

CEOs Empowered to Write Off Losses

Under the FMR, CEOs are now being empowered with financial authorities to manage their agencies in a performance-oriented manner.

This initiative to delegate write off authorities to CEOs has been taken in an effort to progress with the financial authorities delegated under the Financial Management Act 2004.

Such initiatives would allow CEOs to better manage their assets with more care and diligence and so as write off losses that are irrecoverable rather than unnecessarily reflecting it as part of their books.

Write Off Guide

A write off guide was developed by the FMR Team and issued to CEOs via Finance Circular 11/2006 (dated 2 June 2006). The guide outlined the procedures designed to regulate the overall write off process

for CEOs, sub delegates and officials of agencies that will be involved in identifying and preparing reports for any losses incurred in relation to government stores, moneys and financial assets.

The objective of the guide is to assist CEOs to effectively safeguard and manage government assets; maintain integrated controls to prevent and reduce damage or loss of government assets; and provide direction on asset accountability and reporting losses.

At the same time, the guide also provides information for CEOs and sub-delegates who will be responsible during the write-off process.

New format for Whole of Government Annual Report

As part of implementing one of the integral parts of the FMR, emphasis is placed on ensuring that the accountability for the use of government resources is continuously enhanced and improved.

In this regard the Financial Management Act 2004 requires that the Minister of Finance compiles and submits an audited Whole of Government annual report to Parliament and the general public. They act as the external monitoring arm of government performance for each financial year that extends from 1st January to 31st December.

For the reporting year 2005, the Act allows for the reports to be prepared under the cash basis of accounting. This is due to the financial management information system still being implemented with completion anticipated towards the middle of 2007. As such, sufficient accrual information is not available to allow the consolidation of the annual report in an accrual basis of accounting.

The report focuses on financial performance covering three broad areas:

- (i) financial statements for the government as a whole but segregates the Trust Fund and Consolidated Fund statements, which are audited by the Auditor-General;
- (ii) an annual appropriation statement reporting the budget result for the year in detail, comparison of revenue,

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FMR Advisor Reviews Progress

The FMR team has developed a guide to preparing virements in response to the wrong virements that have been processed and approved by a number of CEOs. The guide is to be used by agencies to assist them in the preparation, verification and approval process and procedures of all virements as required under sections 16 and 17 of the Financial Management Act 2004.

The guide aims to clearly demarcate the authority to approve virements and the restrictions to the three categories of Chief Executive Officers that include all agencies; Ministry of Finance and National Planning; and Parliamentary bodies.

The basic accountability requirements for agencies to adopt when processing virements are set out in the Act. The

Finance Instructions further details the requirements and responsibility of CEOs for the authorisation of virements in their respective agencies but with certain restrictions. Amendments to this provision in the Finance Instructions were gazetted on 21 April 2006 (Legal Notice 10/2006). In this way, there is flexibility to allow the processing of virements to allocate resources to areas needed in delivering outputs more effectively.

CEOs should therefore ensure that all their officers involved in the processing of virements strictly follow the processes and procedures outlined in the Virement Guide. Furthermore, the processes and procedures should also be included in the agency's finance manual for reference purposes.

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Performance Budgeting, Corporate Planning and the 2007 Budget

Preparation of the 2007 Budget has commenced, with the Budget Division of the Ministry of Finance and National Planning (MFNP) working to develop the fiscal framework and baseline expenditure for 2007.

Performance Budgeting

The workload for line agencies this year is compounded with the requirement to begin reporting against performance indicators that were set out in the 2006 Portfolio Performance Statements-Budget Supplementary Paper Number 2 (PPS).

The performance indicators incorporated in the 2007 Budget document can only

2007 performance indicators and targets can do so with confidence and deeper understanding.

A tentative timetable for the preparation of the Performance Portfolio Statements is set out below. The Budget Division will however release the final timetable via a Finance Circular.

Corporate Planning and the PPS

In respect of the 2007 annual corporate plans, agencies will be required to develop their plans based on the output budgeting approach. The Public Service Commission is expected to release a revised template and advisory circular early in the Budget cycle this year, so that agencies will have sufficient time to properly prepare their plans and strategies designed to address performance issues.

This is particularly important with the significant reorganization that has occurred in a number of agencies following the new Cabinet portfolios.

The close link between performance budgeting and the development of properly considered and structured corporate plans augurs well for a strong training component in the PSC's MID operations during 2006, in support of the development of sound management systems and arrangements in relation to the 2007 Budget. To this effect, a number of training courses will address

budgeting issues in tandem.

The timetable above suggests that the PSC will release the new ACP templates and an advisory circular in mid-July, shortly after the release of a training timetable.

At the moment, the civil service is at the start of a steep learning curve in relation to performance budgeting and its associated requirements, such as sound corporate plans. This is expected to be an adventure that will take a number of years.

Guide for Preparing Virements Issue

The advisor, who helped the Government develop the FMR, Bob Shead, recently took the opportunity to see how the reforms were being implemented while visiting Fiji for a BDO partners' conference.

Mr. Shead said he was very pleased that progress was being made in so many areas. "Its great to see public servants who are committed to improving their agency and contributing to better outcomes for the community" he said.

For example, the delegation of procurement authorities and virement controls should help overcome the type of inefficiencies that have given the public sector a bad name in the past. It seems that agencies have accepted the need for reform and are moving towards becoming more efficient and effective operations.

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New format for Whole of Government Annual Report

expenditure against appropriation heads and reportable authorisation; and
(iii) an annual budget statement reporting total revenue, expenditure and the actual budget surplus/deficit across five financial years (two previous years, the financial year, and next two financial years).

The strengthened annual reporting requirements are key elements of the government discharging its external accountability.



Participants at a Performance Budgeting workshop

include estimated out-turn measurements, since the document will be prepared approximately three months prior to the end of the 2006 financial year. This is likely to make the task more difficult, not less, as agencies attempt to produce estimates that are as accurate as possible.

As the Budget timetable progresses, it is expected that a number of training courses will be carried out by the Management Improvement Division (MID) of the Public Service Commission (PSC), so that senior management involved in negotiations with the Ministry of Finance, in respect of their

Tentative Timetable for Preparation of PPS-released 22 June 2006

Activity	Date
1. First draft of PPS distributed to line agencies for comment.	6/7/06
2. PPS training timetable released.	14/7/06
3. PSC releases revised annual corporate planning template and advisory circular	21/7/06
4. Agencies to provide Budget Division with comments on first draft of PPS.	31/7/06
5. Budget Division provide agencies with timetable for consultations on proposed revisions to PPS.	15/8/06
6. Output and performance measures/indicators specifications finalised in PPS.	30/8/06
7. MFNP formal position determined on PPS performance targets.	1/9/06
8. Output costing finalised in PPS	2/10/06
9. Consultations with line agencies completed on PPS performance targets.	5/10/06
10. Draft of PPS sent to Cabinet for approval.	10/10/06
11. First draft of final version of the PPS distributed to line agencies for checking	12/10/06
12. Second draft of final version of the PPS distributed to line agencies for checking	17/10/06
13. Final version of the PPS sent to printer	24/10/06
14. PPS tabled in parliament with Budget documents	3/11/06

Fees, Fines and Charges Undergo Review

A 3-member committee from the private sector will be tasked to undertake an overall review of all fees, fines and charges currently administered by government agencies.

Cabinet endorsed the review on 13 April 2006 to be the drive for improving the quality of public goods and services. The review is to recommend changes to an agency's fees structure with a view of sustaining Government's non-tax revenue growth in today's rapidly developing global trading environment.

The review will take into account the cost of providing public services; the level of prices charged; the quality and efficiency of service delivery; Government's resource limitations and overarching revenue requirements.

This review is also in line with Government's commitment to its Financial Management Reform programme. It is also essential for stimulating higher levels of efficiency and productivity in the civil service, and in this instance, offers the potential for restructuring and streamlining Government's services. There is also the prospect of reassigning certain state

services to the private sector, if practical and feasible.

Fees, Fines and Charges comprise a wide range of revenue items such as forest park fees, search fees at the Companies Office and registration fees for shipping vessels. Most of these charges are prescribed in the various legislations of Government

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agencies and would require Parliamentary endorsement for any changes to be effected. Some of these public charges have not been revised since their inception 20-25 years ago.

For these charges, the review will account for inflationary effects and other

enhancements in technological inputs and service delivery that are part of the costs of providing their corresponding services.

Since the inauguration of the Fiji Islands Revenue and Customs Authority in 1999, considerable achievements have been accomplished through the taxation arm of Government.

Therefore as a result, to date around 87% of total Government revenue is collected through Taxes (Corporate taxes, fiscal duties, VAT etc.), 8% from other revenue sources such as dividends from state investments and grant in aid, but only 5% is earned through Fees, Fines and Charges.

This review is necessary to provide recommendations that would produce similar successes attained in the taxation arena and ensures that adjustments to public charges are made equal with the cost of, and improvements in, service delivery.

The Budget Division of the Ministry of Finance and National Planning will be spearheading the review and Ministries and Departments are advised that the Review team will be visiting them in due course.

Towards an effective Cashflow Management

To restrict Government borrowings in the course of prudent utilization of public finances, the Debt and Cashflow Management Unit (DCF MU) of the Ministry of Finance and National Planning introduced Cashflow Forecasting in 2005.

Perceived as a foreign concept and viewed by certain agencies as additional or unnecessary controls, the DCF MU took this enforcement as a challenge in enabling government to satisfactorily manage its limited funds.

Following its inception, Cashflow Forecasting has significantly improved in terms of accuracy and timeliness in submissions for many government agencies.

Awareness Visits to Ministries & Departments

The Cashflow Team has recognized the need to create more awareness on the importance of submitting accurate cashflow

forecasts on a timely basis. Ministries visited include, Works, Health, Agriculture, Fisheries and Forests, Lands, Fijian Affairs, Local Government and Commerce. Apart from that, a training session was also organized for the officials from the Ministry of Education.

The major issues discussed and clarified during these visits include:

- Accurate and Timely submissions of forecasts;
- Scheduling of Major Payments; and
- Approvals for Payments above \$50,000.

Accurate and Timely Submissions of Forecasts

Deadline for submissions is every Thursday at 11am. Agencies should submit a four weekly forecast of their payments as well as revenue.

This allows the DCF MU to consolidate the following week's Cashflow for the Whole of

Government enabling it to arrange sufficient funds to meet the forecasted outflows.

Scheduling of Major Payments

The awareness visits emphasized that government operates on a deficit budget and it has to borrow from the financial markets to finance part of its expenditure. Also highlighted was the fact that FIRCA receives significant revenue on the last day of the month.

Thus, the normal daily inflows of operating receipts are not sufficient to meet the daily payments for all ministries on a particular day.

Ultimately, ministries should reschedule or forecast major payments such as Operating and Capital Grants to month end as there would be sufficient funds available to meet these payments.

Challenges in Implementing the new FMIS for Whole of Government

The FMIS Office is progressing well with the implementation of the FMIS for whole of Government. To date, the implementation has seen sixteen (16) departments using the online system to capture their financial transactions. These include the Proof of Concept Ministries (POCs), and the first block of Deployment 1 ministries (Deployment 1 Phase 1) that went live with the system on 23 January and 3 April 2006 respectively.

Current Block for Deployment

Implementation with the second block of Deployment 1 (Deployment 1 Phase 2) ministries is currently underway and these include the following:

- Ministry of Public Enterprise
- Ministry of Commerce
- Department of Co-operatives
- Ministry of Justice
- Department of Prisons
- Judicial Department
- Attorney General and Solicitor General's Office
- Office of the Auditor General
- Ministry of Fisheries and Forests

These ministries/departments are expected to go live with the new system on 1 August 2006. The implementation of the FMIS to the POCs and Deployment 1 Phase 1 ministries has been a great challenge to the FMIS Implementation Team. A number of lessons were learnt. These have been used to modify the implementation approach that



Participants at a FMIS briefing

is used for the current deployment.

Major Challenges

One of the major challenges encountered was the non-compliance of the system processes by the end users. Every module that is implemented has a cycle that needs to be fully completed.

Non-compliance of the various processes within the cycle has implications on other modules hence end-users do not get to realize the maximum benefits that they can derive from the system.

The other major challenge that is faced by the FMIS Office is the delay in submission of monthly bank reconciliations. This has a direct implication on the implementation of the Banklink module, which will assist ministries/departments in carrying out their bank reconciliation.

To address this, the FMIS Office continuously holds User Group meetings and Post Implementation User Group (PIUG) meetings for each deployment. PIUG has already commenced with the POC's and will also be organized for the remaining deployments.

Furthermore, the FMIS Implementation Team continues to emphasize the need to fully comply with the system processes, as this will assist ministries/departments in maximizing the benefits that the system can offer.

Next Set of Min/Dept for Deployment

With the Deployment 1 Phase 2 Ministries ready to go-live in August, the FMIS Office is also preparing to rollout the system to the next block. This is scheduled for implementation from August to November. The next deployment includes the following ministries/departments:

- Multi-Ethnic and National Reconciliation;
- Home Affairs
- Fiji Police Force
- Fiji Military Forces
- Immigration
- Parliament
- Information and Communications
- Public Service Commission; and
- Director of Public Prosecution.

They will be informed in due course of this deployment, together with key requirements required, before the system is rolled out to them.

Finally, for those ministries and departments that will be coming on board, the FMIS Office looks forward to working with you.

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Towards an effective Cashflow Management

Approvals for Payments above \$50,000

As an internal control mechanism ministries are required to submit a request for approval for payments above \$50,000 per day to Treasury that is scrutinized by DCFMU. Requests are verified against their cashflow forecasts prior to requests being endorsed by the Chief Accountant. The ministry had coordinated with the commercial banks whereby payments above \$50,000 would only be processed if it carries the necessary approval.

Way Forward

The effectiveness of Government's Cash Management System requires the cooperation and appreciation of

financial controls by all ministries and departments.

Awareness visits will be extended to the remaining ministries in the near future. Requests for further training should be directed to the Debt and Cashflow Management Unit of the Ministry of Finance and National Planning.

On the same note, Accounting Officers and Accounting Heads must note that failure to submit weekly forecasts could result in disciplinary procedures to be undertaken by the Public Service Commission (PSC) as cashflow forecasting is a requirement of the new Financial Management Act 2004.



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.