

**CIRCULAR NO: 03/2006**

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**FROM: Chief Executive Officer, Finance & National Planning**

**TO: All Chief Executive Officers and Heads of Departments**

**SUBJECT: CLASSIFICATION OF AGENCY AND STATE ASSETS AS  
WELL AS AGENCY REVENUE**

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## **1.0 Objective**

1.1 The objective of this circular is to inform ministries and departments of the intention to allow Chief Executive Officers (CEOs) to implement Write-Off Authority and Revenue Retention Arrangements. This exercise is part of the gradual implementation of various incentives and financial authorities under the FMR.

1.2 To facilitate this new incentive, ministries and departments are required to:

- (i) Demarcate all their fixed assets into Agency and State Assets; and
- (ii) Identify all revenue considered to be Agency Revenue.

1.3 This circular outlines the broad guidelines that will assist ministries and departments distinguish between state assets and agency assets and also recognize agency revenue.

## **2.0 State Assets**

2.1 State assets are assets held or managed by a budget sector agency for the State<sup>1</sup> and assets held or managed by a budget sector agency that are declared by the Minister in the Finance Instructions<sup>2</sup> to be state assets.

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<sup>1</sup> Financial Management Act 2004

<sup>2</sup> For the purposes of state assets in the Act, land, buildings, infrastructure and vehicles are declared to be state assets.

2.2 State assets are administered by agencies and the following characteristics would help distinguish a state asset. If the agency:

- (i) cannot deny or regulate the use of assets to others;
- (ii) has restrictions or no discretion in relation to the asset;
- (iii) has restriction or no discretion to increase or reduce the asset; and
- (iv) has responsibility for the asset, but restricted authority over its use.

### **3.0 Agency Assets**

3.1 Agency assets are assets held or managed by a budget sector agency but do not include state assets, trust money or other money within the meaning of the Act.<sup>3</sup>

3.2 The following characteristics would help differentiate an agency asset. If the agency:

- (i) can deny or regulate the use of assets to others;
- (ii) can reduce or increase the asset;
- (iii) has no restriction or discretion in relation to the asset; and
- (iv) charge for use of assets,

### **4.0 State Revenue**

4.1 The Financial Management Act 2004 defines state revenue as any or all of the following kinds of revenue:

- (a) taxes and regulatory fees in the nature of taxes;
- (b) fines and penalties;
- (c) grants-in-aid;
- (d) revenue from the sale or use of state assets;
- (e) insurance recoveries relating to state assets, and
- (f) revenue received or receivable by a budget sector agency that is declared by the Finance Instructions to be state revenue for the purposes of the FM Act,

but does not include revenue that a state entity is authorised to retain under the FM Act or any other written law.

### **5.0 Agency Revenue**

5.1 Agency revenue is defined to exclude State Revenue stipulated in 4.0 above. In relation to budget sector agency, their revenues are those received or receivable

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<sup>3</sup> Financial Management Act 2004

that maybe retained for their discretionary use like operating revenue and proceeds from sale of agency assets.

5.2 These discretionary revenues include revenue items that the agency is authorised to retain under the Financial Management Act 2004 or any other written law and revenue from:

- (a) commercial, professional or other fees charges by the agency;
- (b) cost recovery charges imposed by the agency;
- (c) gifts or bequests to the agency;
- (d) the sale or use of agency assets; or
- (e) insurance recoveries relating to agency assets.

## 6.0 Conclusion

6.1 Ministries and departments are required to submit lists of both Agency Assets and Agency Revenue to the Ministry of Finance by not later than 17<sup>th</sup> March 2006. The list submitted will be reviewed by the FMR Project team before they are sent back to ministries and departments for further consultation. We hope to finalise the list by **31 March 2006**.

6.2 For any clarifications on the contents of this circular please contact Marika Luveniyali or Dhiren Prasad on phone number 3307011 ext. 2184 or 2139 respectively, or email [mluveniyali@govnet.gov.fj](mailto:mluveniyali@govnet.gov.fj) or [dhiren.prasad@govnet.gov.fj](mailto:dhiren.prasad@govnet.gov.fj).

6.3 We look forward to your continued support and cooperation.

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