

CIRCULAR NO: 23/2006

Fin: 60/36
1st December 2006

From: Chief Executive Officer, Finance & National Planning

To: All Chief Executive Officers and Heads of Departments

Subject: PRUDENT MANAGEMENT OF GOVERNMENT FUNDS

1.0 Objective

- 1.1 The objective of this circular is to inform all Chief Executive Officers and Heads of Departments of the necessary financial management control measures that will be taken by the Ministry of Finance and National Planning with effect immediately.
- 1.2 The financial control measures are intended to exercise prudent control of public finances to ensure and maintain sustainability in the use of government funds in view of the current circumstances.
- 1.3 The Minister of Finance under the Financial Management Act (FMA) 2004 is responsible for managing the financial affairs of the Government as a whole in accordance with the requirements of the Constitution and the FMA with due regard to the principles of responsible financial management.

2.0 Temporary withdrawal of financial authorities from Chief Executive Officers.

- 2.1 All financial authorities issued out earlier to CEOs as part of delegations under the Financial Management Reform initiatives will be temporarily withdrawn immediately until further notice. The financial authorities withdrawn include:

Authority	Details	Reference to Finance Circular already issued.
Virement	Virement authority for CEO's authorised in section 10(1) - 10 (4) of the Finance Instructions 2005 and detailed out in the Virement guidelines to be suspended immediately until further notice	Finance Circular No.7/2005 dated 7 th June 2005

	All Virements will now be approved by the CEO Finance and National Planning	Finance Circular No. 10/2006 dated 26 May 2006.
Operation of Agency Tender Board	<p>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 subject to the approval of CEOFNP.</p> <p>The ATB will be convened only on the approval of CEOFNP which relates to the procurement of essential goods and services between \$20,000 to \$50,000</p>	Finance Circular No.9/2006 of 21 st April 2006
Procurement Limits	<p>The procurements limits for CEOs to issue LPO's will be reduced from \$20,000 to \$10,000. Any approvals for procurements in excess of \$10,000 and less than \$20,000 will be approved by CEO Finance and National Planning.</p> <p>Agencies are requested to put on hold all major purchases in excess of \$20,000 with the exception of new procurements for goods and services required for essential services only.</p>	Finance Circular No.9/2006 of 21 st April 2006
Write off losses	<p>The write off authority delegated to CEOs under section 36 (1) of FMA 2004 and Section 68 (1) of the FI 2005 will be suspended with effect immediately.</p> <p>All requests for CEOs will now be approved by the CEO Finance and National Planning.</p>	Finance Circular No.11/2006 dated 2 nd June 2006.
Carry Over of known liabilities	All requests for carry overs is to be forwarded to the Ministry of Finance and the final approval rests with the Minister of Finance and National Planning.	Finance Circular No.15/2006 dated 1 st August 2006

2.2 All normal accounting procedures and processes outlined in the respective Agency Finance Manuals still stands with the exception of the delegated authorities specified above which will be subject to limitations until further notice.

2.1 Local Purchase Orders (LPOs)

- 2.1.1 All requests and release of LPOs is to be approved and signed by CEOs only up to a limit of \$5,000. Any release of LPOs to an amount above \$5,000 is to be approved by the Ministry of Finance. For ministries/departments that are using the FMIS generated LPO, authority limits for CEOs will be adjusted to allow authorisation to a limit of \$5,000.
- 2.1.2 The only exception is in the event of regional centres outside the Headquarters in relevant Ministries and Departments. In such case, the CEO must authorise in writing a senior officer to sign LPOs on his behalf and a copy to be sent to the Ministry of Finance. Unauthorised LPOs will not be honoured.
- 2.1.3 For agencies already on line, CEO's is to ensure that officers to be delegated with this authority are already provided with access in the system. The FMIS will adjust approval limits accordingly once confirmation has been received from CEOs.
- 2.1.4 CEOs are required to maintain tight controls on the request and approvals for LPOs. All LPOs issued are to be followed up with and ensure respective payments are made once invoices are received before year-end. The last day for issue of all LPOs is 6/12/06. Any issue of LPOs after 6/12/06 is to be restricted only to fuel, rations and emergency supplies.

2.2 Drawings Bank Accounts

- 2.2.1 Each CEO as the Chief Accounting Officer of their respective agencies must submit a daily report on their agency's drawings bank account to Treasury which should contain the following:
- (i) a list of cheques signed during the day;
 - (iii) a daily reconciliation between the cashbook and the unrepresented cheque separating stale cheques from the current ones.

The above report should be with Treasury at the latest by 9.00am on the following day;

- 2.2.2 A daily ceiling of \$20,000 is imposed on each Ministry and Department on the amount of funds withdrawn from each drawings account. Amounts in excess of \$20,000 must be referred to the Ministry of Finance for the Chief Accountant's approval. The commercial banks will be advised accordingly not to honour any

cheques in excess of \$20,000 which does not carry the approval of the Chief Accountant.

2.2.3 The ceiling excludes payments of wages and salaries which will be processed in normal manner. All the commercial banks will be advised on this ceiling in due course.

2.2.4 All drawings mentioned in 2.2.2 must be captured in the weekly cash flow forecast that is submitted to Debt & Cashflow Management every Thursdays of the week. Failure to forecast could result in approvals above \$20,000 being withheld.

2.3 Revenue Lodgements

2.3.1 All departments are to continue with collections of all their revenues as usual. Daily lodgement of revenue is compulsory where facilities are available.

3.0 Storage of all Accounting records

3.1 CEOs are to ensure that all their accounting manual and electronic records are stored safely in secured location. Appropriate back ups of electronic data are to be made and stored off site if necessary.

4.0 Compliance to the provisions in this circular

4.1 Ministries and Departments are requested to strictly adhere to the provisions outlined in this Circular. This Circular are to be read in conjunction with Finance Circular No.22/2006 dated 27th October 2006 titled Closing of 2006 Accounts. In instances where there are inconsistencies, the provision in this Circular supercedes the provisions of the earlier one.

4.2 For any clarifications on the contents of this circular please contact Mr. Daya Ram or Mr. Kenneth Brown on phone 330 7011 Ext. 2204 and 2205 or email daya.ram@govnet.gov.fj or kenneth.brown@govnet.gov.fj respectively.

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