

## Views of FMR Change Leader

by Ana Naivakasoro – Ministry of Public Enterprises & Public Sector Reform



Mrs Ana Naivakasoro, Acting Deputy Secretary Public Enterprises

On line at last...

Well we are in the second lot of Ministries that have finally got our accounting system automated. We went live on the 1<sup>st</sup> day of August with no problems at all. Now all of our purchases and payments are automated. One problem though, we must have adequate funds in our allocations as well as our cashflows to be able to get anything going.

### Faster Processing

Our Accounts personnel have expressed their general appreciation for the system which now allows them faster processing of orders and payments as well as provides for timely relevant information at the press of a key. Other benefits of the system include less paper work and of course, less likelihood of over- expenditure.

### Reports and the need for Regular Consultations

From Management's point of view, getting accurate and timely reports of the overall financial position of the Ministry at anytime and having the funds available when required is crucial. In my view, the need for better coordination amongst officers within the Ministry in terms of the required usage of financial resources becomes very important, particularly as only transactions that have been input into the system will show as commitments and any other proposed disbursements will need to be planned ahead of due dates. In other words, cash flows need to closely reflect the frequency and quantum of payments to be made. Unless this is done, even automating processes would not help in bringing about efficiency.

### Benefits....

The new system provides a new dimension to financial management in Government. With close to a month's experience with it, I am sure that Accounting Officers will take it in their stride to provide meaningful information to Management and to ensure that financial resources are available when they are required. This change could make the difference between accountants and bean counters!

## Audit Advisor to Review the Functions and Operations of the Internal Audit Unit

In line with Financial Management Reform the Ministry of Finance engaged me as its Internal Audit advisor to review the functions and operations of the Internal Audit Unit and prepare a credible internal audit framework consistent with Financial Management Act 2004.

The purpose is also to make audit function more efficient and effective and to propose a shift from traditional audit to risk based audit.



• turn to page 2

## CARRY-OVER OF 2006 UNSPENT ALLOCATION

Governments throughout the world have been trying to overcome the deficiencies of cash budgeting. With its limited resources, where expenditure exceeds revenue collection, the Government of Fiji is no exception and it has considered budget management as part of the financial management framework.

To assist agencies better manage the unspent resources allocated for the service delivery under its portfolio, the *Financial Management Act (FMA) 2004* allows agencies to request to the Minister of Finance to *carry-over* unspent appropriation that relates to known liabilities at the end of the financial year to be used in the following year.

For agencies, *carry-over* avoids the need to ask for additional funding for known liabilities and large invoices expected to be paid before the end-of-year, but for which payment has been delayed.

From the Ministry of Finance perspective, *carry-overs* provide an incentive for agencies to record their liabilities on a timely and accurate manner.

• turn to page 4

## INSIDE THIS ISSUE

Payroll Interface Overview and Update.....	2
Agency Annual Reports A Key Requirements of FMR .....	3
A New Budget Preparation System Called Business Intelligence Solutions (BIS) .....	3
TMA Training! TMA Training! TMA Training! TMA Training! .....	4

# Payroll Interface Overview and Update

The Payroll systems in government have been in use for many years now and have over the years been upgraded. However there are no immediate plans yet for replacing the current payroll systems.



*Sanjeet, Ajay and Emily conducting Payroll Interface testing*

Over the years we have had problems of not being able to capture payroll data in the General Ledger (GL) in a timely, accurate and effective manner thus compromising the quality of financial information generated from the system. One of the deficiencies has been a lack of an effective interface between the payroll systems and the GL. Manual journals and postings are carried out by ministries/departments and these are usually done on a monthly basis to transfer data to the GL. To resolve this, the interface of the payrolls to the GL was seen as essential, in order to capture data in a timely and accurate manner.

Prior to the implementation of the new FMIS, a new chart of accounts was developed for the Government of Fiji in close consultation with ministries and departments. As part of this exercise, additional cost centers were created to meet the reporting needs of ministries and departments. In the un-established payroll the new cost centers are being captured, as account numbers are entered through timesheets. However, in the established payroll the existing cost centers do not mirror the new FMIS cost centers. As a result the cost centers will be changed and/or new cost centers created and employees moved to their respective cost centers.

In order for the payroll transactions to be effective and timely, the processing of

payroll journals will be automated between the current payroll systems and new GL.

### **Established Payroll**

Two separate sets of journals will be extracted from the payroll system prior to upload into GL.

- § The first set of journals will transfer payroll charges to departmental IDC Accounts.
- § The second set of journals will clear charges from departmental IDC Accounts and pass these charges to respective expenditure accounts.

### **Un-established Payroll**

When the payroll reports are run each week, information from the payroll system will be transferred to SSA FM to create wages payment vouchers in the Accounts Payable application. Vouchers will also be created for deductions.

### **Current Work**

Both the established and un-established interfaces are being checked and tested and parallel runs are being carried out. This will continue until the desired results are obtained.

Work will also continue to interface the Pensions, Fiji Military Forces and Police Special Constables payrolls with the GL.

*• from page 1*

Internal auditing is a management-oriented discipline that has evolved rapidly. Once a function primarily concerned with financial and accounting matters, internal auditing now addresses the entire range of operating activities and performs a corresponding wide variety of assurance and consulting services.

The development of internal auditing was fostered by the increased size and decentralization of organizations, the greater complexity and technological sophistications of their operations, and the resulting need for an independent, objective means of evaluating and improving their risk management, control and governance processes.

Risk Management, Control and Governance process are the key areas in modern auditing. The internal audit activity should assist the organization by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.

The internal audit activity should assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the objectives to promote appropriate ethics and values within the organization and ensure effective organizational performance management and accountability.

Audit Framework widely comprise of attribute standards, proficiency and due care, quality assurance, engagement planning, performing the engagement, communicating results, monitoring progress.

With a view to implement internationally accepted auditing principles, training is imparted to audit staff as there is an urgent need for complete change of mind set on the basic concept of internal audit, role and responsibility of internal auditors, review of control measure and other relevant areas. Introduction of risk-based audit with focus on review of risk management, control and process is gradually introduced.

*• turn to page 4*

# A New Budget Preparation System Called Business Intelligence Solutions (BIS)

The Budget Division of the Ministry of Finance acquired a new budget preparation system called Business Intelligence Solution (BIS). The system is to replace the legacy current excel based spreadsheets which was becoming ever more difficult to manage and meet the ever growing requirements of budget formulation.

The project was initiated in early 2005 with implementation beginning in mid 2005 and it was undertaken in six phases. Phase 1 included conducting a thorough client needs analysis, followed by technical specification, pre-production release, implementation on site, training and final evaluation.

The system provides great advantages and simplifies budget formulation in addition to the following benefits:-

### 1) Easily Accessible Information

A simple point and click with the mouse drills through the organizational layers allowing views of data from many perspectives. Importantly, BIS refreshes data from FMIS on a daily basis thus allowing the budget division to obtain the most up to date figures for YTD expenditure.

### 2) Integrated Strategic Plans

The BIS budget module makes it easy to build annual and forward strategic plans and compare them with current data.

### 3) Ease of data entry

The entire budget process from design phase to production of budget estimates for presentation to Parliament can now be prepared using BIS.

BIS allows all project proposals to be ranked and prioritized followed by automatic movement to qualification list of items to be budgeted for

### 4) Graphical Output

The Division can now produce graphical reports at any level with

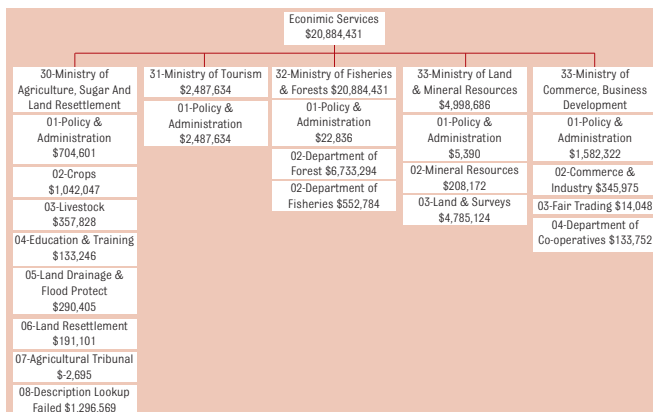
top down view of any Ministry / Department illustrating "Corporate Health Check" and budgets at any point in time.

### 5) Cashflow and Revenue Forecasting

In addition to expenditure, all revenue and cashflow reports can now be prepared from BIS as well.

Sector	Actual Revised 2005	Estimate 2006	Estimate 2007	Projection 2006	Projection 2009
<b>Economic Services</b>	118,491,671	176,012,853	155,500	7,210	7,426
<b>General</b>					
Administration	361,744,005	461,675,825	1,195,850	652,943	668,523
Infrastructure	192,586,202	259,087,400	0	0	0
Revenue	-1,543,428,491	-1,346,621,800	322,693,332	0	0
<b>Social Services</b>	465,952,379	533,926,060	1580,955	1,540,880	1,587,107
Unallocable	388,690,375	433,341,138	25,100	14,178	14,462
<b>Total</b>	-15,963,860	517,421,476	325,650,737	2,215,211	2,277,518

Statement of CashFlows (2005-2009)					
\$M	2005	2006(R)	2007(B)	2008(B)	2006(B)
<b>Cash Flows From Operating Activities</b>					
<b>Receipts</b>					
Direct taxes	350.13	387.9	-0.00	0.00	0.00
Indirect taxes	614.59	656.95	-322.68	0.00	0.00
Vat	316.21	322.88	0.00	0.00	0.00
Customs	298.38	334.06	-322.68	0.00	0.00
Sales Revenue	0.17	0.00	0.00	0.00	0.00
Fees, Fines, Charges & Penalties	57.15	59.32	0.00	0.00	0.00
Grant in Aid	7.19	9.67	0.00	0.00	0.00
Dividend from Investment	23.70	26.14	0.00	0.00	0.00
Reimbursement and Recoveries	8.08	16.07	0.00	0.00	0.00
Other Revenue and Surplus	30.38	40.28	0.00	0.00	0.00
<b>Total Operating Receipts</b>	<b>1,091.84</b>	<b>1,196.38</b>	<b>-322.68</b>	<b>0.00</b>	<b>0.00</b>
<b>Payments</b>					
Personal	517.29	543.46	2.12	1.40	1.40
Transfer Payments	216.74	231.58	0.00	0.00	0.00
Supplies and consumables	146.79	165.05	0.40	0.39	0.39
Purchase of outputs	33.179	67.23	0.00	0.00	0.00
Interest Paid	165.91	137.15	0.00	0.00	0.00
Other Operating Payments	4.64	3.31	2.53	0.00	0.00
Total Operating Payments	1,085.15	1,147.78	2.53	1.80	1.80
<b>Net Cash Flows from Operating Activities</b>	<b>6.69</b>	<b>48.60</b>	<b>-325.21</b>	<b>-1.80</b>	<b>-1.80</b>
<b>Cash Flows From Investing Activities</b>					
<b>Receipts</b>					
Sale of Government Assets	0.00	30.00	0.00	0.00	0.00
Interest from Bank Balance 1	4.01	0.00	0.00	0.00	0.00
Repayment of Term Loans Receivable	0.07	0.16	0.00	0.00	0.00



## Agency Annual Reports A Key Requirement of FMR

As the Government continues to implement components of the financial management reform, one of the key requirements is that Chief Executive Officers are to be held accountable for the management of the resources allocated for their agencies.

The Financial Management Act 2004 states that the Chief Executive Officer for each agency will be responsible for the preparation of the annual report and the annual financial statements must be audited by the Auditor-General and accompanied by his/her audit opinion.

Effective for the financial year ending 31 December 2006, agencies will have to prepare and table the annual report in the House of Representative through the responsible Minister.

The annual report comprises a brief summary of the agency's overall performance compared to the performance indicators outlined in the annual corporate plan and actual financial results against budgetary provisions relating to that specific financial year.

The reporting agency preparing the annual report needs to be mindful for external users dependent on information in the annual report, whether it be for accountability and or for decision making. A reporting agency is determined through the Head allocated through the Budget Estimates which establishes the financial accountability for all transactions that the Chief Executive Officer controls for his or her agency. Therefore a reporting agency may be a ministry, department or parliamentary body. A Ministry may control just one department or more than one department.

Only the Ministry of Finance controls more than one Head. It will consolidate all the Heads and prepare only one agency annual report.

A Guide to Preparing Agency Annual Report and Agency Annual Financial statements has been developed to assist agencies in compiling the annual report.

# TMA Training!

For the month of September, USP together with FMR and Asset Management Unit will offer two Trading and Manufacturing Accounts courses. The courses are only offered to departments who are operating viable TMA accounts. Maximum number of participant per department, per course is two (2).

## TMA Business Planning

**Tentative Date:** 4 – 5 September 2006

**Course Venue:** USP Laucala Campus

### Course Objective

On successful completion of this course participants will be able to identify the principles of a sound business and produce elements of a business plan in accordance with the needs of the Finance Instructions.

### Course Outline:

Specifically, participants will be able to:

- Undertake an analysis of the market it operates in, identifying the potential size of the market and the market share the TMA may reasonably expect to access.
- Compile a reliable estimate of operating expenses for projected levels of business activity.
- Identify the constraints imposed on the TMA from operating as a purely commercial entity and the impact of these constraints on the scale and profitability of TMA operations.
- Identify the risks associated with the

TMA's operations and strategies that may be applied to minimize the possible impact of these risks.

- Write up pertinent sections of a TMA business plan, using the business plan template designed for use by the Ministry of Finance.

## TMA Accounts

**Tentative Date:** 6 – 7 September 2006

**Course Venue:** USP Laucala Campus

### Course Objective

On successful completion of this course, participants will be able to construct financial reports for public sector Trading and Manufacturing Activities (TMAs).

Specifically participants will be able to:

- Trace agency-operating costs incurred by TMAs.
- Make appropriate allocations of costs not traceable to activities
- Compile a TMA Income Statement
- Identify assets and liabilities under the direct control of a TMA and compile a report of these items

**Important Notice:** Please send in the right people to the right training.

**Contact Person:** Mrs. Joana Koroitunakelo, Training Officer, Ministry of Finance

**Contact Detail:** Phone 322 2181; Fax 331 9948 or mail to: jkoroitunakelo@govnet.gov.fj

• from page 1

As *carry-over* is a new initiative and is being implemented for the first time, the known liabilities allowed for *carry-over* will be limited only to the following types:

### a) Indents

Issued for the purchase of goods from overseas but due to circumstances, goods are not scheduled to reach the agency before the end of the financial year.

### b) Contract Payments

Payment for the delivery of goods or service after delivery date is re-scheduled to the following financial year due to unforeseen circumstances.

### c) Lease Payable

Rent due for a contract granting use or occupation of property.

Other types of liabilities include sales tax payable, payroll liabilities, short term notes payable and current portion of long term debt. However, agencies will be notified when these types of liabilities will be considered for carry-over in the future.

The *carry-over* provision will be effective for the 2006 budgetary provisions and agencies will now be able to apply to the Minister of Finance to *carry-over* provision of the budget equivalent to known liabilities. However, each request will be considered on merit and decisions will be made considering the overall impact on the budget spending for the following year.

A *Guide to Preparing Carry-over* has been developed to assist agencies in the preparation, verification and approval process and procedures of all *carry-over*.

• from page 2

To make internal audit efficient and effective and delivery of desired result and building up of strong audit teams with pro active team leaders at the helms The process is aimed to adopt a proactive approach and presenting a better image of Government.

*Alok Kumar, Audit Advisor*



Labasa course participants at a FMR Awareness Workshop



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