the revenue collected was for 7 months only. There has been a sharp increase in 2017 as tax collections has increased for the 12 months ended 31 July 2017.

The table below shows the comparison of government surplus/ (deficit) to GDP.

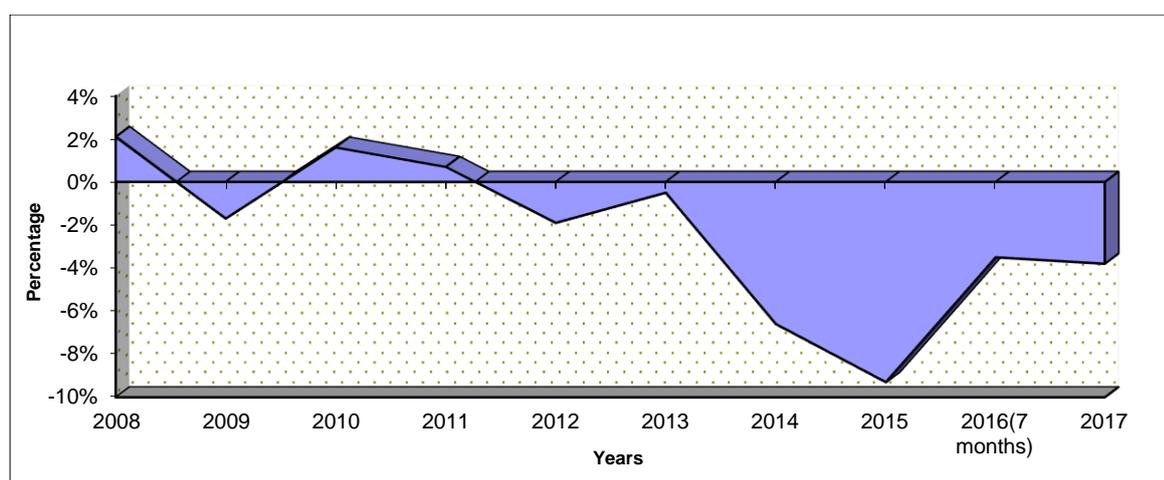
Year	Gross Surplus/ (Deficit) (\$)	GDP (\$)	% of Gross Surplus (Deficit) /GDP
2008	120,093,824	5,614,900,000	2.1
2009	(93,167,378)	5,614,100,000	(1.7)
2010	99,398,751	6,024,400,000	1.6
2011	49,027,101	6,768,500,000	0.7
2012	(136,880,612)	7,109,500,000[r]	(1.9)
2013	(37,583,667)	7,715,700,000[r]	(0.5)
2014	(554,256,802)	8,435,900,000[r]	(6.6)
2015	(859,086,199)	9,210,800,000[p]	(9.3)
2016*	(347,124,981)	9,852,704,113	(3.5)
2017	(371,812,004)	9,865,489,759(p)	(3.8)

[r]: GDP Revised Figure

[p]: GDP Provisional Figure

[*]: 7 months

Source: Macroeconomic Committee



In 2017, the gross deficit as a percentage of GDP decreased to 3.8% when compared to 2016.

INVESTMENTS

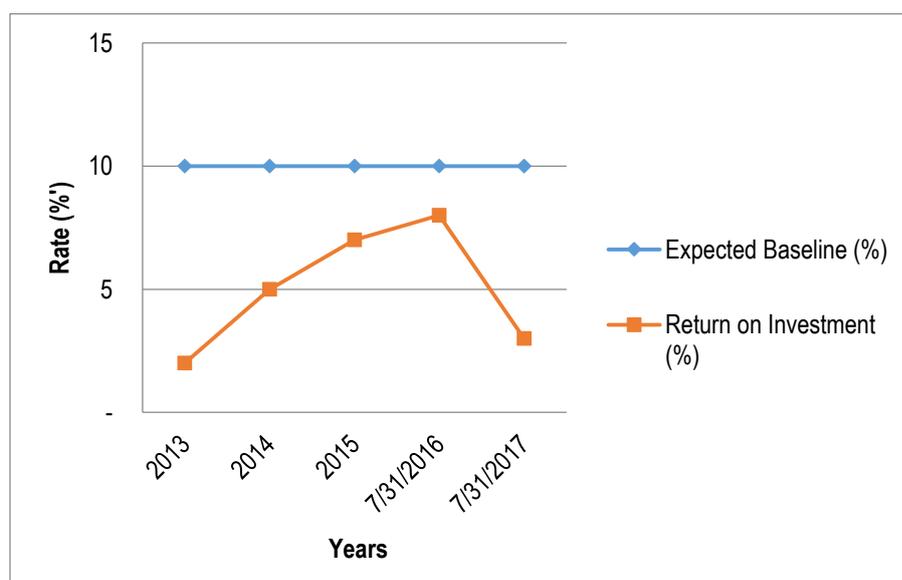
Return on Investments

Return on investment is a performance measure used to evaluate the efficiency of Government investments.

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders’ funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.¹⁸

Government’s return on investment over the past five years from Government Commercial Companies and Commercial Statutory Authorities is highlighted in the table below and figure below.

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	Return on Investments (%)
2013	495,975,041	11,980,221	2
2014	548,888,805	24,816,121	5
2015	456,439,892	33,243,215	7
2016	445,303,321	36,230,778	8
2017	440,342,400	11,210,806	3



Analysis of governments return on investments indicates that the overall average rate of return on investment has steadily increased from 5% in 2014 to 8% in 2016 and decreased to 3% in 2017. Over the five years period, an overall average rate of return on investments of 5% has been recorded with the highest overall average of 8% attained in 2016. Collectively, the 10% baseline as required by the 2003 Corporate Governance Policy Framework has not been achieved.

¹⁸ Corporate Governance Policy Framework – December 2003, Part II, Section 22

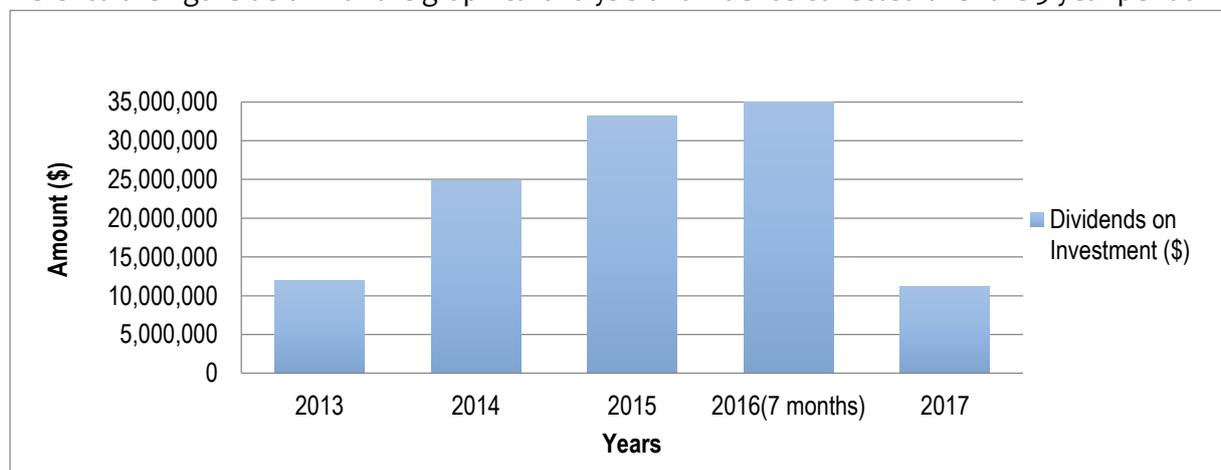
Analysis of Dividends and Investments

The forecast for dividend revenue in 2017 was \$39.0 million¹⁹ while actual dividend revenue received for the year totalled only \$11.2 million resulting in short collections of \$27.8 million or 71%. The movement of dividend received over the past five years is shown in the table below.

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	Percentage Change in Dividend (%)	Number of Dividend Paying Entities	Number of Entities Holding Government Investments	Percentage of Dividend Paying Entities (%)
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
2016*	445,303,321	36,230,778	9	4	25	16
2017	440,342,400	11,210,806	(69)	5	21	24

[*]: 7 months

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



Over the past five years, the number of entities paying dividends to Government averaged five compared to the average of 24 companies in which investments have been made. The low average number of entities remitting dividends to Government indicates the high number of non-performing portfolios and thus warrants stringent review of the investments, in order to receive maximum returns.

Dividends Remitted per Entity

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.²⁰

All Government Commercial Companies and Commercial Statutory Authorities pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister for Public Enterprises, Minister of Economy, and relevant Minister.²¹

¹⁹ 2016-2017 Budget Estimates

²⁰ Corporate Governance Policy Framework – December 2003, Part II, Section 22

²¹ Corporate Governance Policy Framework – December 2003, Part II, Section 26

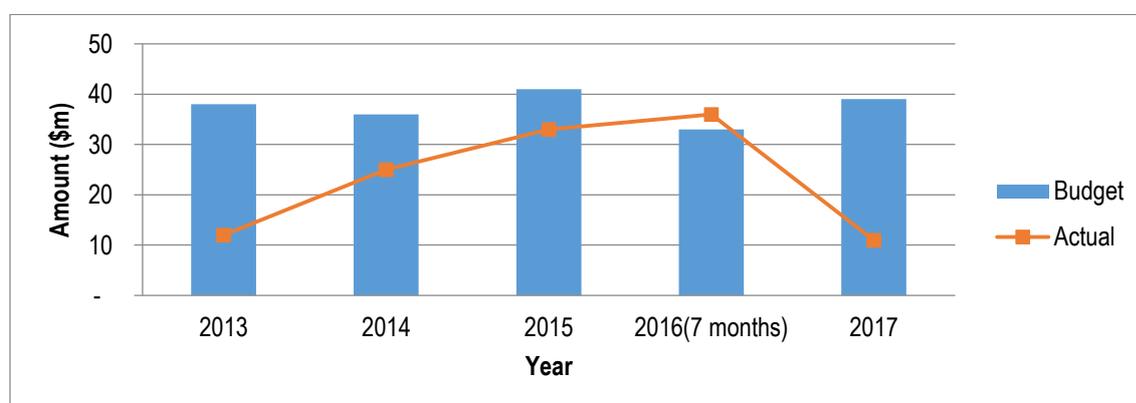
A total of \$11.2 million was received by government as dividends in 2017 from three²² government commercial companies and two²³ minority owned company. In addition to dividends received from the above companies, the government also received a sum of \$14 million as dividend from Reserve Bank of Fiji and JP Morgan. For details of dividends remitted to government in the past five years refer to the table below.

Description	Value of Investments as at 31/07/2017 (\$)	Percentage of Dividend to total Investments value	Dividend for 2017 (\$)	Dividend for 2016 (7 months) (\$)	Dividend for 2015 (\$)	Dividend for 2014 (\$)	Dividend for 2013 (\$)
Post Fiji Limited	5,600,000	---	---	---	1,249,574	---	---
UTOF (Management) Limited	50,000	735%	367,383	---	---	119,526	113,574
Air Terminal Services Yaqara Pastoral Company Ltd	765,000	---	---	---	528,768	401,006	235,530
Yaqara Pastoral Company Ltd	1,191,846	159%	1,900,000	1,424,941	---	3,300,000	1,226,224
Fiji Ports Corporation Limited	29,993,490	8%	2,335,796	2,616,854	3,719,191	3,698,979	3,654,877
Airports (Fiji) Limited	92,300,180	---	---	30,000,000	17,528,344	10,000,000	---
ATH Limited**	80,262,716	6%	5,107,627	2,188,983	10,217,338	7,296,610	6,566,949
Fiji Public Trustee Corporation Limited*	2	750,000	1,500,000	---	---	--	---
Pacific Forum Line(2006)	---	---	---	---	---	---	183,167
Dividends from Investments	210,163,234	5%	11,210,806	36,230,778	33,243,215	24,816,121	11,980,321

The above table shows that Yaqara Pastoral Company Limited, and Unit Trust of Fiji (Management) Limited and Fiji Public Trustee Corporation Limited have met the 10% required dividend remittance in accordance with Public Enterprises Corporate Governance Policy Framework.

A graphical representation of budgeted and actual dividend revenue remitted by Government entities over the five-year period is outlined in the table and figure below.

Descriptions	2017 (\$)	2016 (7 months) (\$)	2015 (\$)	2014 (\$)	2013 (\$)
Actual Dividends	11,210,806	36,230,778	33,243,215	24,816,121	11,980,221
Budgeted Dividends	39,000,000	32,860,165	41,290,000	36,121,700	38,281,000
% of Budgeted Dividends collected	29%	110%	81%	69%	31%



²² Fiji Public Trustee Corporation Limited, Unit Trust of Fiji (Management) Limited and Yaqara Pastoral Company Limited

²³ Amalgamated Telecom Holdings Limited and Fiji Ports Corporation Limited

**Part C: 2016-2017 Agency Financial
Statement of Ministry of
Economy**

Section 4

Ministry of Economy

Role and Responsibilities

The Ministry of Economy manages the finances of Government. It ensures that public funds are used as its elected leaders intend and that all spending adheres to Fijian law.

The work of the Ministry of Economy helps put the economy on a path to sustainable long-term development by ensuring that the national economy is well managed and meets its macroeconomic targets.

To carry out this responsibility, the Ministry of Economy must provide sound economic and financial forecasting and analysis, manage the nation's financial assets and debts, oversee fiscal policy and tax collection, carry out Government-wide financial management reforms, manage the national budget and ensure that Government can procure the goods and services it needs to serve the people of Fiji.

As part of the Ministry of Economy, the Strategic Planning Office (SPO) formulates and coordinates the implementation of the national development plan including monitoring of Annual Corporate Plans, capital projects and climate change, and providing input to the Office of the Prime Minister. The Office also coordinates with the budget division on operating expenditure. The Fiji Bureau of Statistics [FBOS] is responsible for the analysis and publication of all statistical information in a timely and coherent manner.

TABLE OF CONTENTS

PART A: FINANCIAL STATEMENT	3
4.1 Audit Opinion	3
4.2 Statement of Receipts and Expenditure – Head 4.....	3
4.3 Statement of Receipts and Expenditure – Head 50.....	4
4.4 Statement of Receipts and Expenditure – Head 51.....	4
4.5 Statement of Receipts and Expenditure – Head 52	4
4.6 Statement of Receipts and Expenditure – Head 13.....	5
4.7 Appropriation Statement - Head 4.....	5
4.8 Appropriation Statement - Head 50.....	7
4.9 Appropriation Statement - Head 51	10
4.10 Appropriation Statement - Head 52	11
4.11 Appropriation Statement - Head 13	11
4.12 Statement of Losses	12
4.13 Fiji Procurement Office Trading & Manufacturing Activity – Profit & Loss Statement.....	12
4.14 Fiji Procurement Office Trading & Manufacturing Activity - Balance Sheet.....	12
4.15 Office Accommodation and Government Housing Trading & Manufacturing Activity – Profit & Loss Statement	13
4.16 Office Accommodation and Government Housing Trading & Manufacturing Activity – Balance Sheet.....	14
4.17 Consolidated Trust Account Statement	14

PART B: INTERNAL CONTROLS	16
4.18 Assessment of Financial Governance	18
PART C: OTHER SIGNIFICANT MATTERS.....	20
4.19 Presentation of Main Trust Fund Account	20
4.20 Delay in Finalisation of Financial Statements	22
4.21 FINANCIAL STATEMENTS OF GOVERNMENT	24
4.21.1 Ministries and Departments Accounts Not Prepared on IPSAS Cash	24
4.21.2 Whole of Government Current Assets and Current Liabilities	25
4.21.3 Absence of Statement of Management Responsibility	25
4.21.4 Delay in finalisation of Whole of Government Accounts.....	26
4.22 REVENUE	28
4.22.1 Undisclosed Revenue in Agency’s Financial Statement	28
4.23 EXPENDITURE	29
4.23.1 Annual Report on Whole of Government Not Tabled in Parliament	29
4.24 ARREARS OF REVENUE.....	30
4.24.1 Increasing Trend in Arrears of Revenue for Past 5 Years	30
4.24.2 Ageing and Recovery of Arrears of Revenue	31
4.25 TRUST FUND ACCOUNT.....	33
4.25.1 Detailed Listing Not Maintained for Main Trust Fund Accounts	33
4.25.2 Variances in Main Trust Accounts	34
4.25.3 Reconciliations not prepared for Main Trust Fund Account - Judicial Department.	34
APPENDIX 1: STATEMENT OF RESPONSIBILITY.....	36
APPENDIX 2: AMENDMENTS TO THE-FINANCIAL STATEMENTS OF GOVERNMENT	37

PART A: FINANCIAL STATEMENT

4.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Economy resulted in the issue of unqualified audit opinion.

4.2 Statement of Receipts and Expenditure – Head 4

The Ministry of Economy budget is appropriated as Head 4 in the 2016 – 2017 Budget Appropriation Act with Fiji Procurement Office (FPO), Strategic Planning Office (SPO) and Fiji Bureau of Statistics (FBOS).

The Ministry of Economy recorded revenue totalling \$3,209,177,240 and incurred expenditure totalling \$84,069,596 for the year period ended 31 July 2017. Refer to Table 4.1 for details.

Table 4.1: Head 4 – Consolidated Statement of Receipts and Expenditure in 2017

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (Restated) (\$)
RECEIPTS		
State Revenue		
Operating Revenue	2,720,192,966	1,395,649,666
Investing Revenue	34,131,769	67,559,444
Borrowing Revenue	435,996,544	295,167,550
Total State Revenue	3,190,321,279	1,758,376,660
Agency Revenue		
Board Member Fee	85,411	41,253
Miscellaneous Revenue	18,769,432	4,189,265
Sales of Publications	1,118	843
Total Agency Revenue	18,855,961	4,231,361
TOTAL REVENUE	3,209,177,240	1,762,608,021
EXPENDITURE		
Operating		
Established Staff	10,286,158	6,233,315
Government Wage Earners	531,772	336,503
Travel and Communication	752,012	414,112
Maintenance and Operations	1,293,354	649,569
Purchase of Goods and Services	1,590,294	1,456,979
Operating Grants and Transfers	51,743,773	28,904,974
Special Expenditure	5,319,864	1,590,361
Total Operating Expenditure	71,517,227	39,585,813
Capital Expenditure		
Capital Purchases	131,564	---
Capital Grants and Transfers	11,750,000	5,641,266
Total Capital Expenditure	11,881,564	5,641,266
Value Added Tax	670,805	397,829
TOTAL EXPENDITURE	84,069,596	45,624,908

Operating Revenue consisted of Direct and Indirect Taxes, Fees, Fines & Charges, Commission, Reimbursement & Recoveries and Grant in Aid. Investing revenue consisted of dividends from Investments, Repayments from Term Loan Receivables, Interest Income and Return of Investment Surplus. Borrowing revenue was mainly from issue of Domestic bonds and overseas borrowings.

4.3 Statement of Receipts and Expenditure – Head 50

The Ministry incurred expenditure amounting to \$381,700,309 from Head 50 for the year ended 31 July 2017. Refer to Table 4.2 for details.

Table 4.2: Head 50 - Statement of Receipts and Expenditure in 2017

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
EXPENDITURE		
Operating Expenditure		
Established Staff	2,962,036	687,163
Travel & Communications	4,729,246	1,740,196
Purchase of goods & services	30,392,595	19,432,100
Operating grants & transfers	16,267,753	7,298,933
Special expenditures	7,936,547	2,803,397
Total Operating Costs	62,288,177	31,961,789
Capital Expenditure		
Capital Construction	1,109,060	---
Capital Purchases	17,664,495	5,954,755
Capital Grants & Transfers	295,806,195	176,701,594
Total Capital Expenditure	314,579,750	182,656,349
Value Added Tax	4,832,382	2,675,751
TOTAL EXPENDITURE	381,700,309	217,293,889

The total expenditure increased by \$164,406,420 or 76% in 2017 compared to 2016.

4.4 Statement of Receipts and Expenditure – Head 51

The Ministry incurred expenditure amounting to \$34,880,413 from Head 51 for the year ended 31 July 2017. Refer to Table 4.3 for details.

Table 4.3: Head 51 - Statement of Receipts and Expenditure in 2017

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
EXPENDITURE		
Operating Expenditure		
Pensions	26,981,472	16,193,233
Gratuities	1,844,669	886,487
Compassionate Allowance	6,054,272	3,674,347
TOTAL EXPENDITURE	34,880,413	20,754,067

4.5 Statement of Receipts and Expenditure – Head 52

Finance Charges on Public Debt amounted to \$423,997,774 in 2017 compared \$240,484,614 in 2016. Details are shown in Table 4.4:

Table 4.4: Head 52 - Statement of Receipts and Expenditure in 2017

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
EXPENDITURE		
Operating Expenditure		
Finance Charges on Public debt – Miscellaneous Payment	1,867,169	2,612,686
Finance Charges on Public debt – Overseas Loans	93,145,304	61,077,127
Finance Charges on Public debt – Domestic Loans	328,985,301	176,794,801
TOTAL EXPENDITURE	423,997,774	240,484,614

4.6 Statement of Receipts and Expenditure – Head 13

Operating grants and transfers totalling \$8,480,987 was paid to Fiji Independent Commission Against Corruption to finance its operations. Refer to Table 4.5 for details.

Table 4.5: Head 13 - Statement of Receipts and Expenditure in 2017

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
EXPENDITURE		
Operating		
Operating Grants and Transfers	8,480,987	4,428,374
TOTAL EXPENDITURE	8,480,987	4,428,374

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

4.7 Appropriation Statement - Head 4

The Fijian Government had budgeted asset sales amounting to \$250 million in the financial year 2016-2017 which did not eventuate. Consequently, expenditure control was applied across Government to ensure all committed and mandatory expenditures were duly met. The divestment did not take place as the bid price for the asset was unacceptable and Government took a policy stance to secure as much better deal in due course.

The Ministry incurred expenditure totalling \$84,069,596 against a revised budget of \$94,416,594 resulting in savings of \$10,346,998 or 11%. Details of expenditure against the revised budget are provided in Table 4.6.

(i) Reason for savings are as follows:

The saving of \$3,812,512 in personal emolument was due to high staff turnover and positions were not filled immediately after they became vacant.

(ii) Savings in travel and subsistence vote of \$535,636 was due to:

- Low volume of travel in Corporate Services and Strategic Planning Office;
- Budget division travel expenses were borne by the line agencies with whom the officers travelled to inspect projects;
- Debt Unit - majority of official travel were fully funded by third parties;
- Internal Audit Unit - due to audits being concentrated to Central Division and Unit's efforts was concentrated in assistance for auditing works relating to rehabilitation and special requests from the Minister and Departments. Also there was a substantial number of vacant positions;
- Small number of trainings and less overtime done at FMIS section;
- Non-approval of Trading and Manufacturing Account (TMA) site visit in Asset Management and Monitoring Unit (AMMU);
- Staff shortage in Procurement Unit which did not allow much travelling for existing staff given the workload that had to be undertaken to meet deadlines; and

- Construction Implementation Unit - due to teams' involvement in administrative works such as vetting of drawings, contract compilation and formulations, tender evaluations and the team was unable to go out for inspection. Hence the accumulated savings.

(iii) Savings in Special expenditure of \$4,407,286 was due to:

- Non implementation of Land Sales Act;
- The allocation namely "Implementation Cost" was for promotion materials and advertisements on the Green Growth Framework for Fiji. This was stalled and to be undertaken as part of the approved 5-year and 20-year National Development Plan (NDP). No expenditure was incurred as the NDP was launched in November 2017;
- The allocation namely "Other Setup and Implementation" was for the second round of consultation on the NDP, layout and printing. The expenses incurred were only for the second round of consultations, hence the low utilisation rate;
- The recruitment process did not take place due to the need to establish the National Fixed Asset Management Framework (NFAMF) whilst the work was shared and carried out by the established staff of AMMU; and
- Workshop for capacity building on climate change finance for the Pacific sub-region was funded by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

(iv) Savings in Capital construction vote of \$100,000 was due to the non-utilisation of funds for MIS Infrastructure Construction since the construction work did not start until the contractor paid the performance bond and after which the contract was signed which was in the following financial year.

Details of expenditures against the budget estimates are provided in Table 4.6.

Table 4.6: Head 4 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)	Savings (%)
1	Established Staff	14,144,370	(45,700)	14,098,670	10,286,158	3,812,512	27
2	Government Wage Earners	514,693	125,700	640,393	531,772	108,621	17
3	Travel & Communication	1,262,309	25,339	1,287,648	752,012	535,636	42
4	Maintenance & Operations	1,543,000	147,411	1,690,411	1,293,354	397,057	23
5	Purchase of Goods & Services	2,184,830	(289,250)	1,895,580	1,590,294	305,286	16
6	Operating Grants & Transfers	51,743,782	---	51,743,782	51,743,773	9	---
7	Special Expenditure	9,727,150	---	9,727,150	5,319,864	4,407,286	45
	Total Operating Costs	81,120,134	(36,500)	81,083,634	71,517,227	9,566,407	12
8	Capital Construction	100,000	---	100,000	---	100,000	100
9	Capital Purchases	114,760	36,500	151,260	131,564	19,696	13
10	Capital Grants and Transfers	11,750,000	---	11,750,000	11,750,000	---	0
	Total Capital Expenditure	11,964,760	36,500	12,001,260	11,881,564	119,696	1
13	Value Added Tax	1,331,700	---	1,331,700	670,805	660,895	50
	TOTAL	94,416,594	---	94,416,594	84,069,596	10,346,998	11

4.8 Appropriation Statement - Head 50

Miscellaneous Services is administered by the Ministry of Economy. The funding provided under Head 50 includes the contingency funding and other common central pools of funds that are available to the whole of Government. It also includes funding for activities that require scrutiny and monitoring by the Ministry of Economy.

The Ministry incurred expenditure totalling \$381,700,309 in Head 50 in 2017 against a revised budget of \$468,725,656 resulting in savings of \$87,025,347 or 19%.

Reasons for savings were as follows:

- Savings in Established staff of \$3,037,964 was due to no shortfalls in Ministries/Departments budget;
- Savings in Purchase of Good and Services of \$4,788,284 was realised due to the processes required to review the rental rates whereby all relevant stakeholders need to be consulted and come to an agreement with the terms and conditions of the tenancy agreement. There were negotiation phase which also involved time after the valuation of the premises are done. The Unit has to involve Ministry of Lands for valuation purchases and if the landlord does not agree then a private valuation is done to justify the market rate, which also involved other procurement process. Hence all processes needs to be adhered to safeguard government resources;
- Savings in operating grants and transfers was due to non-utilization of fund for rental subsidy for disadvantaged persons since there was no set criteria;
- Savings in Special Expenditure of \$24,217,069 was due to:
 - Funding was not received from donor for financial assistance towards TC Winston and Support measures for European Development Fund (EDF) 11;
 - Funds for senior citizens' home were not provided to Ministry's SLG 84 account;
 - The funding utilized was sufficient to cover the cost of establishing the Complaints Public Relations (PR);
 - Funding released for establishment of Apex body catered only for the consultancy payment for the review of the Micro, Small and Medium Enterprise Landscape;
 - Funding released catered for the geotechnical survey conducted by the Mineral Resources Department at the proposed manufacturing park at Drasa and Wairabetia in Lautoka and for the geotechnical survey review at the Wairabetia site.
- Savings in Capital Construction of \$4,235,940 were due to the following:

Prime Minister's Residence

- Delay in tender process and vetting of contract;
- Latent conditions due to existing building being old resulted in extra work and change in scope;
- Delay in approval of variations;
- Delay in delivery of materials from overseas; and
- Unfavourable weather conditions.

State House Residence

- Delay in tender process and vetting of contract;
- Latent conditions due to existing building being old resulted in extra work and change in scope;
- Delay in approval of variations;
- Delay in delivery of materials from overseas;

- Client request for additional scope; and
- Asbestos Variation works was not included in the original scope. All the walls and ceiling upstairs plus some downstairs had to be removed.

Commissioner's Residence

- Tender re-advertised since it was difficult getting contractors;
- Delay in contract vetting and finalisation;
- Latent conditions due to existing building being old resulted in extra work and change in scope;
- Delay in approval of variations; and
- Unfavourable weather conditions.

Chief Justice Residence

- Delay due to changes in project design.

Borrone House

- Awaiting completion of State house.

- Savings in Capital Purchase of \$1,762,596 were due to non-utilisation of funds for new and replacement IT equipment and savings from vehicle lease and because funds for purchase of new and replacement vehicles were only released as and when requests were received from Ministries.
- Savings in Capital Grants and Transfers of \$46,196,751 were due to the following:
 - Utilisation of funds in miscellaneous grant in aid were dependent on request received from Ministries and;
 - Funds allocated for Land Acquisition and Compensation – WAF Complex were underutilised due to:
 - land title documentation still in progress and;
 - processes still in progress with external stakeholders including:
 - Director of Town & Country Planning – Scheme Plan Approvals;
 - Surveyor General – Scheme plan checks;
 - Registrar of Titles office – Title registrations;
 - I-Taukei Land Trust Board – Lease Processing (Landowners Consultations, Joint Inspections, Boundary Demarcations, Offer computations)
 - Delay in agreement;
 - Delay in resolving disputes between property owners and landowners;
 - Compensation cases were being vetted by Solicitor General's Office; and
 - Some properties cannot be compensated yet due to change and death of property owners.
 - Funds for Cyclone Rehabilitation of 250 schools were underutilised due to the following reasons:
 - Wet weather caused works to be delayed;
 - Lack of skilled tradesman;
 - Shortage of construction materials;
 - Due to geographic location of some schools, the contractor had to hire trucks or barge to cart materials. The unavailability of the hire trucks or barge was a major cause of delay for these school in rural and maritime islands;
 - Administration issues such as changing of layout plans, re-advertisements when there were no bidders and contractors to mobilize to sites after submission of performance bond;
 - Change of scope on site and variation.

- Tender to purchase machines for maritime pine tendered twice since after a complaint was received after the initial tender in July 2017. The second was awarded in October 2017 in the new financial year.
- Savings from commercial agriculture scholar was due scholarships provided to a certain number of students.
- Savings in I-Taukei Land Development was due to changing of layout plans, re-advertisements due no bidders, contractors to mobilise to sites after submission of performance bond, changes in scope and variations
- Savings in Grants to Disabled Persons Organization was due to non-utilisation of funds for construction of western disability centre, funds were disbursed based on applications received and Fiji National Council for Disabled Persons (FNCDP) purchased a minivan instead of coaster bus which was out of stock.
- Savings was recorded in contingency funds for disaster risk as no major disaster occurred in the 2016-2017 financial year.
- Savings in Rural Maritime Livelihood Training was because no further requests for funds were received from Fiji National University (FNU) after funds were released for training purposes.
- Savings were in Fiji Electricity Subsidy allocation as electricity subsidy was locked to combined household income of \$30,000 per annum.
- Savings in Northern Division Projects, FDB – Subsidy grant to Fijians and Small Business Scheme allocation was due to non-processing of subsidy claims for the month of July, 2017. The claims were submitted in August (new financial year).

Details of expenditure against the budget estimates are provided in Table 4.7.

Table 4.7: Head 50 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)	Savings (%)
1	Established Staff	7,000,000	(1,000,000)	6,000,000	2,962,036	3,037,964	51
3	Travel & Communications	4,523,600	830,000	5,353,600	4,729,246	624,354	12
5	Purchase of Goods & Services	31,900,879	3,280,000	35,180,879	30,392,595	4,788,284	14
6	Operating Grants & Transfers	16,711,677	(249,753)	16,461,924	16,267,753	194,171	1
7	Special Expenditure	32,963,863	(810,247)	32,153,616	7,936,547	24,217,069	75
	Total Operating Costs	93,100,019	2,050,000	95,150,019	62,288,177	32,861,842	35
8	Capital Construction	10,000,000	(4,655,000)	5,345,000	1,109,060	4,235,940	79
9	Capital Purchases	19,477,091	(50,000)	19,427,091	17,664,495	1,762,596	9
10	Capital Grants and Transfers	286,855,318	55,147,628	342,002,946	295,806,195	46,196,751	14
	Total Capital Expenditure	316,332,409	50,442,628	366,775,037	314,579,750	52,195,287	14
13	Value Added Tax	6,800,600	---	6,800,600	4,832,382	1,968,218	29
	TOTAL	416,233,028	52,492,628	468,725,656	381,700,309	87,025,347	19

A sum of \$57,492,628 was redeployed from Head 43 – Fiji Roads Authority budget into Head 50 to fund payments for National Toppers Scholarship Scheme, Tertiary Education Loan Scheme, Other Existing Scholarship and Overseas Scholarship Support Scheme. In addition, \$5 million was redeployed from Head 50 – Miscellaneous Services budget into Head 25 – Ministry of Youth & Sports for the Upgrade and Maintenance of Fiji Sports Council.

4.9 Appropriation Statement - Head 51

The Pensions Section manages the computation and payment of various pensions in accordance with existing pension legislation. The Section also processes re-engagement benefits for prisons military officers and forest guards. The section oversees the payment of pensions to Government Pensioners, Ex-Parliamentarians, Ex-Prime Ministers and Presidents, Ex-Chief Justices and Retired Judges, Service Pensioners and the widows and orphans of deceased public officers.

The Ministry incurred expenditure totalling \$34,880,413 in Head 51 in 2017 against a revised budget of \$42,409,700 resulting in savings of \$7,529,287 or 18%.

The reasons for the savings are tabulated below.

Table 4.8: Reasons for Savings in Head 51

Description	Savings (\$)	Reasons
Pension Civil and Compassionate	3,561,211	Savings is due to deletion cases due to deaths and non-submission of renewal forms (Life Certificate form).
Widows & Orphan	388,273	Deletions due to death and non-submission of renewal forms. Not all 60% dependent widows are entitled for Widows & Orphan. Only widows of those who contributed to the W/O Scheme.
War pensions	21,417	Deletion due to deaths and non-submission of renewal forms. As of last year, we had only 3 recipients of War pension. \$19000 was deployed to other items in Head 51 in the 2017-2018 budget
FMF	1,646,453	Savings is due to deletions cases due to deaths and non-submission of renewal forms
Ex-Parliamentarian	603,214	Savings is due to deletion cases due to deaths and non-submission of renewal forms
Ex-CJ	83,822	Savings is due to deletion cases due to deaths and non-submission of renewal forms
Prison Gratuities	159,785	A virement of \$150,000 was injected into the Prisons vote because we were advised by FCS that some re-engagements were due to be paid before the end of financial year in July 2017. But these were not paid due to late processing and submission from FCS, thus the savings. These were then paid in August.
Contract Officers Gratuities	605,546	Expiry of contracts for contracted officers (expatriates) in other ministries.

There were significant savings in Pensions (19%) and Gratuities (29%). Details of expenditure against the budget estimates are provided in Table 4.9.

Table 4.9: Head 51 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
11	Pensions, Gratuities and Compassionate allowance	42,409,700	---	42,409,700	34,880,413	7,529,287
	TOTAL	42,409,700	---	42,409,700	34,880,413	7,529,287

4.10 Appropriation Statement - Head 52

Appropriation Head 52 – Charges on Account of Public Debt was allocated for the repayment of domestic and overseas loans.

The Ministry incurred expenditure totalling \$423,997,774 in Head 52 in 2017 against a revised budget of \$448,056,200 resulting in savings of \$24,058,426 or 5%.

The significant savings was primarily due to significant savings in Miscellaneous Payment (82%) and Overseas Loans (12%). Details of expenditure against the budget estimates are provided in Table 4.10.

Table 4.10: Head 52 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
12	Finance Charges on Public Debt	448,056,200	---	448,056,200	423,997,774	24,058,426
	TOTAL	448,056,200	---	448,056,200	423,997,774	24,058,426

Savings in miscellaneous payments of \$8,632,831 was due to:

- Non-utilization of provision for contingent liabilities of \$5,000,000;
- Discount on treasury bills was \$1,722,933 against revised budget of \$4,000,000 resulting in savings of \$2,277,067 in short term financing;
- Agency and management fees was \$6,334 against revised budget of \$1,350,000 resulting in savings of \$1,343,666.

Savings in overseas loans charges of \$12,307,496 was due to:

- Actual loan repayments of \$49,336,100 was within revised budget of \$52,974,400 resulting in savings of \$3,638,300;
- Interest payments of \$43,809,204 was within revised budget of \$52,478,400 resulting in savings of \$8,669,196.

Savings in domestic loans charges of \$3,118,099 was due to actual interest payment of \$229,342,301 within revised budget of \$232,460,400.

4.11 Appropriation Statement - Head 13

The Ministry incurred expenditure totalling \$8,480,987 in Head 13 in 2017 against a revised budget of \$8,480,987. Details of expenditure against the budget estimates are provided in Table 4.11.

Table 4.11: Head 13 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	8,480,987	---	8,480,987	8,480,987	---
	TOTAL	8,480,987	---	8,480,987	8,480,987	---

4.12 Statement of Losses

The Ministry of Economy did not record any loss of cash or revenue in 2017. However, items worth \$676,720 were written off following the Board of Survey conducted by the Ministry in 2016/2017.

4.13 Fiji Procurement Office Trading & Manufacturing Activity – Profit & Loss Statement

The Fiji Procurement Office (FPO) operates a Trading Manufacturing Account (TMA) selling Fiji flags. The TMA was transferred from the former Government Supplies Department, a retail arm of Government.

The Profit & Loss Statement – Trading & Manufacturing Activity showed a net profit of \$1,153,785 as at 31 July 2017 compared to \$497,740 in 2016.

Sales increased by \$643,009 or 111% in 2017 as the financial year for the Government was changed from 31 December to 31 July as stipulated in the Financial Management (Amendment) Act 2016. The financial statement for the period ended 2016 reflect transactions for a seven months period whereas the financial statements for the year ended 2017 is for a twelve month period, thus the significant variances with comparative balances. Refer to Table 4.12 for details.

Table 4.12: Profit & Loss Statement - Fiji Procurement Office

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
Income		
Sales	1,221,436	578,427
Cost of Finished Goods Sold	(50,229)	(19,918)
Gross Profit	1,171,207	558,509
Expenses		
Maintenance & Operations	1,991	57,084
Other Expenses	15,431	3,685
Total Expenses	17,422	60,769
Net Profit	1,153,785	497,740

4.14 Fiji Procurement Office Trading & Manufacturing Activity - Balance Sheet

In 2017, the net assets of the Fiji Procurement Office Trading and Manufacturing Account in 2017 totalled \$1,776,485 which increased by \$659,374 or 59% compared to 2016 due to increase in Cash at Bank by \$782,016 or 79%. Refer to Table 4.13 for details.

Table 4.13: Balance Sheet

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
Current Assets		
Cash at Bank	1,776,427	994,411
Finished Goods	24,915	75,144
Accounts Receivable	---	---

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
Total Assets	1,801,342	1,069,555
Liabilities		
VAT Payable	24,857	---
VAT Refund	---	(47,556)
Total Liabilities	24,857	(47,556)
Net Assets	1,776,485	1,117,111
Equities		
TMA Surplus Transferred to Consolidated Fund	(5,281,815)	(4,787,404)
TMA Accumulated Surplus	5,904,515	5,406,775
Net Profit	1,153,785	497,740
Total Equity	1,776,485	1,117,111

4.15 Office Accommodation and Government Housing Trading & Manufacturing Activity – Profit & Loss Statement

The Office Accommodation was transferred from the Public Service Commission to provide housing to eligible civil servants.

In 2009, the responsibility of the function was extended to commercial rental to interested members of the public resulting in the establishment of the TMA in 2011. The TMA was solely responsible for semi-commercial nature that caters for commercially renting out of quarters.¹

The Profit & Loss Statement – Trading & Manufacturing Activity showed a net profit of \$2,968,328 as at 31 July 2017 compared to \$3,751,882 in 2016. This was attributed to the decrease in total income by \$631,381 or 14% and increase in total expenses by \$152,173 or 21% in 2017. Refer to Table 4.14 for details.

Table 4.14: Profit & Loss Statement – Office Accommodation and Government Housing

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
Income		
Rental from Quarters	3,857,870	4,489,251
Expenses		
Other Expenses	889,542	737,369
Total Expenses	889,542	737,369
Net Profit	2,968,328	3,751,882

¹ Office Accommodation & Government Housing, Construction Implementation Unit, Ministry of Economy TMA Business Plan 2016

4.16 Office Accommodation and Government Housing Trading & Manufacturing Activity – Balance Sheet

In 2017, the net assets of the activity totalled \$3,469,290 which decreased by \$1,092,346 or 24% compared to 2016 due to decrease in Cash at Bank by \$1,073,096 or 23% and increase in total liabilities by \$18,901 or 11%. Refer to Table 4.15 for details.

Table 4.15: Balance Sheet

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
Current Assets		
Cash at Bank	3,661,515	4,734,611
Accounts Receivable	---	349
Total Assets	3,661,515	4,734,960
Liabilities		
Accounts Payable	45,875	36,333
Deposits & Deductions	13,020	136,991
VAT Liability	133,330	---
Total Liabilities	192,225	173,324
Net Assets	3,469,290	4,561,636
Equities		
TMA Surplus Transferred to Consolidated Fund	(3,735,666)	(3,735,666)
TMA Accumulated Surplus	4,236,628	4,545,420
Net Profit	2,968,328	3,751,882
Total Equity	3,469,290	4,561,636

4.17 Consolidated Trust Account Statement

The Ministry had 10 types of main trust fund accounts, details of which are provided below:

1. Performance Bond - These are performance bonds for tenders awarded by Fiji Procurement Office for which payments are made according to the tender contracts.
2. IHRDP Trust Account - Integrated Human Resource Development Programme (IHRDP) account is used for the 1/3 contribution received for projects in small communities. This account was maintained by National Strategic Planning in 2016 but has been transferred to Ministry of Industry & Trade in the 2017 financial year.
3. Tuna Stabilisation Fund - is to facilitate the Tuna Stabilisation Fund (TSF) Policy. The underlying purpose of the TSF policy is to transfer a portion of fuel subsidies received by foreign fishing companies and vessels from their states and distribute it to locally owned fishing companies as a form of subsidy.
4. Winston Trust - This account is used for donations received for Cyclone Winston relief from various donors. Donors either directly deposit funds into the bank accounts, or issued cheques which are received and receipted at the Treasury section in Ministry of Economy.
5. Group Insurance Trust Account - This trust account receives insurance payment and after assessment pay-out is made to the nominees of the Insurance Policy Holders upon their death.
6. Miscellaneous Fund v Others - This account was opened following Cabinet decision "Effective management of trust monies - FIN 60/16" CP (09)72 of 16/06/09. Surplus funds in Agency trust

bank accounts was transferred into the Consolidated Trust Fund account. The funds in the consolidated trust fund account will be used for investments and to fund Government's expenditures during tight cash flow situation.

7. ODA Performance and Tenancy Bond - Tenancy bonds are paid by tenants for occupation of quarters on rent.
8. Adopt a School Trust Fund was established specifically to record funds received from donors who were willing to carry out the rehabilitation of schools.
9. COP 23 Trust Fund - Conference of Parties 23 (COP 23) Trust is a trust fund account related to "COP 23 Presidency - Fiji" established via the COP 23 Presidency Trust Fund that receipt and disburse funds related to COP 23 activities.
10. European Union Grant Assistance Trust Fund was set up specifically for the budget support funding given by the Commission Des Communautés (European Union) to assist post TC Winston for the cyclone recovery programme.

Total trust funds for the Ministry increased by \$41,982,416 or 222% in 2017 compared to 2016 due to creation of three new trust fund accounts for European Union Grant Assistance, Adopt a School Trust Fund and COP 23 Trust Fund. Refer to Table 4.16 for details.

Table 4.16: Trust Fund Accounts

Description	31 July 2017 (12 months) (\$)	31 July 2016 (7 months) (\$)
Opening Balance 1 January	18,878,719	12,459,423
Receipts		
Performance Bond - Tender Deposit, Performance Bond, Retention Monies & Bank Interest	2,864,863	1,468,636
IHRDP Trust Account - Lawaki Bakery Community Contribution	---	94,799
Government Tuna Stabilisation Fund - Bunker levy (FRCA) & Interest	35,997	7,165,730
Prime Minister's National Disaster Relief and Rehabilitation: Cyclone Winston - Donation, Interest & Bank Reversal	856,594	10,767,003
Group Insurance Trust - Insurance proceeds	195,000	487,551
Miscellaneous Fund v Others - Bank Interest	107,047	26,798
ODA Performance and Tenancy Bond - Funds received from Performance, Tenancy Bond, Bank Reversal & Interest	1,217	192,674
Adopt A School – Donation, Interest and Bank Reversal	8,814,249	---
COP 23 Trust Fund – Donation and Interest	17,919,991	---
EU Grant Assistance – Grant Fund and Interest	22,553,548	---
Total Receipts	53,348,506	20,203,191
Payments		
Performance Bond – Refund of Tender Deposit, Performance Bond, Retention Fund & Bank Fees	1,305,978	1,860,732
IHRDP Trust Account - Payment to Ministry of Agriculture for the purchase of Fertilizer for the Waimalua Ginger Project	84,799	86,673
Government Tuna Stabilization Fund - Bank Charges & Reversal	3,658	3,582,859
Prime Minister's National Disaster Relief and Rehabilitation: Cyclone Winston - Payment to Help for Home Initiative, Bank Charges & Bank Reversal	329	8,012,356
Group Insurance Trust - Insurance Payment made to beneficiaries & Bank Charges	344,062	237,084
Miscellaneous Fund v Others - Bank Reversal	---	3,829
ODA Performance and Tenancy Bond - Bank Charges	24,434	362
Adopt A School – Cost for School Construction and Interest Charges	3,520,291	---
COP 23 Trust Fund – COP 23 Secretariat Payment and Interest Charges	6,082,539	---
Total Payments	11,366,090	13,783,895
Closing Balance	60,861,135	18,878,719

PART B: INTERNAL CONTROLS

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

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

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

Internal controls are categorized against the following five components of internal control.

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

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

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

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

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technology environment.

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

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

Examples of issues which would fall under this category are reporting to those charged with governance of agencies on matters relating to internal controls.

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

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

4.18 Assessment of Financial Governance

4.18.1 Internal controls

A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
✖	✔	✔	✔	✔

In view of the above, we have assessed the internal controls of the Ministry as:

Rating	Internal control assessment
✖ Generally effective	Deficiencies identified in internal controls

4.18.2 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 30 August 2017

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

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
✖ Generally effective	Five of 10 key processes completed within two weeks of due date

4.18.3 Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
☀ Generally effective	Adjustments on operating results/net assets were less than one percent

4.18.4 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
☀ Effective	Acceptable draft financial statements received before or on 31 October 2017

4.18.5 Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date agency financial statement draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☹ Ineffective	Management comments received after 21 days from the date agency financial statement draft management letter (DML) was issued

Rating	Timeliness of draft financial statements assessment
☀ Generally effective	Signed financial statements received within 10 days

PART C: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2017.

4.19 Presentation of Main Trust Fund Account

Each agency must include the following statements in its annual financial statements - a trust account statement of receipts and payments (where applicable).²

There were 16 main trust fund accounts held by the Ministry in 2017. Refer to Table 4.17 below for main trust fund accounts held by the Ministry.

Table 4.17: Number of Main Trust Fund Accounts

No.	Main Trust Fund Account	No. of Allocations in FMIS general ledger	Comments
1	Performance Bond	1	
2	Government Tuna Stabilisation Fund	1	
3	Prime Minister's National Disaster Relief and Rehabilitation	6	Funds are held in each bank account namely ANZ, Bank of Baroda, Bank of South Pacific, Bred Bank, HFC Bank and Westpac Bank. Each bank account has a separate allocation in FMIS general ledger.
4	Group Insurance Trust	1	
5	Miscellaneous Fund v Others	1	
6	ODA Performance and Tenancy Bond	1	
7	Adopt A School	2	Funds are held in ANZ and Bank of Baroda. Each bank account has a separate allocation in FMIS general ledger.
8	COP 23 Trust Fund	1	
9	Integrated Human Resource Development Programme (IHRDP)	1	This trust was under Strategic Planning in 2016 but has been budgeted under Head 34 - Ministry of Industry, Trade & Tourism for the financial year 2016/2017.
10	EU Grant Assistance	1	
	Total	16	

² Finance Instructions 2010, Section 71 (1)

We noted that in the Ministry's financial statement the opening and closing balances of these sixteen (16) main trust fund accounts are consolidated. While receipts and payments during the year in respective trust fund accounts are shown separately, all the accounts are reflected in one statement of trust fund account.

The current presentation makes it difficult for the users of financial statement to determine the opening and closing balances for each Main Trust Fund account and movements therein during the year.

The current presentation limits the usefulness of the Trust Account financial statement in assisting the Ministry and other users in their understanding and decision-making regarding the operations of the Trust Fund Accounts.

Recommendations

The Ministry should:

- **prepare separate statement for each main trust fund account held; and**
- **consider reflecting the nature or types of receipts and payments in the Trust Fund Account's Statement of Receipts and Payments.**

Ministry's Comments

Noted. The review of the presentation of the Statement of Receipts and Payments of Trust Fund accounts part of the cash based IPSAS accounting at agency level planned for 2019-2020 financial year.

4.20 Delay in Finalisation of Financial Statements

Each agency must prepare an annual report for submission to its Minister by 31st December in the following year.³ Each annual report must include financial statements which are prepared and signed in accordance with these instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor-General.⁴

The Ministry is therefore responsible for preparing accounts which are complete.

The audit of the financial statements of the Ministry of Economy for the year ended 31 July 2017 was finalised after the above deadline. The delay in the finalisation of the audit was due to the following reasons:

- Improvements in disclosures, adjustments to Head 4 and 50 and amendments to the amounts for various account areas in the draft financial statements are shown in Table 4.18 below.

Table 4.18: Amendments to Financial Statements

Date	Amendments
29/11/17	• Changes in presentation of equity accounts for Trading and Manufacturing accounts of Fiji Procurement Office and Office Accommodations
29/12/17	• Correction of domestic debt interest and principal repayments amounts in the financial statements
01/02/18	• A total sum \$161,842 was debited to Head 50 allocation number 1-50101-50999-019901 namely salary adjustment on 01/02/18 to regularise over-expenditure in Head 5 established staff and government wage earners allocations following the Job Evaluation Exercise (JEE).
02/02/18	• Amendments to amount of items written off in statement of loss from \$350,318 to \$676,720 • new notes for main trust fund account namely Prime Minister's National Disaster Relief and Rehabilitation
18/04/18	• Inclusion of cash receipts from overseas agencies totalling \$211,440,261 in borrowing receipts • Posting of Fiji Bureau of Statistics expenditure totalling \$79,488 into FMIS general ledger on 26/03/18. This expenditure was not posted into FMIS general ledger as at 31/07/17. A misposting of \$1,805 was adjusted in FMIS general ledger on 25/04/18.
04/07/18	• Amendments to Note 1- Reporting
21/08/18	• Amendments to Value Added Tax (VAT) note
16/04/19	• Ministry's accounts issued for signing
28/05/19	• The Permanent Secretary for Ministry of Economy requested to format the presentation of MOE accounts.
03/06/19	• Soft copy of MOE accounts (through flash drive) were hand delivered to officer in charge at Treasury section.
22/06/19	• Received from the Ministry formatted accounts which included rephrased sentences/words and removal of items with nil amounts in 2017 and 2016. The figures and sentences were checked against audited financial statements issued and clarifications made.
18/07/19	• Ministry's accounts issued for signing for the second time.

³ Finance Instruction 2016 – Section 69

⁴ Finance Instruction 2016 – Section 70 (2)

The Draft Management letter and Supplementary Draft Management letter were issued to the Ministry on 17 April and 14 May 2018, respectively. However, the management comments were submitted on 14 June 2018. Verification of management comments was carried out in July as the Ministry's accounting staff were assisting in the preparation of the National Budget.

Delay in finalising the Ministry's financial statement will result in the delayed submission of the Ministry's Annual Report to Parliament.

Updates were provided to the Ministry which included a correspondence to the Permanent Secretary for Ministry of Economy on 18 April 2018 on the update of the progress of the audits of the individual agencies.

Recommendations

The Ministry should ensure that:

- **accurate financial statements are submitted for audit; and**
- **approved additional spending are regularised on a timely basis.**

Ministry's Comments

Noted. MOE and OAG will need to work together as 'way forward' to enhance the audit process.

4.21 FINANCIAL STATEMENTS OF GOVERNMENT

4.21.1 Ministries and Departments Accounts Not Prepared on IPSAS Cash

The International Public Sector Accounting Standards Board (the IPSASB) develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSAS). The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes that the IPSAS will play a key role in enabling these benefits to be realised.

The adoption of IPSAS by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. The IPSASB recognizes the right of the governments and national standard setters to establish accounting standards and guidelines. The IPSASB considers that this Standard is an important step forward in improving the consistency and comparability of financial reporting under the cash basis of accounting and encourages the adoption of this standard.⁵

We noted the Ministries/departments financial statements have not adopted the International Public Sector Accounting Standard under the Cash Basis of Accounting while Whole of Government financial statements which consolidates the accounts of the Ministries/Departments is prepared on IPSAS financial reporting under the cash basis of accounting.

Recommendations

The Ministry of Economy should ensure that:

- **Ministries' and Department's accounts are prepared on International Public Sector Accounting Standard financial reporting under the Cash Basis of Accounting; and**
- **adequate training is provided to Accounting Officers in Ministries and Departments to build capacity on preparing financial statements on IPSAS Cash.**

Management Comments

Adoption of IPSAS basis of reporting is already part of the broad Public Financial Management Reform Agenda for Government. However, it should be noted that a number of other PFM actions are being pursued which includes review of the Financial Management Act, review of the chart of accounts and the upgrade/replacement of the Financial Management Information System. All this actions has been systematically sequenced and IPSAS reporting at agency level will be rolled out for the preparation of the 2018/19 agency accounts.

On the same note, Training has already been arranged for accountants based at Ministries/Departments to equip them in understanding the fundamentals of the IPSAS cash accounting basis for reporting.

However, it should be noted that there will not be much deviation in the presentation of the accounts at Ministry/department level to what is currently being presented.

⁵ IPSAS Cash Basis 2007 Introduction

4.21.2 Whole of Government Current Assets and Current Liabilities

The current ratio is a traditional method of assessing an entity's ability to meet its obligation as and when they fall due. It is calculated by dividing current assets by current liabilities. A ratio of more than one is generally accepted to show a low risk.

Review of the Whole of Government Financial Statements revealed that the current assets were not sufficient to cover the current liabilities as at balance date in the past four years.

Table 4.19: Showing Current Assets/Current Liabilities at WOG Level

Description	2017 (\$)	2016 (7 months) (\$)	2015 (\$)	2014 (Restated) (\$)
Total Current assets [A]	408,805,286	307,638,302	233,749,579	244,422,322
Total Current liabilities [B]	609,573,521	563,970,111	507,363,036	380,294,657
Ratio	2017	2016 (7 months)	2015	2014 (Restated)
Current Ratio (A/B)	0.67	0.55	0.46	0.64

Recommendation

The Ministry must ensure that a healthy WOG balance sheet is maintained to ensure that there are adequate cash to pay off the immediate obligations.

Management Comments

It should be noted that Government has a deficit Budget, which means that part of the expenditure will be financed through borrowings. Government is very mindful of the inherent risks in relation to maintaining adequate level of liquidity and appraises refinancing/rollover risk.

OAG may have noted that our balance sheet is a construction of balances that is readily available, merely recording, all cash balances with to some extent of accrual information. Also, our major current assets, that is debtors in the formula for the calculation of current assets is yet to be recorded on the balance sheet including other items such as prepayments.

4.21.3 Absence of Statement of Management Responsibility

The permanent secretary responsible for finance is responsible for the preparation of whole of government annual reports and the statements required to be included in them.⁶

The Financial Statements of Government must be signed by the permanent secretary responsible for finance.⁷

We noted that no certification is provided by the Permanent Secretary on the responsibility for preparation of the Whole of Government Accounts. Please refer sample statement in **Appendix 1**.

We also noted that the Permanent Secretary for Economy is only signing on certain schedules namely Statement of Cash Receipts and Payments (Schedule 1), Statement of Assets and Liabilities (Schedule 3) and Details of Expenditure Reportable Authorisations (Schedule 10).

⁶ Financial Management Act 2004 [FM45]

⁷ Financial Management Act 2004 FM 46 (2a)

The audit noted that the following schedules have not been signed off:

- Schedule 2 – Statement of Comparison of Budget and Actual Amounts by Budget Funding Programme;
- Schedule 2A - Statement of Comparison of Budget and Actual Amounts by Expenditure Economic Classifications;
- Schedule 4 – Statement of Revenue and Expenses;
- Schedule 5 – Statement of Contingent Liabilities;
- Schedule 6 – Segmentation Report by Fund Classification;
- Schedule 7 – Summary of Revenue;
- Schedule 8 – Detailed Revenue Comparison;
- Schedule 9 – Statement of Expenditure Against Appropriation Heads;
- Schedule 11 – Budget Results, Estimates and Projections;
- Schedule 12 – Disaggregation of Actual Revenue and Expenditure by Economic Type; and
- Schedule 13 – Estimates and Actual budget results.

Without the Statement of Responsibility, the officer responsible for the preparation of the financial statement has not made it explicit his or her responsibility in the preparation of the financial statements of government that is accordance with the legislations and fairly reflects the financial operation and performance of the entity.

Recommendation

Ministry of Economy should consider including a statement of responsibility, signed by the Permanent Secretary for Economy and the Head of Treasury in the Whole of Government Accounts.

Management Comments

Noted.

The Financial Management Act 2004 is under review and we will have the recommendation appraised for the sign off of the Head of Treasury accordingly.

In respect of not all schedules being signed off, the key statements are signed off by the Permanent Secretary. This is consistent with that of financial statements sign off as prepared internationally, where not all statements of the financials are signed off.

4.21.4 Delay in finalisation of Whole of Government Accounts

The Minister must table in Parliament a whole of Government Annual Report for each financial year. The annual report for a financial year must be tabled within 9 months after the end of that year or within a longer period approved for that year by resolution of Parliament.

The annual report for a financial year must include –

- (a) the whole of Government financial statements referred to in section 46;
- (b) the annual appropriation statement referred to in section 47; and
- (c) the annual budget statement referred to in section 48.

The permanent secretary responsible for finance is responsible for the preparation of whole of government annual reports and the statements required to be included in them.

We noted that the 2017 Financial Statements of Government were submitted to audit after the due date. Furthermore, the accounts were revised by Ministry of Economy during the audit due to errors and omissions identified during our audit. The first set of accounts were submitted on 28 June 2018 which were revised on 24 July 2018, 26 September 2018, 25 January 2019, 06 February 2019 and 15 March 2019. Refer to **Appendix 2** for details of amendments.

The audited financial statements were sent to the Ministry for signing on 18 July 2019 after incorporating all the changes made by the Ministry. The Ministry returned the signed the financial statements on 07 August 2019. The audit report was issued on 10 August 2019.

Hence, there were delays in finalizing the Financial Statements of Government for the year ended 31 July 2017 which should not be dependent upon the audit of other Agency Financial Statements as it is prepared from FMIS and has a common financial year.

Recommendations

The Ministry of Economy should ensure that correct set of Financial Statement of Government is submitted for audit purposes.

Ministry of Economy must emphasise to respective heads of Ministries and Department to be mindful of the significant audit issues and take corrective action to avoid any delays in finalizing the audit.

Management Comments

Noted. MOE and OAG will need to work together as 'way forward' to enhance the audit process.

This has been undertaken.

We also request OAG to advice the MOE of significant audit matters/concerns at Agency level for pro-active actions.

4.22 REVENUE

4.22.1 Undisclosed Revenue in Agency's Financial Statement

Each Accounting Head must ensure that:⁸

- a) revenue is recorded against the correct account as per the Chart of Accounts;
- b) the Ministry of Economy (FMIS) is consulted before collecting a totally new revenue type; and
- c) the recording of revenue is reconciled monthly with the Ministry of Economy.

Revenue amounting to \$2,364,524 was collected in relation to the sale of Fiji's Australian Mission Residence in Canberra.

The audit noted that even though this revenue was recorded in the Ministry of Foreign Affairs FMIS general ledger, it was not reflected in any Agency Financial Statements for the year ended 31 July 2017.

The sale of fixed assets is not a core function of the Ministry of Foreign Affairs and therefore the proceeds from the sale would distort the financial statements of the Ministry of Foreign Affairs if it was to be recorded in its financial statements.

An Asset Management Unit for government is with the Ministry of Public Enterprises which facilitates transaction relating to government assets.

Recommendation

The Ministry should develop a guideline outlining treatment of sale of government assets for future transaction.

Management Comments

From MOE perspective, the recording of the sale of assets is clear as the agency in 'control' of the asset, expenditure on the maintenance of property recorded with the line Ministry and that receipted the sale proceeds on cash based accounting accordingly.

To oblige to the satisfaction of OAG, we will proceed to develop the guideline reiterating the same.

⁸ Finance Instructions 2010, Section 21

4.23 EXPENDITURE

4.23.1 Annual Report on Whole of Government Not Tabled in Parliament

The Minister must table in Parliament a whole of Government annual report for each financial year. The annual report for a financial year must be tabled within 9 months after the end of that year or within a longer period approved for that year by resolution of the Parliament.⁹

The annual report for a financial year must include:

- (a) the whole of government financial statements referred to in section 46;
- (b) the annual appropriation statement referred to in section 47; and
- (c) the annual budget statement referred to in section 48.

The Permanent Secretary responsible for finance is responsible for the preparation of whole of government annual reports and the statements required to be included in them.

We noted that Ministry of Economy has not tabled in Parliament the whole of Government annual report for the financial year ended 31 July 2016.

Audit report on Financial Statements of Government and Annual Appropriation Statements should not be taken as whole of Government annual report.

The Ministry has not complied with Section 45 of the Financial Management Act 2004 when the Annual Report is not tabled in Parliament.

Recommendations

- **Ministry of Economy must ensure to table in Parliament the whole of Government annual report in a timely manner.**
- **Auditor General's report to Parliament should not be taken as whole of Government annual report.**

Management Comments

The annual financial statements are prepared by the Ministry of Economy and do not form part of the report of the Auditor General.

⁹ Financial Management Act 2004 FM 45 – Annual Reports

4.24 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 existing credit policies applied.

Outstanding amounts due to government are classified as 'arrears of revenue'. Arrears of revenues generally arise when credit is extended for supply of goods and services.

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.

4.24.1 Increasing Trend in Arrears of Revenue for Past 5 Years

Arrears of revenue as at 31 July 2017 was \$83,575,308, a decrease of \$808,583 or 1% from 2016 arrears of revenue of \$84,383,891. Refer to Table 4.20 for details.

Table 4.20: Arrears of Revenue from 2013 to 2017

Year	Arrears of Revenue Amount (\$)	% Increase	Total Revenue Amount (\$)	Arrears of Revenue % of Total Revenue
31/07/16*	84,383,891		1,500,808,190	
31/07/17	83,575,308	(1%)	2,837,441,689	3%

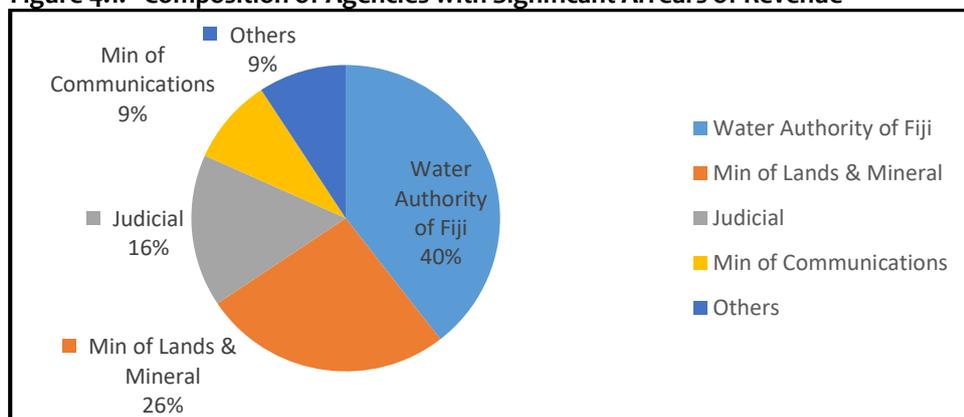
(*2016: 7 months)

Refer to Table 4.21 and Figure 4.1 for details of arrears of revenue.

Table 4.21: Top 5 Agencies with Significant Arrears of Revenue

Ministry/Department	2017 (\$)	% of Total
Water Authority of Fiji	33,006,642	40
Min of Lands & Mineral	21,820,630	26
Judicial	13,450,691	16
Min of Communications	7,599,780	9
Others	7,697,565	9
Total	83,575,308	100

Figure 4.1: Composition of Agencies with Significant Arrears of Revenue



Some of the strategies which have been developed to recover the arrears are as follows:

Water Authority of Fiji has established a debt management team that is responsible to resolve accumulating arrears of revenue, payment arrangements are made to ease financial burden, focusing on replacement of faulty meters to reduce the incidents of estimated billings and establishing a new billing system for better monitoring of debts and follow up on arrears.

Ministry of Lands and Mineral Resources provides amnesty period for waiver of interest for Lessees to clear their arrears, developing debt management policy and designing a fact sheet on rental payment including details such as how much to pay, when to pay and how often to pay and making this fact sheet available to Lessees during site visits. Ministry is also liaising with Media Liaison Officers and increasing its visibility on rental collection through Ministry's Facebook page and radio talk back shows.

Judicial Department is providing resources such as vehicles to assist Police Officers in execution of warrants and to collect arrears. The Department is also negotiating with Ministry of Economy to provide additional vehicles to be sent to other districts in order for Police Officers to execute warrant in the Divisions and collect outstanding Revenue.

Ministry of Communication issues monthly statement to all unpaid license fees followed by letters, follow up emails, phone calls and face to face discussions with major telecom holders who have arrears.

4.24.2 Ageing and Recovery of Arrears of Revenue

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.¹⁰

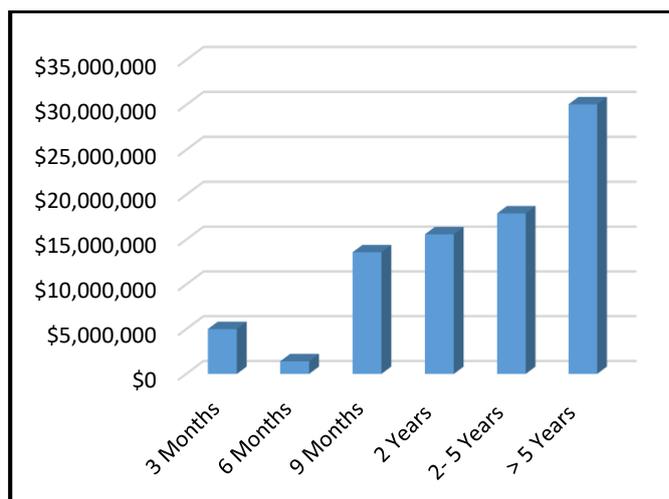
Refer to Table 4.22 and Figure 2 for ageing of arrears of revenue

Table 4.22: Ageing of Arrears of Revenue

Age of Debtors	Arrears of Revenue (\$)	Percentage of Total Arrears (%)
3 Months	5,007,790	6
6 Months	1,404,828	2
9 Months	13,585,820	16
1 Years	15,588,518	19
2 – 5 Years	17,920,976	21
>5 Years	30,067,376	36
Total Arrears	83,575,308	100

It is apparent that a large portion (36%) of arrears of revenue have been outstanding for more than a year and indicate the existence of weak and ineffective debt recovery procedures.

¹⁰ Finance Instructions 2010 – Section 41

Figure 4.2: Ageing of Arrears of Revenue

In addition, our audit noted the following anomalies:

- Ministry of Lands & Mineral Resources did not include the Arrears of Revenue for expired leases totalling \$13.5 million; and
- Ministry of Economy was not able to provide the amount of arrears recovered in the current financial year.

The exclusion of arrears of revenue on expired leases for Ministry of Lands and Mineral Resources has resulted in the understatement of the arrears of revenue balance disclosed in the Financial Statements of Government.

There is a high risk of arrears not recovered for a longer period of time becoming irrecoverable and may have to be written-off resulting in loss of government revenue.

Recommendations

The Ministries/Department should:

- **implement strategies to reduce the accumulating arrears of revenue; and**
- **obtain the amount of arrears recovered from prior years at the end of the financial year.**

Management Comment

Agreed.

4.25 TRUST FUND ACCOUNT

4.25.1 Detailed Listing Not Maintained for Main Trust Fund Accounts

The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.¹¹

We noted that there was no listing of claimants for monies held in trust for the amount totalling \$50,873,557. Refer to Table 4.23 below for details:

Table 4.23: Trust Accounts with no Detailed Listing

Ministries/Departments	Description	Amount (\$)
Judiciary	Suitors Trust Fund Account	24,286,148
Ministry of Justice	Official Receiver Bankruptcy Trust Fund Account	255,603
	Official Receiver Liquidation Trust Fund Account	587,437
Ministry of Health and Medical Services	Sahyadri Trust Fund Account	338,925
Ministry of Fisheries and Forests	Fisheries 1/3 Subsidy Scheme Trust Fund Account	190,095
Department of Immigration	Immigration Bond Trust Fund Account	25,215,349
	Total	50,873,557

As such, we could not ascertain the accuracy and completeness of the Consolidated Trust Fund Account balance of \$168,831,120 as at 31 July 2017. This issue was also included as an Emphasis of Matter paragraph in the audit report for the year ended 31 July 2016.

The respective Ministries have agreed to the recommendations provided in their management letters.

Recommendations

The Ministry of Economy should ensure that Ministries/Departments are maintaining detailed listings of claimants of the monies held in Main trust.

The FMIS Division should ensure that Ministries/Departments are submitting the detailed listing of claimants of the monies held in trust in its monthly reconciliation.

Management Comments

Unclaimed Listing refers to 30% of the total trust balance.

Alternative documents are available for the auditors in the absence of complete listing.

These include:

Immigration Trust Fund — Bond Register and its supporting documents by port.

Judicial Trust Fund - \$17.982 million has been listed and case files have identified who these funds are held in for.

Official Receiver Trust — list has been compiled and verification is in process as balance has increased. Individual files are also available for audit.

¹¹ Finance Instructions 2010 section 58(3)

Sahyadri Trust Fund—balance is only of \$20,609 only. These are charges that are retained as per the agreement in place and is fees for the use of the Fijian Government premises for the surgeries. These will be transferred to Consolidated Fund Account. The listing is not applicable for this.

Fisheries 1/3 Subsidy Scheme—listing is available.

Further, an action plan is in place for implementation by the Judicial and Immigration Department.

4.25.2 Variances in Main Trust Accounts

Each month, the trust account must be balanced and reconciled with the trust bank account. Un-reconciled items must be investigated and resolved promptly.¹²

We noted the following variances from the review of the trust accounts:

- (i) Variances were noted between the main trust cash and trust liability balance. Refer to Table 4.24 below for details.

Table 4.24: Variance between Trust Fund Cash and Trust Fund Liability Account

Account Name	Account	Amounts (\$)
Trust Fund Cash	9-00000-00000-520000	169,295,442
Trust Fund Liability	9-00000-00000-890000	(167,973,129)
	Variance	1,322,313

The above findings indicate lack of adequate review by the FMIS Division on the reconciliations submitted by the Ministries/Departments.

Recommendation

Ministry of Economy's FMIS Division should identify those variances and take corrective actions in consultation with the respective Ministries/Department.

Management Comments

Agreed.

Environment Trust Account

Reconciliation and all necessary steps and documentation completed.

Judicial Trust Account

Judicial Trust Fund - \$17.982 million has been listed and case files are also identified who these are held in for. Further, an action plan is in place to reconcile.

4.25.3 Reconciliations not prepared for Main Trust Fund Account - Judicial Department

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. 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.¹³

¹² Finance Instructions 2010 section 58(3)

¹³ Finance Instructions 2010 – Section 58 (2 & 3)

The Judicial Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts.

We noted that Judicial Department's reconciliations for Suitors, Sundries and Maintenance Trust Fund were only prepared up to January 2015, January 2000 and December 1994 respectively as at 31 July 2017.

Due to significant lapse in the years of reconciliation balance, audit was not able to confirm the accuracy of the closing balance of \$31,623,770 reflected in the Judicial Trust Fund Account Statement of Receipts and Payments.

Recommendation

The Ministry of Economy must liaise with Judicial Department to ensure that reconciliation team immediately undertake the exercise of updating the backlog in the trust account detailed reconciliations.

Management Comments

Judicial Trust Fund - \$17.982 million has been listed and case files are also identified who these are held in for. Further, an action plan is in place to reconcile.

APPENDIX 1: STATEMENT OF RESPONSIBILITY

GOVERNMENT OF REPUBLIC OF FIJI

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENED 31 JULY 2017

The Financial Statements of Government have been prepared by the Treasury Division in accordance with the provisions of the Financial Management Act 2004, Finance Instructions 2010 and the Finance (Amendment) Instructions 2016. The financial statements also comply with International Public Sector Accounting Standards on Cash Basis.

The Treasury Division is responsible for the management of the Government Accounting and the delivery of its outputs which includes preparation of whole of government Financial Statements, whole of government Annual Report, establishing and monitoring government accounting policies so that they are consistent with generally accepted accounting practice in Fiji. This would include provision of comprehensive accounting and financial advisory service to government entities.

I accept responsibility for the integrity of these financial statements, the information they contain and their compliance with the Financial Management Act 2004, Finance Instructions 2010 and the Finance (Amendment) Instructions 2016.

In my opinion, the financial statements fairly reflect the financial operations and performance of the Government of Fiji and its financial position for the year ended 31 July 2017.

.....
Permanent Secretary
Date:.....

.....
Head of Treasury
Date:.....

APPENDIX 2: AMENDMENTS TO THE FINANCIAL STATEMENTS OF GOVERNMENT

Date	Reference to Financial Statements	Amendments
24 July 2018	Schedule 1	<ul style="list-style-type: none"> Reimbursements and recoveries were changed from \$33,038,490 to \$30,858,490 Receipts from Lending and on Lending from Nil to \$2,180,000 Proceeds from Borrowings changes from \$124,610,397 to \$435,693,658. Repayment of borrowings changes from \$162,104,162 to \$148,979,100
26 September 2018	Note 9	Disclosure on re-statement of prior year balances
	Schedule 10	Disclosure on the carryover of the funds
	Note 9	Disclosure on re-statement of prior year balances with the amounts from prior year, changes and new opening balances.
	Note 10 & 11	Additional disclosure provided on the reasons for under-utilization of the budgeted funds
	Note 19	Disclosure of entities that have Zero Fair Value, Liquidated and Winding Up
25 January 2019	Note 2.8	Disclosure on the changes in financial year
	Note 35(ii)	Disclosure of government liabilities of \$182,637,899 was made
	Schedule 1	<ul style="list-style-type: none"> Changes in Direct taxes amount from \$846,839,214 to \$766,055,195 Changes in Indirect taxes from \$1,734,014,728 to \$1,813,120,249. Changes to Sales Revenue TMA from \$17,408,277 to \$18,056,598. Changes to Other Revenues and Surplus from \$48,157,894 to \$44,298,661. Changes in net receipts into Trust Fund Accounts from \$45,447,254 to \$50,745,573. Trading and Manufacturing Accounts Other Expenses changed from \$21,328,282 to \$16,035,740. Capital Expenditure amount changed from \$1,006,891,281 to \$1,004,959,257. Cash booked directly to equity amended to Nil from \$7,673,042. Effects of Exchange rate changes changed from \$439,847 to \$479,415.
	Schedule 2	Change in Nominal GDP from \$10,252,854,556 to \$9,865,489,759. This resulted in Change in Net Deficit as a Percent of GDP from 2.2% to 2.3%.
	Note 3	Comparative figures were added
	Note 9	Disclosures on the statement was made for re-statement of prior year figures.
	Note 14a	Cash flow balances were amended
	Note 15	Tax receivables from IRD and Customs were included. This changed Schedule 3.
	Note 20	VAT refunds outstanding and Income Tax refunds Outstanding were included. This changed Schedule 3.

Date	Reference to Financial Statements	Amendments
15 March 2019	Note 23d	Disclosures on the utilization of cash borrowings were added.
	Note 24	Government contingent asset were also included and additional paragraph was added to account for government contingent assets and contingent liabilities.
	Note 27	Environmental Levy which was included with Direct Tax was separately disclosed. This also led to change in Schedule 8.
	Note 35	Arrears of Revenue for FRCS was removed.
	Note 36	Adjustment of underlying account balances and equity were included.
	Note 37-39	New disclosures provided on waivers, government liabilities and TELS debt.
	Schedule 5	Litigation claims of Government of \$47,796,909 were included. This also changed balances in note 24.
	Note 15	Tax receivables from IRD and Customs were removed. This changed Schedule 3.
	Note 20	VAT refunds outstanding and Income Tax refunds Outstanding were removed. This changed Schedule 3.
	Note 35	FRCS Arrears were included
	Note 36	Adjustment of underlying account balances and equity were amended.
	Note 39	Details on TELS balances were amended from \$209,060,301 to \$218,101,454
	Schedule 3	Statement of Assets & Liabilities (Change in Note 18,19 & 36)
	Note 18	Term-Loans Receivable [Changed due to inclusion of TELS]
Note 19	Equity Investments [Changes in disclosure notes and inclusion of Assets Fiji Ltd, Walesi Ltd & Fiji Public Trustee Corporation Ltd shares	
Note 36	Equity movement – as highlighted in Note 18 & 19	
Schedule 6	Changes in Investments, Term Loans Receivable & Amount reconciled to net Equity.	
18 March 2019	Note 19(b)	Fiji Hardwood Corporations shareholding interest amended
12 July 2019	Note 39	Amended disclosure on Tertiary Education Loans Scheme
	9	Details of the re-statement of the account balances have been included
	15	Tax Receivable – IRD and Customs balance have been included for 2017 and 2016
	18(a)	Tertiary Education Loan Scheme balance for 2017 and 2016 have been included
	20	VAT & Income Tax Refunds Outstanding balance have been included for 2017 and 2016
	24	FNPF Decree changed to FNPF Act
	35	Tax Receivable – IRD and Customs have been excluded from note 35 and have been recognised in Statement of Assets and Liabilities.
	36	A note on the exclusion have also been provided
36	Balance have been amended due to inclusion of FRCS Receivables and Payable's and TELS balance.	
38	Below disclosure has been included in the Accounts:	

Date	Reference to Financial Statements	Amendments
	Schedule 6	Total Income Tax refunds for the year 2016/2017 has been restated from \$106,865,387 to \$18,694,678 to reflect the correct treatment for all refunds. The reason for the restatement is to exclude taxes received progressively during the year. The \$18,694,678 includes only individual income tax refunds as at 31 July 2017.
	Schedule 3	Accounts Receivables and Accounts Payables balances have changed due to recognition of FRCS Receivables, FRCS Payables and TELS balance.
		Assets and Liabilities balance have been changed due to inclusion of FRCS Receivables and Payable and TELS balance.



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