

New Year message from the Chief Accountant

It's a pleasure to contribute to this issue of the FMR newsletter. I wish to extend greetings to all our Accounting Heads and Accounting Officers throughout the service and hope you are all ready to take up the challenges ahead in 2007.

I take this opportunity to thank all of you for your contributions in 2006 which assisted the Ministry of Finance implement various new accounting policies, and other initiatives including the rolling out of the financial system that are part of the Financial Management Reforms(FMR).

Most of the changes introduced gradually under the reforms are part of the global trend in the accounting field being implemented and Fiji is no exception. It also reflects an emergence of a new era where there is a constant push from all sectors for systems to be reviewed and adjusted to meet the good governance agenda as well as the constant increasing demands and needs of users of accounting information. In view of this, our existing accounting systems and processes needs to be reviewed, streamlined and enhanced to meet the requirements of generally accepted accounting principles.

As accounting advisors in our various agencies, we have to ensure we are kept updated with these new changes and developments to enable us to provide accurate and value added advice to management. We also need to be aware and appreciate the importance of the individual roles we play in our various agencies

and how it contributes collectively to the compilation of the whole of government accounts and finances. This is important



Chief Accountant - Tevita Kuruvakadua

so that accountability of public funds is maintained at all levels. All must accept that new changes have evolved in the accounting profession and we must react accordingly to accept them to ensure we derive maximum benefits when implementing these changes in our agencies.

The major changes that have been implemented so far as part of the reforms includes:

- (i) The enactment of the Financial Management Act (2004) and the Finance Instructions (2005);
- (ii) The introduction of Agency Finance Manuals for various government agencies to govern their financial operations.
- (iii) The delegation of financial authorities to Chief Executive Officers to assist them manage their financial resources with greater autonomy at the same time exercising greater accountability;
- (iv) The introduction of a number of new accounting policies to support the new initiatives as well as streamline accounting processes and procedures to fulfill requirements in the Act.
- (v) The gradual implementation of the Financial Management Information System (FMIS) across all government agencies to support the new accounting policies, procedures and processes and to bring about an efficient and timely reporting system to all users including management and;
- (vi) The adoption of a Performance Budgeting System to tie up the allocation of financial resources

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Agency Annual Financial Reporting

The University of the South Pacific guided over one hundred senior government officials on how to frame agency annual reports from 6-17 November 2006.

With the production of agency annual reports, public attention will focus increasingly on improving the performance and accountability of government's budget programs. The financial management reform has called for the provision of better financial and performance information for managers, parliament, and the public through Agency Annual Reports.

The Financial Management Act (2004) requires that annual reports include financial performance information presented in the form of annual financial statements. The financial statements to be prepared for 2006 include:

- i. statement of receipts & expenditure
- ii. statement of output costs
- iii. a profit & loss statement for each trading & manufacturing activity (TMA)
- iv. an appropriation statement
- v. statement of losses

- vi. a trust account statement of receipts & payments (where applicable)

Since the enactment of the Act agencies have prepared their annual reports without reporting on their financial performance. However this applied only to the financial year ending 2004 and 2005. For 2006, agencies are now required to report on their financial performance under the cash basis of accounting and according to the six statements listed above. This is a challenge for agencies as government financial reports have been limited to whole-of-government reporting under the 1981 Finance Act.

Reporting at agency level is useful as it will inform key stakeholders and other interested parties on how public funds have been utilised by the agency. The Auditor General's opinion of the financial

statements will ensure the credibility of the information.

Financial information required for most of these reports are easily accessible from the financial management information system. The report structure can also be "built" so that information is available within minutes in the right format. The FMIS unit will be using the Enterprise Reporting facility (a reporting tool) to build the financial reports for the financial year 2006.

Enterprise Reporting

Enterprise Reporting (ER) is a monumental financial and management reporting facility, capable of extracting any volume of user defined transactions currently captured within the new FMIS.

An essential component of the FMIS implementation is to ensure that effective reporting solutions are available and implemented across government.

ER allows trained users to develop standard and customised reports based on user requirements gathered, for consequent release to whole of government and agency specific recipients.

A number of reporting requirements have already been gathered and comprise of commitment and expenditure versus budget and agency annual reports. Development and testing of new reports is currently in progress and rollout is expected for first quarter 2007.

As the reports become deployed amongst the user community, the recipients will have user-friendly access to execute their reports at any time directly from their desktops. The extracted reports will represent real time financial data that is captured and available within the FMIS at the time of report execution.

The envisaged benefits of new ER commitment and expenditure reports are expected to eventuate through improved user accessibility and automation, user friendliness, timeliness and accuracy of financial data the new reports will bring about for decisive and improved decision making capabilities across government.

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against intended outputs agreed to be achieved within a year.

As you may all have noted, the thrust of the FMR initiatives is about changes that involves a shift from the existing manual processes to an automated one that records and processes data accurately and generates timely and accurate reports to meet the needs of our users at any point in time.

While most of you will agree that the full benefits of the reforms are yet to be realized, you are all encouraged to put in the required level of commitment to work towards it.

This includes a change in attitude as well as upgrading of skills and knowledge to fully understand the accounting concepts used and its linkages with other accounting processes within the whole FMR framework and the intended outputs

(reports) to be produced. Once financial reports are prepared, all accountants should take the extra step to analyse and interpret them in very simple terms to their management. Appropriate advice and recommendations are to accompany these reports to ensure management make decisions that are within the provisions of all finance regulations and finance circulars issued from time to time.

I hope that all accounting officers in the service will take a more pro active approach towards the implementation of the various FMR initiatives in their agencies and will strive to attain maximum benefits out from it.

We are part of a profession that maintains its own standards of ethics and we must ensure to uphold this at all times to reduce corruption and abuse of public funds. I wish you all a challenging 2007.

The Challenges Ahead



Zakir Hussain at a workshop in Asia, December 2006.

Year 2006 proved challenging for the civil service and the last month of the year saw major developments in the country's political environment. These developments continued into 2007 with the appointment of an Interim Administration by the President to govern the affairs of the country. This also saw a change in policy from that of the previous government and an identification of new priorities.

As per the changes, two key mandates that the Interim Government will now have to focus on are:

1. Steady or stabilise the economy through sustained economic growth; and
2. Lift the living standards of the growing number of people under poverty.

The Ministry of Finance is in the process of recasting the 2007 budget to incorporate the policies of the Interim Government after Cabinet's approval that a new 2007 Budget will be delivered on Friday 2nd March, 2007.

The Interim Minister of Finance, National Planning, Public Enterprise and Sugar industry has already announced that VAT will remain at 12.5%.

The change in policy is also likely to result in budget reductions for the various Ministries and departments in an effort to cushion in the decline in revenue collection projected for 2007.

Ministries and departments will, therefore, need to be prudent when procuring goods and services for the first three months of this year. The following measures will apply:

- Operating expenditures should be limited to essential services
- Capital expenditures limited to on-going capital projects
- New capital projects earmarked to commence in 2007 will be put on hold
- A daily ceiling of \$20,000 is imposed on each agency's drawings bank account excluding payment of wages

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Amendments to the Finance Instruction 2005

Under the Financial Management Act (2004), authority responsible for budget sector agencies, which in most instances have been the Chief Executive Officers, are responsible and accountable for the management of their appropriated budgets. As per the Act, certain financial powers have been delegated to chief executive officers to assist them manage their budgets.

Given the need to control expenditure as announced by the Minister for Finance, certain authorities that in the past had been devolved to Chief Executive Officers have been suspended. The suspensions are also part of the precautionary measures, given the imminent changes over ministerial portfolios and reshuffle of chief executive officers which will have an impact on the "responsible authority" as defined under the Act.

It is therefore prudent that certain delegated authorities, are suspended until such time these changes are finalised. At the end of each quarter, the Ministry of Finance will review the need to re-delegate the authority. The following table outlines the amendments on the functions of the Minister for Finance that had been delegated to chief executive officers under the Finance Instructions 2005. These limitations are given effect through a Legal Notice and are effective from 17th January 2007.

Section (1)	Amendment (2)
10 (1) (2) (3)	Virement authority for Chief Executive Officers (CEOs) authorised in Section 10(1) – 10(3) of the Financial (Amendment) Instructions 2006 issued in Legal Notice 10 of 10th March 2006 and detailed in the Virement guidelines to be suspended immediately until further notice. All Virements will now be approved by the CEO Finance and National Planning.
11 (1)	The procurements limits for CEOs, other than the CEO Finance and National Planning, to issue local purchase orders (LPOs) will be reduced from \$20,000 to \$5,000. Any approvals for procurements in excess of \$5,000 and less than \$20,000 will be approved by CEO Finance and National Planning.
23 (1)	The operations of the Agency Tenders Board (ATB) as delegated to CEOs and established under Section 23(1) of the Finance Instructions 2005 will be temporarily suspended. All procurements from \$20,000 and above will be subject to Major Tender Board evaluation and approval except for tenders considered by the Divisional Tender Boards.
68 (1) (2)	The write off authority delegated to CEOs under Section 68(1) of the Finance Instructions 2005 will be suspended with effect immediately. All requests for write offs will be subject to approval by the Minister for Finance.

Finance Series 2007 – Budgets

From 2007, Inside FMR will feature an annual series of articles that attempts to explain key areas of finance. Each year a broad theme will be identified.

The six newsletter issues for the year will contain a brief discussion on specific topics relating to the theme. The purpose of this series is to provide the reader with a better understanding of the work carried out by the Ministry. The broad theme for this year is on “budgets”. The first article in this series will focus on the legislative requirements of the budget.

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and salaries or unless approved by the Chief Accountant for any excess withdrawal

Any rush by Ministries and departments to spend as much of the current budget as possible before the new budget is announced, will impact their on-going programmes towards the latter part of 2007 as these agencies will receive only the difference between the approved new budget less the actual expenditure posted against the appropriations for the first quarter.

Ministries and departments also need to be mindful of the budgetary heads of appropriation that will need to be aligned in the new budget to reflect the ministerial portfolio that the Interim Government has been assigned to.

This means that agencies whose appropriation heads, programmes, activities or line item budget has been affected because of the ministerial reshuffles, will have their budgets aligned in the new Budget.

The FMIS Unit will undertake the mapping exercise to address the correct expenditure posting based on the new coding conventions that will allow the data rolls up to the realigned heads of appropriation.

1. What are the legislative requirements for presentation of the Budget?

The legislative provisions for the government budget are reflected under Chapter 12 of the Fiji Constitution. It basically requires that funds received for the purposes of government should not be utilised unless appropriated by law.

The details of what to present in the Budget is captured under the annual Appropriation Act and Financial Management Act 2004.

The budget commonly referred to as the Budget Estimates must be tabled in Parliament (before the 30th November of a financial year for the next financial year) together with the Bill for the annual Appropriation Act.

The Budget Estimates presents not only the projected expenditure for the year but also the forecasted revenue collection for whole of government.

Section 14 of the Financial Management Act states that each appropriation will be administered by the budget sector agency specified in the Appropriation Act or by the agency specified in the Budget Estimates as being responsible for administering the budget.

Once the Budget is passed in Parliament and becomes law, ministries and departments are legally bound to spend within the allocated funds outlined in the Budget.

This however is not always the case as some ministries and departments have a tendency to overspend their allocated budgets.

To counter this, Section 14 of the Act helps to identify the “responsible authorities” managing the budget for which they can be held “accountable” and where necessary disciplined for non-compliance with the Appropriation and Financial Management Act.

The next article in this series will outline the budget process leading up to the enactment of the annual Appropriation Act.

Correction - Telecommunication Reform in Fiji

The Inside FMR would like to apologize for factual inaccuracies in its Sept/Oct 2006 edition. The following were misreported hence the correction:

- (i) The functions, powers and duties of the Commission are clearly articulated in the Commerce Act and not in the Telecommunication Bill.
- (ii) As provided for in the Telecommunication Bill, the Telecommunication Authority of Fiji (TAF) will be responsible for telecommunication licensing, radio frequency management etc, not the Commerce Commission.

- (iii) The policy unit will be established by the Information and Communication Ministry as a unit within its Ministry's structure and not the Ministry of Finance.
- (iv) Whilst the Telecommunication Bill makes provision of a review of the function of the TAF and its Tribunal and its merger with the Commerce Commission before five years, the review does not necessarily specifically entail what was reported in this column.



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