

from the PM's Office

The Prime Minister's Office welcomes steps that are being taken through the Finance Management Reform to greatly improve the management of Government's budget resources.



**J Kotobalavu,
Chief Executive Officer**

These are being undertaken through the implementation of the Finance Management Act, 2004, and the introduction of performance budgeting, a finance management information system, and change management throughout the Public Service.

The main assurance to the general public is that through these reforms, there will be greater accountability and transparency in the management of Government's financial resources.

What this means is that there will be greater accuracy and honesty, and whilst there will be greater flexibility through delegated authority, there will also be more stringent requirements for accountability. The annual Budget will more accurately reflect the needs of individual Ministries and agencies of Government to implement policy and development priorities

identified and set out in their corporate plan. Resort to Parliament for additional provisions will only be for contingencies such as disaster relief and rehabilitation that arise in unforeseen circumstances. Finance reporting and accounting to Parliament will be on time and accurate. In individual Ministries and agencies, there will be greater flexibility to deploy budget allocations to priority areas, optimizing the

INSIDE THIS ISSUE

Performance Budgeting	2
Trade & Manufacturing Account (TMA) Review	3
How to develop change managers	3
"Go Live" Implementing the new Chart of Accounts	3
Cash Management in Government Department	4
FMR Training	4

implementation of policies and development programmes decided by Cabinet.

Most important of all, in the Public Service, in the handling of funds and in the procurement of supplies and services, there will be greater efficiency and honesty in the system.

All in all, the reform is good for Government and for Fiji.

from the Chief Accountant

The move towards the financial management reform, to me, is the major highlight of advancement and improvement within the accounting profession.



Susana Veibuli, Chief Accountant

Often at times we, as government accountants are being criticized, redressed and ridiculed for a number of deficiencies alleged to have risen out of poor government accounting and financial management.

The FMR thankfully is looking at a future of public-sector financial management represented by a broad and integrated financial-management system, output-based budgeting and performance measures, accrual accounting, delegation of decision making and strict accountability mechanisms.

Transparency through strict accountability mechanism is a positive move for all accountants to embrace. This mechanism should give us accountants an incentive not only to enact the new changes proposed, but to be industrial in exploring ways to improve on our "hands on" role in this reform. We should build up momentum to take ownership of this reform.

This approach will take years to emerge, sometimes we may be frustrated with the painfully slow uphill climb, I can only plead that we, government accountants, take ownership of the financial management reform and support it as we aspire to the transition to a new and improved government-wide financial and accounting system in general.

Performance Budgeting

As the 2006 financial year draws closer, Budget Division of the Ministry of Finance and National Planning begins to gear up for the busy period of negotiating new budgets and preparing new Budget documentation.

This year there are two significant new developments. The first is the development of the Portfolio Performance Statements, which will for the first time attempt to demonstrate the allocation of Budget funds by output, within the programme budgeting framework. The second is the introduction of new software to help Budget Division and line agencies in preparing and analysing Budget submissions and tracking the decision making process.

Portfolio Performance Statements

In respect of 2006, Budget funds will be appropriated as before, by programme, activity and SEGs. It is hoped that, by 2007, the government will be in a position to be able to appropriate funds according to outputs. The preparation of the 2006 Budget documentation is thus very important in forming the foundation for the preparation of the Budget on an output basis.

The Portfolio Performance Statements, to be presented to parliament in November 2005, will introduce a whole new set of data and information that will provide a greater depth of understanding to the public as to what it is that Budget dependant agencies produce in the public interest. In essence, the new document will relate outputs generated within each programme and activity to the outcomes that government seeks to achieve in terms of economic development, environmental protection, health, education and social welfare.

While the current programme presentation of the Budget tends to have a very administrative oriented presentation framework, the proposed Budget structure will focus on the goods and services that

the civil service produces on behalf of taxpayers, and the performance indicators will be intended to demonstrate the efficiency and effectiveness of the civil service in producing those outputs.

In so far as outcomes are concerned, the measurement of the effectiveness of outputs in bringing about change in accordance with government's intention is a much more difficult measurement task, and accordingly, reporting in this regard will be undertaken via the annual reports prepared by each of the Budget sector agencies.

As it becomes clear that output budgeting is a useful tool by which to analyse resource allocation decisions, it is expected that funds will be appropriated to all Budget dependent agencies by SEG, on the basis of outputs. In addition, the use of performance indicators to measure organisational performance will be fundamental to the assessment of individual performance under the Personnel Management System being implemented by the Public Service Commission.

Budget Timetable

Line agencies have been sent a draft format of the Portfolio Performance Statement for their organisations. The draft included an approximate specification of all the outputs that the agencies produce along with some ideas for possible performance indicators in respect of each output.

All outstanding issues in respect of the *Portfolio Performance Statements* must be resolved by October 28 to enable finalisation of the document for presentation to parliament.



Deputy Secretary for Budget, Mr Jones Navakamoce

However, the next most important Budget event in respect of the Portfolio Performance Statement will be the generation of statistics to report against the performance indicators included in the statements. Those statistics will need to be compiled by no later than October 2006 for inclusion into the 2007 version of the Portfolio Performance Statement!

New Budget Preparation System

The government has purchased a new Budget Preparation System (BPS) which is intended to improve the ability of managers to track decisions made in respect of the formulation of the Budget and also provide ongoing reporting capability that enhances management's ability to analyse revenue and expenditure trends relative to budgeted amounts. It will also allow a more disaggregated analysis of data according to economic type, output and outcome codes and the International Monetary Fund's Government Finance Statistics standard.

The Budget Division has received training in this system over the last few weeks and is hoping to use the system in the finalisation of the 2006 Budget. Due to its competitive cost structure, this system may be devolved to other line agencies to facilitate on-line entry of Budget data. This opportunity will be analysed in further detail once Budget Division training has been finalised.

Making a difference

"Never be afraid to do something new - remember, amateurs built the ark; professionals built the titanic" - anonymous

Trade and Manufacturing Account (TMA) Review

The review for the TMA on 10 pilot Ministries by Change Factory (Fiji) Limited was completed on 30th June 2005. Their recommendation of the review is currently being looked at by the Asset Management Unit (AMU) of the Ministry.

AMU is in the process of devising an Implementation Plan to ensure the recommendations of the review are implemented accordingly.

The Plan outlines the process of implementing the review recommendations in a number of phases considering the various issues involved with TMA and the need to address them through consultations with various stakeholders.

As part of the reforms, TMAs need to be strengthened to ensure they are assessed from a commercial perspective in terms of their viability and competitiveness in the

market. Government has to ensure that they generate revenue to contribute to the Consolidated Fund.

Currently, most TMAs rely on the Operating Budget to fund majority of their overheads and this concept needs to be changed. As a starting point, The Ministry will be strengthening its monitoring role from 2006 onwards to ensure that all current active TMAs comply with the requirements of the Finance Instruction 2004. At the same time their performance will be assessed against their targets outlined in their Business Plans as well as that of their financial reports.

Ministries and Departments that operate TMAs are reminded of the compliance requirements expected of them in Part 5 of the Finance Instructions 2004. This includes the formulation of a Business Plan for each TMA as well as the preparation of relevant financial reports.

“Go Live” – Implementing the new Chart of Accounts

In response to mounting pressure from various institutions on government to become more accountable and transparent in terms of financial management, the Financial Management Act 2004 requires increased financial reporting at agency and at whole-of-government level. Basically this involved reporting government's financial position at a particular date and government's financial performance over a period, usually annually. Ministries and departments would also be required to prepare monthly financial status reports.

These requirements are being accommodated through the new financial management information system. As a starting point, a new chart of accounts was developed. The Chart of Accounts (CoA) is defined as a method of classifying and recording financial data in a systematic



PC's ready for FMIS roll out

manner. This is normally structured via different account groups for example, asset class, expense class, liability class, etc.

The existing CoA however did not classify data according to these groups or even in a consistent form. Most items were captured in a relatively standard manner, but this was agency-specific.

For example, some departments monitored all costs according to various divisions or sections while other departments did this

WORKSHOP

How to develop change managers in the workplace



FMR Change Leaders at a recent workshop

The FMR Unit organized a unique 1-day workshop for all 25 FMR Change Leaders on 1 July 2005 at the JJ's Restaurant in Suva. In the workshop, Change Leaders were treated to their roles and responsibilities as being the key personnel in managing whatever changes to be implemented by the FMR.

This workshop was facilitated by Professor Maggs of the Turnbull Maggs Partners (South Pacific) Pty. Ltd. Professor Maggs is well known for his expertise on change management. The selected participants were trained on how to develop themselves, in their capacity as a “change manager”, in the workplace.

A total of 23 Change Leaders attended the workshop and rated the program highly. This is the first workshop of its kind and future similar ones are in the pipeline.

only for some costs. It became difficult therefore to extract meaningful reports.

The objective of the new CoA is to standardise cost recording structures across whole-of-government to ensure that relevant financial data is captured at appropriate levels (according to management needs) and to facilitate the consolidation of financial reports. As well the CoA makes provisions for future requirements such as accrual accounting. This move to accrual accounting should occur once the new financial management information system is fully implemented.

Developing a chart of accounts that accommodates such diverse requirements has not been easy. However this exercise

Cash Management in Government Department

Effective from 1st June 2005, the Debt Cashflow & Management Unit (DCF MU) took over the cashflow forecasting from Treasury. With the support from accounting heads in line ministries, the transition has been a successful one.

Weekly Forecast

The weekly cashflow forecast which is scheduled every Thursday has improved significantly as bulk of the information were

with DCF MU by Thursday noon. Deadline for submission is 11am and most ministries have met the deadline with few others required to improve their submissions.

Response Rate

The response towards cashflow forecast has grown from 50% during the trial period to around 90%. DCF MU is monitoring very closely all Government ministries to ensure

they provide their forecast as this is part of Financial Management Act 2004.

Payments of Over \$50,000

All payments of over \$50,000 would still need the approval of Chief Accountant. However, before the CA approves, DCF MU will verify all this payments to ensure that they are consolidated in the ministries forecast. Failure to forecast would mean large payments will be put on hold until the ministry provides DCF MU with forecast. This are internal control measures being put in place to enhance cash management as well as encourage ministries to actively submit their cashflow forecast on weekly basis.

FMR TRAINING

Business Planning with Trading & Manufacturing Activities

The course reviewed a range of accounting applications associated with business planning. It will focused on the financial instructions relating to business plans and the accounting techniques to be applied in compiling the public sector business plan guide, for trading and manufacturing activities. This course was conducted for three days from 31 August 2005 to 2 September 2005.

WHO SHOULD ATTEND?

Officers tasked with the responsibility of compiling their TMA's business plan and the most senior officer in the Trading and Manufacturing Activity's accounting function.

COURSE OUTLINE

Topic 1	The structure of a business plan	What will the business plan encapsulated
Topic 2	Goal setting	Setting realistic goals for a TMA in the context of its operations.
Topic 3	Budgeting	Elements of a business activity and consider how they can be brought together as an integrated whole.
Topic 4	Pricing decisions	Pricing based on cost plus rules. Pricing based on incremental costs. Problems associated with the accurate identification of measurement of costs.
Topic 5	Cost volume profit analysis	A technique to consider relationships between methods of operation and profitability at different levels of outputs.
Topic 6	Cost accumulation & control processes	Accumulating costs to products and services Job costing: Determination of costs of activities, which are essentially unique. Process costing/Batch costing! Determination of costs of activities, which are essentially routine. Activity based costing
Topic 7	Management of inventory	Models and techniques to address the need to balance costs of holding inventories against the costs of ordering the need to guard against stock outs.

“Go Live” – Implementing the new Chart of Accounts

• from page 3

has been completed. The full classification structure is divided into three blocks (or sets). The first block identifies the ministry or department and their programs or activities. The second block classifies the various cost centres that the ministry would like to link costs to.

A key feature of the new CoA is the ability to record financial data at different levels. Management can therefore track costs according to their specific needs whether by organisation/functional structure or by location (province, district or town). The third block identifies the actual account whether as an item associated with an expense, revenue, asset, liability or equity.

While these features have contributed to the complexity of the CoA, it is a welcome change as more reliable and relevant financial information will be reported. Using the new CoA may take some getting used to, but with proper training and guidelines in place for all users, teething problems should be kept to a minimum.

The conversion to the new CoA is set for end of August with all August financial transactions being posted using the new CoA.



Ministry of Finance and National Planning

Ro Lalabalavu House, Victoria Parade, Suva, Fiji. PO Box 2212, Government Buildings, Suva, Fiji.
Telephone: (679) 3307 011. Telex - FJ 2121. Facsimile (679) 330 5074.