

**FINANCIAL MANAGEMENT ACT 2004**

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**FINANCE INSTRUCTIONS 2010**

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## **FINANCE INSTRUCTIONS 2010**

IN exercise of the powers vested in me under section 81 of the Financial Management Act 2004, I hereby make the following Regulations –

### **PART 1: PRELIMINARY**

#### *Citation and commencement*

1. – (1) These Regulations may be cited as the Finance Instructions 2010 and these Regulations shall commence on a date appointed by the Minister by notice in the *Gazette*.

#### *Interpretation*

2. In these Instructions, unless the contrary intention appears –

"accounts payable" are amounts payable to suppliers or other creditors for the supply of goods, services or works;

"Accounting Head" means the head of the accounting section in an agency;

"Act" means the Financial Management Act of 2004;

"agency" means a budget sector agency as defined in the Act;

"assets" means future economic benefits controlled by an entity as a result of past events;

"Board" means the Government Tender Board established under the Procurement Regulations 2010;

"Chief Accountant" means the person appointed as such to carry out the duties of the Chief Accountant in the Ministry of Finance;

"contingent liability" is a potential liability that may or may not become due, depending on whether a possible event occurs, such as a claim for compensation, an indemnity or other legal claim;

"Director" means director of the Fiji Procurement Office established under the Procurement Regulations 2010;

"departmental warrant" is an authorisation given by one agency to another, authorising the receiving agency to incur expenditure and sign vouchers on behalf of the issuing agency;

"expenses" means the outflow of economic benefits resulting in a decrease in net worth;

"employee entitlement" means any benefit accruing to an employee as a result of his or her employment;

"fair value" means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction;

"Finance Manual" means the Finance Manual required under section 28 of the Act;

"inventories" means assets in the form of materials or supplies that are consumed in the delivery of services or in the production process;

"leases" are commitments to make regular payment to a lessor for the use of an asset which does not become the legal property of the agency;

"liabilities" means present obligations of the entity arising from past events;

"Minister" means the Minister of Finance

"outcomes" means the impacts that the Government has on the community;

"outputs" means the services or products that an agency provides to the community or to Government;

"output measure" means a measure of the quantity, quality, timeliness or cost of an output;

"Permanent Secretaries" or "Chief Executive Officer" means the Permanent Secretaries for the Government Ministries, Departments and statutory bodies as may be assigned to them;

"property plant and equipment" includes —

- (a) office equipment and furniture;
- (b) computing hardware and networks;
- (c) vehicles, vessels and aircraft;
- (d) scientific and industrial equipment;
- (e) land;
- (f) buildings; and
- (g) other infrastructure.

"revenue" means the inflow of economic benefits resulting in an increase in net worth;

"scrap" means assets with a market value less than the cost of disposal;

"SEG" means a standard expenditure group as identified in the Annual Budget;

"State assets" means, land, buildings, infrastructure and vehicles declared to be "State assets".

#### ***Purpose of Instruction***

3. The purpose of these Regulations is to set minimum standards for the financial management of agencies.

#### ***Application of Instruction***

4. These Regulations apply to each agency.

### **PART 2: PLANNING**

#### ***Portfolio Performance Statement***

- 5.—(1) Agencies must prepare a Portfolio Performance Statement after the Annual Budget is passed.
  - (2) The Portfolio Performance Statements must communicate the following information-
    - (a) the role and responsibilities of the agency;

- (b) the policy objectives of Government that the agency can contribute to;
- (c) the specific outcomes that the agency aims to achieve;
- (d) the outputs contributing to those outcomes;
- (e) output measures and targets; and
- (f) any other information prescribed by the Act or Regulation under the Act.

### ***Budget Process***

6–(1) Each agency must establish a Budget Focus Group comprising of senior management officials responsible for policy planning and budget preparation for the different departments or divisions within the agency.

(2) Agencies should prepare their budget submissions in accordance with the Finance Circulars issued by the Permanent Secretary of Finance from time to time.

(3) Agencies should ensure that their budget submissions:

- (a) clearly linked to the policy objective in the National Development Plans;
- (b) separately show operating and capital expenditures; and
- (c) clearly specify the projects and expenditure to be aid funded.

(4) All projects requiring aid assistance must be formally endorsed by the Budget and Aid Coordinating Committee.

(5) All capital expenditure submissions must be done through the Public Sector Investment Programme process.

## **PART 3: EXPENDITURE**

### *Division 1 - Authority for Expenditure*

#### ***Appropriations***

7. Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the proper authorisation of the Ministry of Finance, pending approval by Cabinet.

#### ***Designated persons for an associated entity***

8. For the purpose of section 80 (b) (ii) of the Act the following persons are designated as responsible for their respective heads of appropriation shown in the budget estimates –

- a. Judicial Department, the Chief Registrar;
- b. Office of the Director of Public Prosecutions, the Director of Public Prosecutions;
- c. Police Department, the Commissioner of Police;
- d. Republic of Fiji Military Forces, the Commander;
- e. Office of the Auditor General, the Auditor General;
- f. Office of the Solicitor – General, the Solicitor General;
- g. Elections Office, the Supervisor of Elections; and
- h. Prisons Department, the Commissioner of Prisons.

#### ***Requisitions to Incur Expenditure***

9.–(1) For funds placed under requisition, that is –

- (a) \$1m and below, the approval of the Permanent Secretary for Finance must be sought before funds can be expended for the purposes identified in the Annual Budget;

(b) above \$1m, the approval of the Minister for Finance must be sought before funds can be expended for the purposes identified in the Annual Budget.

(2) Subject to sub-regulations (1) (a) and (b) above, for those requisitions \$1m and below, which falls under the Permanent Secretary of Finance's head of appropriation, the approval of the Minister must be sought before funds can be expended for the purposes identified in the Annual Budget. Agencies applying for the release of funds placed under requisition must fill in a requisition form and provide all relevant details specified by the Ministry of Finance.

(3) The approved requisition shall be sufficient authority for the expenditure to be incurred.

#### ***Virement Authorities***

**10.**—(1) The Permanent Secretaries of agencies may authorise the transfer of budgeted funds as follows -

- (a) out from SEG 1 or 2 (Established and Unestablished Staff) but shall not transfer funds into SEG 1 or 2;
- (b) into and out of one or more of the following operating SEGs (SEGs 3, 4, 5, 6, or 7); and
- (c) from the operating SEGs (SEGs 1, 2, 3, 4, 5, 6, or 7) to the capital SEGs (SEGs 8, 9, or 10) but not from capital to operating or from capital to capital.
- (d) virement within SEG 13 to meet the consequential VAT component of the virements in (a), (b) and (c) above.

(2) The Permanent Secretary for Finance may authorise the transfer of the following budgeted funds in respect of all agencies—

- (a) within each of SEGs 1 or 2 or from SEG 1 into SEG 2 or vice versa;
- (b) within each of capital expenditure SEGs (SEGs 8, 9, or 10) or from SEG 8 into either SEG 8, 9, or 10 or vice versa, as the case may be.
- (c) virement within SEG 13 to meet the consequential VAT component of the virements in (a) and (b) above.

(3) Subject to regulations (1) and (2), Permanent Secretaries may authorise the transfer of budgeted funds from one appropriation category to another appropriation category within the agency's head of appropriation provided that both appropriation categories are administered by the same Permanent Secretary

(4) Designated persons for an associated entity may authorise the transfer of budgeted funds within the agency's head of appropriation and must comply with virement provisions in sub-regulations (1) and (2) above.

#### ***Division 2 - Procurement***

#### ***Procurement Authorities***

**11.** – (1) The procurement authorities delegated to the Permanent Secretaries and the Government Tender Board when procuring goods, services or works are as follows -

<b>Responsible Authority</b>	<b>Procurement Limits</b>
Permanent Secretaries	\$30,000 and less
Government Tender Board	\$30,001 and more

(2) The limits in sub-regulation (1) above, applies to the total value of goods, services or works to be obtained from a single supplier or consortium for a particular project or contract. A single requirement must not be artificially split into a number of procurements for the purpose of obtaining a lower level of approval.

(3) Permanent Secretaries must have regard for the level of skills and experience of officers when delegating procurement authorities and must ensure that each officer does not exceed his or her limits.

(4) Each delegation of procurement authority shall be documented in the agency's Finance Manual.

### ***Procurement Procedures***

**12.** All procurement of goods and services shall be prepared in accordance with the appropriate provisions in the Procurement Regulations 2010.

### ***Division 3 – Accounting for Expenditure***

#### ***Recording of Commitments***

**13.** All system generated purchase orders, indents and other commitments of funds must be recorded in the financial management information system and a commitment ledger immediately after they have been approved.

#### ***Payments***

**14.** - (1) Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes -

- (a) the correct voucher amount(Vat Inclusive Price);
- (b) the invoice date;
- (c) the correct vendor identification of the supplier or payee;
- (d) the invoice identification, the local purchase order number it relates to, and, where applicable, payment terms;
- (e) the correct tax code;
- (f) the correct Bank code if agencies have more than one bank account; and
- (g) the ledger account it is charged to.

(2) All manual payment vouchers or invoices must be endorsed by the certifying officer before it is entered into the system. The certifying officer must also check for availability of funds before the voucher is passed to the voucher clerk.

(3) The certifying officer must check and sign the cash requirement report for all the vouchers or invoice to be paid before the payment clerk prints the cheques, matches and accepts payments in the system.

(4) The certifying officer must check the information on the Payment Register report against each cheque leaf before signing the cheques.

(5) Wherever possible, an agency must process and pay accounts by the due date so that -

- (a) discounts for prompt payment are not lost;
- (b) interest charges for late payment are not incurred;
- (c) suppliers do not quote higher prices to Government agencies to compensate for late payments.

(6) Subject to sub regulation (5), where no due date is specified, payments must be settled within 30 days from the date of the invoice.

(7) Agencies must have procedures in place to ensure that invoices or statements are not paid twice and that fraudulent claims are not paid.



(8) In circumstances where it is necessary to make an advance payment for goods received through shipment from overseas, and for contractual agreements if stated as such, approval must be sought from the Chief Accountant.

(9) All official payments are to be made by cheque, through electronic payment, credit card or fuel card except where payable from petty cash.

(10) All cheques must be signed by at least two officers appointed for that purpose and specified in the Finance Manual.

(11) All credit card payments must be used only for official travelling purposes and only by authorised officers as specified in the Finance Manual.

(12) All fuel card payments must be for the purpose of obtaining fuel for official vehicles and must be used only by authorised officers as specified in the Finance Manual.

#### ***Recording of Expenditure***

**15.** All payments, including VAT, must be immediately recorded in the financial management information system and an Expenditure Ledger.

#### ***Division 4 – Grants***

#### ***Operation of grants***

**16.–(1)** The agency administering a grant must enter into a grant agreement with any organisation or person who either receives a one-off grant or ongoing grant assistance in excess of \$5,000.

(2) The Permanent Secretary of the administering agency must ensure that each grant agreement is adequate and legally binding.

(3) A grant agreement must provide for the organisation or person receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon request by the administering agency or the Auditor-General.

(4) Grants must only be paid in accordance with the terms and conditions in the grant agreement.

(5) No variation to a grant agreement shall be made without the written approval of the Permanent Secretary of the administering agency.

(6) Administering agencies must review each grant scheme each year to determine whether it is achieving its specified outcomes as efficiently and effectively as possible and, where it is not, must take action necessary to improve its efficiency and effectiveness.

(7) Unless otherwise approved by Ministry of Finance, all grants over \$10,000 must be paid in monthly or quarterly instalments to ensure that:

- (a) there is an incentive for the organisation to comply with the conditions of the grant; and
- (b) Government financing costs are minimised.

(8) Acquittal reports must be obtained before the next monthly or quarterly grants are paid out.

(9) The administering agency must ensure that each grant has been used only for the purpose for which it was provided.

*Division 5- Salaries and Wages*

***Salary and wages procedures***

**17.**–(1) Salary advices must be submitted promptly to the Ministry of Finance where there is any change to personnel emoluments or deductions such as appointments, promotions, transfers, acting allowances, dismissals and resignations, income tax allowances, housing deductions, or other authorised charges or deductions.

(2) A deduction from the salary or wage of an employee, other than a deduction made in accordance with a statutory requirement, must be made only on the signed authority of that employee.

(3) Salary and wage input forms must be checked and signed by an officer independent of the officer preparing it.

(4) Salary and wage payments must be made by direct credit to the employee's bank account wherever possible.

(5) Any payments of salaries and wages in cheques must be signed for by the employee in person and witnessed by another officer.

(6) Any unclaimed salaries or wages must be kept in a secure place pending payment, for a maximum period of 48 hours. On the next working day, the unclaimed salaries or wages must be banked and;

- (a) credited to the relevant expenditure account if they relate to the current year; or
- (b) credited to revenue if they relate to the preceding year.

(7) The Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages and copies sent to the Ministry of Finance.

**PART 4: REVENUE**

*Division 1- Collection of Revenue*

***Appointment of Revenue Collectors***

**18.**–(1) The Permanent Secretary shall designate established staff as revenue collectors for the agency.

(2) Revenue collectors are to process and record all money received in accordance with procedures set out in the Finance Manual.

***Issue of Revenue Records***

**19.**–(1) Accounting Heads must maintain a Distribution Register recording all receipt books and other revenue recording forms issued to revenue collectors.

(2) Receipt books and other revenue recording forms must not be transferred between revenue collectors unless prior approval has been given by the Accounting Head.

(3) Accounting Heads must notify the Chief Accountant of any losses or damages to receipt books and other revenue recording forms so that they can be written off his or her charge.

***Receipt of revenue***

**20.**–(1) Revenue must be received only in any of the following instruments –

- (a) cash;

- (b) cheques from firms or individuals provided they have been guaranteed by any of the local banks;
- (c) bank drafts;
- (d) money orders; and
- (e) electronic transfers.

(2) All foreign bank drafts and money orders are to be converted into Fiji dollars prior to receipting and banking.

(3) The payment of revenue can be made through any of the following methods-

- (a) direct payment to a revenue collector;
- (b) through the mail;
- (c) to a third party on behalf of another agency;
- (d) direct lodgement into the consolidated fund, for overseas payments; and
- (e) electronic funds transfer at point of sale (EFTPOS).

(4) Immediately upon receipt, all cheques and other negotiable instruments must be stamped "not negotiable".

(5) All mail containing cash, cheques, bank drafts or money orders must be entered into a Cheque Register.

(6) An official government receipt must be issued for all monies received.

(7) Every revenue collector who receives public money, other money or trust money must record the details in a cashbook, or in the financial management information system.

(8) All money received by an agency must be banked on the day of receipt, or as early as practicable on the next banking day, by an officer who, wherever possible, is independent of the revenue collector.

#### ***Accounting for Revenue***

**21.**-(1) Each Accounting Head must ensure that:

- (a) revenue is recorded against the correct account as per the Chart of Accounts;
- (b) the Ministry of Finance (FMIS) is consulted before collecting a totally new revenue type;
- (c) the recording of revenue is reconciled monthly with the Ministry of Finance;
- (d) the Ministry of Finance is advised of any errors or discrepancies within 10 working days after the end of each month; and
- (e) VAT is correctly accounted for and remitted as required.

(2) Each Accounting Head must maintain a Revenue Collectors Chart to monitor the payment of revenues by the revenue collectors.

#### ***Refunds of Revenue***

**22.**-(1) The Accounting Head must approve all refunds unless legislation governing the collection of revenue by a particular agency, states otherwise. If the refund relates to revenue received in the preceding year, approval must be obtained from the Chief Accountant.

(2) Every refund of revenue must be made on a payment voucher and shall show the following details -

- (a) details of the overpayment, including the payee and the amount;

- (b) the number, date and name of payer on the original receipt; and
- (c) the reasons for the refund.

*Division 2 - Agency Revenue*

***Procedures for identifying and applying for agency revenue***

**23.**–(1) The types of agency revenue which will be considered for revenue retention include-

(a) the sale of agency assets, being –

- (i) livestock and animal products
- (ii) crops manufactured goods
- (iii) drugs
- (iv) chemicals
- (v) food, ice and drinks
- (vi) quarry material
- (vii) by-products
- (viii) books and printed material
- (ix) personal computers and audio visual equipment

(b) the rental or use of –

- (i) offices
- (ii) meeting and conference rooms
- (iii) drying & storage facilities
- (iv) plant and vehicles
- (v) vessels
- (vi) computer hardware and software

(c) cost recovery fees –

- (i) search fees
- (ii) photocopy fees
- (iii) legal expenses

(d) professional fees -

- (i) post-mortems
- (ii) laboratory services
- (iii) staff consultancies
- (iv) training
- (v) legal claims

(2) All revenue retention arrangements must be approved in accordance with section 20 of the Act.

(3) When seeking approval for a revenue retention arrangement, an agency should provide the Ministry of Finance with details of -

- (a) the type of revenue;
- (b) the amounts of revenue earned in each of the past 2 years (where applicable) and the amount expected to be earned for each of the next 2 years;
- (c) whether the arrangement would be on-going, for a particular time period, or for a particular event; and
- (d) the intended use of the profits.

(4) After evaluating the agency's proposal, the Ministry of Finance shall seek Cabinet's approval of the revenue retention arrangement, on behalf of the agency concerned.

(5) Fees and charges for agency revenue must recover at least the full cost of providing the goods, services or works unless legislation or government policy provides otherwise.

(6) Action should be taken to increase charges for goods and services for agency revenue each year by the rate of inflation as advised by Ministry of Finance.

(7) All increases in charges for goods and services for agency revenue must be approved by the Permanent Secretary, unless the increase is more than five percent (5%) per item, in which case, approval of the Ministry of Finance is required.

#### ***Providing Credit***

**24.**-(1) Each agency that provides credit must include a credit policy in its Finance Manual.

(2) A credit policy must specify-

- (a) the types of revenue it applies to
- (b) the limits on the value of credit per transaction and per person or entity;
- (c) the criteria for approving credit and the officers who can approve credit;
- (d) the type of security, if any, required to prevent bad debts;
- (e) the settlement (payment) period of any credit sale; and
- (f) the interest to be charged on arrears.

#### ***Division 3 – State Revenue***

#### ***Procedures for applying for new revenue items***

**25.** - (1) An agency applying for new revenue items must first seek the endorsement of the Ministry of Finance before going to Cabinet.

(2) When seeking the approval for new revenue items, an agency should provide the Ministry of Finance with details of –

- (a) the description of new charges/service and proposed prices;
- (b) the cost of delivering the services or goods;
- (c) the anticipated revenue and profits to be earned from sales/services for the next 2 years;
- (d) the justification of new prices of services or goods;
- (e) the draft of legislative provisions for mandating new charges as endorsed by SG's Office; and
- (f) any other information which the Ministry may deem necessary for the request.

(3) After evaluating the agency's proposal, the Ministry of Finance must advise the agency accordingly, who then must make a submission to Cabinet for mandatory endorsement.

(4) Agencies must include Ministry of Finance's recommendation in their final submission to Cabinet.

(5) Action must be taken to increase charges for goods and services for State revenue each year by the rate of inflation as advised by the Ministry of Finance.

(6) All revision to charges for goods and services for State revenue must be first submitted to the Ministry of Finance with justification of new charges before Cabinet's endorsement is sought.

(7) Agencies must include Ministry of Finance's recommendation on new charges in their final submission to Cabinet.

#### *Division 4 – Miscellaneous*

##### ***Board Membership Fees***

**26.** An officer appointed to represent the government on any Board in an official capacity must pay Board fees received into the Consolidated Fund Account.

##### ***Official Gifts***

**27.** Gifts of money, goods or property to an agency or to an officer in an official capacity are the property of the State. Details of the gift and any conditions attached to it must be entered and accounted for in a gift register.

##### ***Division of Duties***

**28.**—(1) Wherever practical, officers who are independent of each other must be assigned duties of –

- (a) receiving money (over the counter or by mail);
- (b) banking money;
- (c) posting of entries into the cashbook;
- (d) assessing fees and charges;
- (e) writing-off losses of revenue.

(2) The Finance Manual must specify the officers responsible for each of these functions.

## **PART 5: TRADING AND MANUFACTURING ACTIVITIES**

##### ***Business Plans***

**29.**—(1) All agencies that operate a trading and manufacturing activity must prepare a business plan for the activity each year. The business plan should include the following minimum information—

- (a) an analysis of the market it operates in;
- (b) the profit target for the year and the next two years;
- (c) strategies for achieving the profit target;
- (d) the risks relating to the activity;
- (e) any social obligations required by Government which impact on profitability; and
- (f) projected profit and loss statements for the year in question and the following two years.

(2) The business plan must be signed by the officer responsible for managing the activity and be agreed with the Permanent Secretary of the agency.

(3) Each business plan must be submitted to the Ministry of Finance by 30 November of every year.

##### ***Financial Reporting***

**30.** – (1) Each agency operating a trading and manufacturing activity must prepare –

- (a) quarterly profit and loss statement;
- (b) a balance sheet on an annual basis.

(2) The profit and loss statement and the balance sheet must be prepared on an accrual accounting basis. The profit and loss statement must include all expenses that relate to the activity, and where necessary, include estimates of –

- (a) overheads met by the department;
- (b) depreciation of assets;
- (c) services provided below costs by other agencies;
- (d) provision for doubtful debts;
- (e) provision for inventory to be written off

(3) The annual profit and loss statements and balance sheet for each current financial year just ended must be prepared and submitted to the Auditor-General in a form suitable for audit and inclusion in the agency's annual report.

(4) The Permanent Secretary may apply conditions like revenue sharing arrangements on Trading and Manufacturing Accounts ("TMA") and the amount will be negotiated between the agency and the Ministry of Finance.

## **PART 6: ASSETS**

### *Division 1 - Cash Management*

#### ***Cash on Hand***

**31.**—(1) All money must be kept in a safe or other secure place.

(2) Safes and strongboxes must be obtained from the Chief Accountant and must not be transferred from one agency to another without prior approval of the Chief Accountant.

(3) Safe keys must only be duplicated with the prior approval of the Chief Accountant.

(4) Cash collections must be taken to the bank with a level of security appropriate for the amount and composition of the banking. Banking must be done by two officers, unless otherwise specified in the Finance Manual.

(5) The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year.

(6) Any discrepancies must be accounted for and brought to the attention of the Permanent Secretary through the Board of Survey Report.

#### ***Bank Accounts***

**32.**—(1) A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorized to operate on it.

(2) Closure of a bank account for public money, other money or trust money must only be carried out with the approval of the Chief Accountant. Prior to closure of public bank accounts, all monies must be transferred to the Consolidated Fund Account, and Chief Accountant must be advised accordingly.

(3) Trust money is to be kept in a separate bank account.

(4) All agency bank accounts must be kept in the name of the agency or the official title of a unit within the agency.

(5) Officers operating official bank accounts must not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.

(6) All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.

#### *Cheques*

**33.**–(1) Specimen signatures of cheque and encashment signatories, and details of any conditions of appointment, must be submitted to the Chief Accountant.

(2) The Accounting Head must make all attempts to issue stop notices for all cheques that have remained un-presented for more than 6 months.

(3) Stale cheques (those which are at least 6 months old) must be reviewed each month to determine the need for a replacement cheque. Where a replacement cheque is not required, action should be taken to clear it.

(4) If cheques continue to remain un-presented for a period of not more than 12 months, stop notice action shall be waived and action should be taken to clear them.

(5) The Accounting Head must make all attempts to recover amounts that have been dishonoured by the bank.

#### *Petty Cash*

**34.**–(1) The Accounting Head must seek the approval of the Chief Accountant before operating a petty cash account.

(2) The Chief Accountant when approving the operation of petty cash must determine the amount and whether the agency should open a bank account for its operation.

(3) The Accounting Head must ensure that the maximum amount authorised by the Chief Accountant is not exceeded at any time.

(4) Every officer operating a petty cash must maintain a separate cashbook.

(5) All petty cash are to be retired at the end of the financial year.

#### *Cash flow forecasting*

**35.**–(1) The following Cash flow information must be provided to the Budget Division, Financial Management Information System Unit and the Debt and Cash Flow Management Unit within the Ministry of Finance -

- (a) an annual forecast of expenditure (by output/activity and SEG) - fifteen working days before the start of each year;
- (b) an annual forecast of revenue (by type) for each month – fifteen working days before the start of each year; and
- (c) an updated monthly forecast of expenditure and revenue to be submitted three working days before the start of each month.

(2) The Accounting Head must ensure that the forecast information provided is reliable and does not lead to unnecessary borrowing costs to government.

(3) Any adjustment to annual expenditure cash flow forecast must be submitted to Financial Management Information System Unit using the Cash flow Adjustment form.



(4) All adjustments must be approved by the respective Permanent Secretaries.

#### *Division 2 - Inventories*

##### ***Ordering***

**36.**–(1) Inventory must be purchased in the most economical manner having regard for –

- (a) the expected level of usage;
- (b) lead times for delivery;
- (c) volume discounts;
- (d) holding costs;
- (e) the availability of secure storage; and
- (f) the likelihood of deterioration.

##### ***Recording***

**37.** Inventories which are material in value must be recorded in an inventory system.

##### ***Stock takes***

**38.** A stock take must be undertaken each year to verify the existence and condition of inventories on hand.

##### ***Valuation***

**39.**–(1) Inventories must be valued at the lower of cost and net realizable value. Costs must be assigned to inventory items on a consistent basis year-to-year using one of the following costing methods –

- (a) specific identification;
- (b) first-in, first-out; or
- (c) weighted average cost.

#### *Division 3 - Accounts Receivable*

##### ***Recording***

**40.** Each agency must maintain a Debtors Register within the FMIS or an accounts receivable ledger for licenses, debts, court fees and other State or agency revenues receivable.

##### ***Recovery***

**41.** Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.

##### ***Write-Off***

**42.** Debts must be written-off in accordance with Part 8 after all practical and cost-effective efforts have been taken to recover them.

##### ***Reporting***

**43.** – (1) Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Finance.

(2) Information to be included in the Quarterly Reports on Outstanding and Overdue Debts must be specified in the Finance Manual.

#### *Division 4 - Loans and Advances*

### ***Travel Advances***

**44.** – (1) Travelling advances must only be approved by officers who are specified in the Finance Manual as having such authority.

(2) Travelling advances must only be approved for an amount up to the estimated value of the official entitlement.

(3) Travelling advances must be recouped within 7 days of the completion of travel by submission of a voucher with documents to support the claim.

(4) Where a travelling advance has not been fully expended, it must be repaid to the agency within 7 days of the completion of travel.

(5) Where a travelling advance is not cleared within 7 working days of the completion of travel, recovery must be made from the concerned officer's salary within 6 fortnights.

### ***Other Advances and Loans to civil servants***

**45.**–(1) The General Orders issued under the Public Service Act set the criteria for approval of other types of advances and loans.

(2) All un-recouped advances and loans must be accounted for as accounts receivable.

(3) Securities held for advances or loans, including bills of sale or other similar document, must be stored securely by the agency until the advance or loans is repaid and the securities are released.

### ***Division 5 – Property, Plant and Equipment***

#### ***Recording***

**46.**–(1) All property, plant or equipment with a value in excess of \$2,000 or more must be recorded in the –

- (a) asset module of the financial management information system; and
- (b) asset register for those without the financial management information system.

(2) All agencies must maintain a Fixed Asset Register until the asset module of the financial management information system is implemented. Details to be recorded in the asset register should include, at a minimum –

- (a) description;
- (b) cost or fair value;
- (c) date of acquisition, where known;
- (d) make, model and identification number, where applicable; and
- (e) location.

(3) Assets whose value is between \$200 and \$2,000 must also be recorded in an Expendable Items Register.

#### ***Valuation***

**47.** Property, plant and equipment must be valued at either cost or fair value. For assets recorded at cost, the book value (depreciated where applicable) must be reviewed regularly to ensure it does not exceed the asset's fair value (where this can be estimated reliably).

#### ***Use of Assets***

**48.** Assets must only be used for official purposes, unless otherwise approved in writing by the Permanent Secretary or permitted under an officer's terms of employment.

### ***Board of Survey***

49.–(1) An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.

(2) Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.

(3) All assets which are not accounted for in the board of survey must be investigated to determine the appropriate recovery or write-off action.

### ***Depreciation***

50.–(1) All depreciable assets recorded in the assets register must be depreciated using the “straight line method” over their estimated useful lives. The estimated useful lives must be –

- (a) appropriate for the type, use and location of the assets;
- (b) specified in the Finance Manual for the agency; and
- (c) within the following ranges –

<b>Asset Class</b>	<b>Estimated Useful Life</b>
(i) Buildings	40-60 years
(ii) Infrastructure assets	20-100 years
(iii) Vehicles	5-15 years
(iv) Computer software	3-15 years
(v) Computer hardware	4-10 years
(vi) Other plant and equipment	5-20 years
(vii) Other intangible assets	3-20 years

### ***Disposals***

51.–(1) The Permanent Secretary or his or her delegate must authorise the disposal of agency assets in one of the following ways –

- (a) by sale;
- (b) by transfer to another State entity or another government;
- (c) by gift to a non-government organisation which contributes to government outcomes; or
- (d) as scrap.

(2) Approval from the Permanent Secretary must be obtained before disposing of any State asset.

(3) The sale of assets must be carried out in a transparent and competitive way to ensure that maximum value for money is obtained.

(4) The Minister may authorise agencies to be exempted from carrying out a board of survey on assets to be disposed off where the agencies are closing as the result of re-organisation.

### ***Vehicle operations***

52.–(1) Drivers of Government vehicles must have a current driver’s licence of the relevant class or type of vehicle, and the written authorisation of the Permanent Secretary or their delegate.

(2) Vehicles must only be used for official purposes.

(3) Drivers must keep a daily record of all official trips made by the vehicle in the form approved by the Permanent Secretaries.

(4) Government vehicles must be used and maintained so as to maximise their useful life and their value upon disposal.

## **PART 7 – LIABILITIES**

### ***Accounts Payable***

53. – (1) Agencies must ensure that all commitments and invoices are promptly and accurately recorded in the accounting system to meet management and external reporting needs.

(2) Where an agency seeks to carry-over an unspent appropriation at the end of the financial year, it must obtain the written approval of the Minister for Finance by providing details of the liabilities to be carried over, by the 2<sup>nd</sup> week of the December for that year.

### ***Employee entitlements***

54. Agencies must keep accurate and up to date records of all leave and other employee entitlements.

### ***Leases***

55. An agency, with the approval of the Minister for Finance, must enter into a lease arrangement, only if it has evaluated the costs and benefits of leasing and compared them with the costs and benefits of other financial options.

### ***Contingent Liabilities***

56. A register of contingent liabilities must be maintained and must include the following information –

- a) a description of the contingent liability;
- b) its value, if this can be measured reliably;
- c) the way in which the contingency arose;
- d) details of any action required to minimise the potential loss; and
- e) details of progress in managing the risk.

## **PART 8: LOSSES**

### ***Write-off***

57. (1) The Permanent Secretary must on each month write off losses which are considered not recoverable and which do not exceed the limits set below for the type of loss.

<b>Type of loss</b>	<b>Amount</b>
(a) Abandonment of Claims	\$1,000
(b) Loss of Livestock	\$1,000
(c) Loss of Assets	\$500
(d) Loss of Money	\$500

(2) Write off losses in excess of this limits but less than \$50, 000 must be referred to the Permanent Secretary for Finance.

(3) Write off losses in excess of \$50,000 must be referred to the Minister for Finance.

## **PART 9: TRUST MONEY**

### *Accounting*

**58.** – (1) Accounting Heads must only open a trust account with the prior written authority of the Chief Accountant.

(2) The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts.

(3) Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.

(4) Each year, a statement of receipts and payments must be prepared for audit and inclusion, when required, in the agency's annual report.

(5) Each payment of trust monies must be supported by an expenditure voucher which contains details of –

- (a) the date;
- (b) the payee;
- (c) the amount; and
- (d) the reason for the payment.

(6) Each expenditure voucher for trust money must be signed and dated by the authorising officer, who must be independent of the officer responsible for maintaining the trust account records.

## **PART 10: INTERNAL CONTROLS**

### *Objective of internal controls*

**59.** – (1) Each agency must have in place a cost effective system of internal controls which –

- (a) safeguards money and property against loss;
- (b) avoids or detects accounting errors; and
- (c) avoids unfavourable audit reports.

(2) The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.

### *Assurance to Permanent Secretary*

**60.**-(1) Each month, the Accounting Head must provide a signed and dated report to the Permanent Secretary to advise-

- (a) whether all reconciliations and checks required in the agency's Finance manual have been carried out; and
- (b) the current status of any unresolved external or internal audit issues.

### *Documentation of Internal Controls*

**61.** Accounting Heads must ensure that all officers of the agency who are responsible for particular controls are aware of their responsibilities, including the need for managers to regularly rotate duties between staff to

a maximum of 3 years, where practical, to minimize and detect the possibility of fraud. These internal checks must be made in addition to any that are carried out by internal audit.

## **PART 11: SURCHARGES**

### *Authority to impose a surcharge*

**62.**–(1) The Deputy Secretary of the Ministry of Finance has the authority to surcharge officers, other than the Permanent Secretary of an agency.

(2) If the Permanent Secretary of an agency is to be surcharged, action will be taken by the Public Service Commission through the Act and these Regulations.

### *When a surcharge may be imposed*

**63.** - (1) A surcharge must be imposed on an officer who is directly or indirectly responsible for –

- (a) expenditure which has not been properly authorised in accordance with the law;
- (b) the destruction, damage, theft or other loss of property; or
- (c) the loss of money, including public money, other money and trust money;

### *Surcharge Action to be taken*

**64.** The following factors will be considered when calculating the surcharge amount -

<b>LOSS</b>	<b>ACTION</b>	<b>SURCHARGE</b>
Damage to or loss of government vehicles	Disregard for procedures these Regulations	100% recovery of the full cost of repairs or replacement.
Loss of cash, inventories or property, plant and equipment	Disregard for procedures in these Regulations.	70% recovery up to the amount of the loss or \$10,000, whichever is lower. The loss may be apportioned amongst all officers responsible.
	Disregard for procedure on adequate internal control or supervision.	30% recovery of total loss or lower value approved by the PS-Finance or delegate.
	Deliberate non-attendance of nominated for training where cost is borne by Government.	100% recovery of total cost of training per participant.
Overpayment of Salaries & Wages	Disregard for procedures in these Regulations.	70% recovery of the total amount overpaid if amount is not recovered from the officer overpaid.
	Disregard for procedure on adequate internal control or supervision.	30% recovery of total amount overpaid if amount is not recovered from the officer overpaid.
Unauthorised expenditure (including	Disregard for procedures in the Act, the Regulations or any other	70% recovery of the unauthorised expenditure or \$10,000, whichever

over-expenditure)	instructions issued by the Permanent Secretary for Finance.  Disregard for procedure on adequate internal control or supervision.	is lower.  30% recovery of total unauthorised expenditure or lower amount approved by the PS-Finance or delegate.
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### ***Rate of Recovery***

**65.**-(1) The rate of recovery from the salary or wage of an officer or employee must not be less than 5% of their net salary or wage (that is, gross after tax) or \$100.00, whichever is the lower.

(2) Any surcharge recovery must be made in full within five years from the date of the surcharge or for a longer period as approved by the Permanent Secretary for Finance.

(3) The rate of recovery of surcharge may be varied at the discretion of the surcharge appeal authority, on a written submission by the surcharged officer.

(4) Upon death or termination of the surcharged officer during the period mentioned in (2) above, full recovery of the outstanding amount must be made from any dues outstanding by Government to the surcharged officer.

### ***Reporting***

**66.** At the end of each month, the Director of the Internal Audit must submit a surcharge Report to the Permanent Secretary for Finance.

## **PART 12: REPORTING**

### *Division 1 - Management Reporting*

#### ***Reports to Permanent Secretary***

**67.**-(1) Within 2 weeks after the end of each month or other time specified in the Finance Manual, the Permanent Secretaries must be provided with a management report which focuses on the following areas –

- (a) service delivery performance;
- (b) financial performance;
- (c) TMA performance;
- (d) internal controls; and
- (e) other significant issues for the Permanent Secretaries information or decision.

#### ***Reports to respective Ministers***

**68.**-(1) Within 2 weeks after the end of each quarter, the Permanent Secretaries must submit to his or her Minister a report on -

- (a) the financial operations of the agency as compared to the budget; and
- (b) the progress on the implementation of the outputs specified in their annual corporate plans.

### *Division 2 - Annual Reporting*

#### ***Timing***

**69.** Each agency must prepare an annual report for submission to its Minister by 30<sup>th</sup> May in the following year.

### ***Minimum content***

**70.** –(1) Each annual report must contain the following minimum information –

- (a) Review by Permanent Secretary -
  - (i) summary of major issues during the year;
  - (ii) overview of performance and activities;
  - (iii) outlook for the future;
- (b) Agency Overview-
  - (i) vision, mission and values;
  - (ii) services ;
  - (iii) organisational structure;
- (c) Report on Performance -
  - (i) contribution to the Strategic Development Plan;
  - (ii) service delivery performance compared with targets;
  - (iii) performance of trading and manufacturing accounts (where applicable);
- (d) Management and Resources -
  - (i) senior executives and their responsibilities
  - (ii) human resources
  - (iii) infrastructure
  - (iv) procurement
    - (A) results of tenders;
    - (B) exemptions from competitive procurement.
  - (v) finances such as audited financial statements.

(2) Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.

(3) The draft financial statements must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed by the Permanent Secretary with the Auditor-General.

(4) Every hardcopy or electronic version of the annual report must include a full and unaltered copy of the financial statements, as audited, and of the audit opinion provided by the Auditor-General.

### ***Annual Financial Statements***

**71.** –(1) Each agency must include the following statements in its annual financial statements –

- (a) a statement of receipts and expenditure;
- (b) a profit and loss statement for each trading and manufacturing activity(where applicable);
- (c) an appropriation statement;
- (d) a statement of assets and liabilities for each trading and manufacturing activity (where applicable);
- (e) notes to the statement of assets and liabilities for each trading and manufacturing activity (where applicable);
- (f) a statement of losses;
- (g) a trust account statement of receipts and payments (where applicable).

(2) The format of each of the statements is set out in Schedule 1.



(3) The annual financial statements must include, at the end, a management certificate, signed by the Permanent Secretary and the Accounting Head as follows -

*“We certify that these financial statements:*

- (a) *fairly reflect the financial operations and performance of the (name of agency) for 200x and its financial position at the end of 200x; and*
- (b) *have been prepared in accordance with the requirements of the Financial Management Act 2004 and the Finance Instructions.”*

## **PART 13: INTERNAL AUDIT**

### ***Auditing Processes***

**72.** - (1) The Permanent Secretary for Finance must authorise the conduct of any audit that he/she deems necessary to determine whether-

- (a) the operations or activities of all Budget Sector Agencies are being performed effectively, economically and efficiently and in compliance with all relevant written laws;
- (b) the financial affairs of all budget sector agencies is in compliance with all relevant written laws and with due regard to the principles of responsible financial management.

(2) If considered appropriate the Permanent Secretary for Finance must authorise the conduct of-

- (a) special investigations into the financial management of any Budget Sector Agency
- (b) special investigation into the financial management of any State entity on the authority of the line Minister.
- (c) audit of the accounts of any recipient of government grants to the extent necessary to ensure that any conditions of any grant to it made by the State, have been complied with.

(3) The Permanent Secretary for Finance has the discretion to appoint any officer to carry out the audits under paragraph (1) and (2).

(4) Every officer appointed under paragraph (3) must be furnished with a certificate of his/her appointment and must if so required produce the certificate.

(5) Permanent Secretaries and Heads of Departments must give full, free and unrestricted access to all functions, premises, assets, personnel records, accounting records, returns and other documentation and information to officers appointed under paragraph (3) that the Permanent Secretary of Finance deems necessary to carry out the audits under paragraph (1) and (2).

### ***Repeal***

**73.** The Finance Instructions 2005 are repealed.

DATED this 1st day of December 2010

**J. V. BAINIMARAMA**  
**Prime Minister and Minister for Finance**