

VI. Government Budgeting and Accounting

This chapter describes government budgeting and accounting arrangements. It focuses on the core government—the accounting and auditing arrangements for public enterprises (and associated issues) are discussed in Chapter II. Chapter II also describes the role and activities of the Auditor General and the OAG (see pages 36-41). The preceding chapters covered many aspects of government budgeting, accounting and auditing arrangements, including staffing constraints, the legal framework, professional arrangements, accounting and auditing standards, and training initiatives.

The Government, with support from PFTAC, is currently assessing public sector management arrangements and options for making improvements. Given this state of flux, this part of the diagnostic study is limited to describing existing arrangements, with a focus on personnel issues. It is structured as follows:

- 1 – Introduction – describes the governmental environment.
- 2 – Legal and Institutional Framework and Roles – sets out the key laws that govern government budgeting and accounting arrangements.
- 3 – Accounting Basis and Accounting Information Systems – describes the basis for government accounting and discusses the status of accounting information systems.
- 4 – Government Accounting Personnel – discusses the capability of government accounting personnel and planned enhancement initiatives.
- 5 – The Financial Management Reform (FMR) Program – describes the objectives and components of the FMR program.
- 6 – Issue Synopsis: Government Budgeting and Accounting – summarizes the issues identified in this chapter.

1. Introduction

The Fiji Islands has a large and pervasive public sector, with high and growing public debt levels. The Government's announced fiscal policy objectives are to maintain stability, while supporting economic growth and higher investment. The 2002 Budget signaled a significant loosening of fiscal policy with the intention of supporting economic growth. It projected a net deficit of 6.3 percent of GDP for 2002 (see Figure 4). The

Government will “ensure that the net deficit is reduced to around 2.5 percent of GDP by 2005.”⁷⁷

There is increasing evidence of an accountability breakdown within the Fiji Islands’ government. These breakdowns continue to make news. Most recently, it has been alleged that the Agriculture Ministry has misused F\$16 million.⁷⁸ In particular, it appears that civil servants ignored procurement, appropriation and accounting rules. Moreover—in a worrying mirror of the recent *Enron* collapse in the United States—allegations have been made that important documents were deliberately destroyed.

The Government has publicly declared that curbing corruption and other unethical behavior is an integral part of its effort to promote transparency, integrity and good governance.⁷⁹ It has announced several responsive measures, including:

- Establishing a new disciplinary unit to investigate alleged abuses. The Unit will include the PSC Secretary, the Finance Permanent Secretary and the Solicitor General.
- Establishing a joint *Civil Service Management Committee* to consider audit reports of the Auditor General and the MOFANP Internal Audit Unit, and to make recommendations to the PSC, the MOFANP and the State Law Office on disciplinary actions to be taken against those liable and found guilty of official corruption, misuse of government resources, and laxity in job performance in the public service.
- Strengthening the human and other resources of the Internal Audit Unit of the MOFANP to ensure that it performs effectively.
- Providing special powers to the MOFANP’s Internal Audit Unit to undertake spot checks on government ministries, departments, offices and agencies to ensure integrity and honesty of their systems and staff, with special emphasis on those sections that administer and manage government contracts, services and licenses.
- Closely coordinating responses between the *Civil Service Management Committee* and the Internal Audit Unit in relation to reports of the Auditor General and the Public Accounts Committee, to ensure that

⁷⁷ MOFANP. 2001 November 9. *Economic and Fiscal Update: Supplement to the 2002 Budget Address*. Government of the Fiji Islands. p. 42.

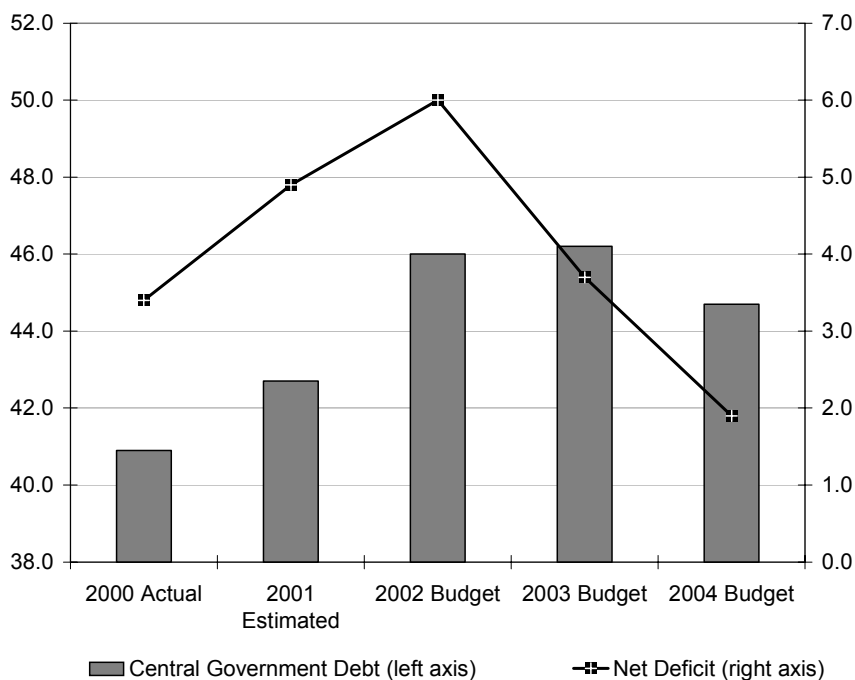
⁷⁸ *Sydney Morning Herald*. 2002. Fiji Government Dogged By Agricultural Scandal. 16 January.

⁷⁹ Qarase, Laisenia (Prime Minister of the Republic of the Fiji Islands). 2002. A Pledge Honored, and Promises Fulfilled. Newspaper advertisement published in the *Fiji Times*. 29 January.

responsible officers take appropriate corrective measures or face disciplinary action.

- Emphasizing training workshops for all government accounting officers to reinforce the need for strict adherence to rules and regulations, procedures and requirements relating to financial management and control.

Figure 4: 2002 Budget Forecasts: Net Deficits and Central Government Debt (percent of GDP)⁸⁰



2. Legal and Institutional Framework and Roles

The existing government financial system is supported by legislation and guidelines, governing the management and control of public finances, namely: the *Finance Act 1981*; *Finance (Control and Management) Regulations 1982*; and the *Finance Instructions 1982*. The *Public Service Act* governs personnel and structural arrangements.

⁸⁰ Source: MOFANP. 9 November 2001. *Economic and Fiscal Update: Supplement to the 2002 Budget Address*. Government of the Fiji Islands. p. 42.

The Auditor General's role and functions are described on pages 36-41. The other key financial institution is the MOFANP. Finance is responsible for formulating and implementing fiscal, financial and monetary policies. It also evaluates and reviews government programs and associated expenditure. National Planning formulates economic and social policies and strategies. It also provides advice on sectoral and regional policies and strategies, advice on the budget proposals from an economic perspective, monitors progress in implementing the capital expenditure program and liaises with ministries and departments to ensure that policies and expenditure are aligned with the national and sectoral priorities.

The MOFANP has recently been delegated authority for appointing and training of the Accounting Cadre from the PSC. However, the MQR cannot be changed without PSC approval.

3. Accounting Basis and Accounting Information Systems

Basis of Accounting

As described on page 29, a cash accounting basis is used in central government. However, the Government has signaled a medium-term intention to move to the accrual accounting basis.

Accounting Information Systems

The CA Masterpiece General Ledger (Version 3) is the core government accounting information system. The latest versions of this software are Internet-enabled and provide full consolidation capability. However, the software upgrades have not been installed since the 1980s and, in 2001, the system collapsed requiring re-entry of all data. Viable backups were not available.

As part of the FMR program, the Government has procured SAP software. SAP will be progressively implemented over a period of some years. In relation to this, the Government intends to avoid the problems with the existing system by: (i) enhancing staff capabilities with regards to computer skills; (ii) upgrading the government network; (iii) investing in hardware and software; (iv) ensuring system acceptance through 'change management' and extensive awareness programs; and (v) establishing employment and remuneration arrangements to ensure retention of technical staff. The last issue is particularly important given that SAP support is not available in the Fiji Islands.

4. Government Accounting Personnel

A lack of government accounting capacity, in terms of personnel qualifications and skills, is a frequently cited reason for government accountability problems. It was also one of the factors mentioned for suspending the FMR program in August 1999.

“The level and quality of accounting and finance skills in government need to be substantially upgraded. Training programs for the accounting/finance cadre are still based on procedural and process-driven cash accounting principles. Problem solving and basic analytical skills are lacking in this domain, particularly at the operational level.”⁸¹

The government accounting/finance cadre comprises several levels (see Table 18). Appointments and promotions are based upon experience and civil service examinations (see page 72). However, the examination requirement is waived where personnel hold relevant academic qualifications.

Table 18: Academic Qualifications of the Accounting Cadre⁸²

Level	Numbers	Degree Holders	Diploma or Certificate Holders
Principal Accounts Officers (PAO)	9	2	6
Senior Accounts Officers (SAO)	30	1	9
Accounts Officers (AO)	60	..	12
Assistant Accounts Officers (AAO)	104	..	25
Total	203	3	52

Few members of the accounting cadre hold formal accounting qualifications (see Table 18) and, as of 31 December 2001, only 15 civil servants were full financial members of FIA (see Table 19).

⁸¹ MOFANP. 9 November 2001. *Economic and Fiscal Update: Supplement to the 2002 Budget Address*. Government of the Fiji Islands. pp. 79-80.

⁸² Source: MOFANP. As of 30 November 2001.

Table 19: FIA Members in Government at 31 December 2001⁸³

Level	Chartered Accountants	Provisional Members	Affiliate Accountants
MOFANP	1	2	2
OAG	3	5	..
FIRCA	1	..	5
RBF	3	2	1
Other agencies	7	..	7
Total	15	12	15

The MOFANP has recently assumed responsibility for appointing and training the accounting cadre. A significant emphasis is being placed upon training (see page 73). Moreover, the Government has indicated that 150 academically and professionally-qualified accountants will be recruited and deployed in government.

However, in addition to overseas emigration, the government will also have to compete with the private sector, which has a shortage of accountants and bookkeepers (see page 30). To this end, the MOFANP Training Committee commissioned a survey of accounting graduate retention. The survey identified four reasons for departures from government service: (i) migration; (ii) developing private sector experience; (iii) better remuneration; and (iv) job dissatisfaction. Among other things, the following countermeasures were identified: (i) adopting accrual accounting to narrow the experience gap between the public and private sectors; (ii) improving the use of technologies; (iii) overhauling remuneration and benefits; (iv) promoting education and training; and (v) promoting personnel strictly on the basis of performance and qualifications.⁸⁴

5. The Financial Management Reform (FMR) Program

The FMR program is geared towards enabling the Government to better implement its policies and deliver services more efficiently and effectively. The reforms will provide the institutional framework for better accountability and transparency, and improved efficiencies. The new financial management framework will encompass the government as whole, including Ministers, Ministries, Departments, Parliamentary bodies, Statutory Authorities and Government Companies.

⁸³ Information supplied by Fiji Institute of Accountants.

⁸⁴ MOFANP. 27 March 2000. Training of Accounting Staff. Memorandum.

The key changes envisaged under the FMR program include: (i) the availability of more accurate, reliable and timely information to support sound decision making; (ii) new banking and cash management systems; and (iii) the adoption of a new Public Finance Management Act (PFMA).⁸⁵

The former Prime Minister suspended the FMR program, which began in late 1998, in August 1999, due to concerns about implementation capability and pace.

The broad strategy for revived FMR implementation is:

Phase 1: Implementation of a Financial Management Information System (FMIS) on the cash basis of accounting. An Enterprise Resource Planning (ERP) system—SAP—has been purchased.

Phase 2: Partial Implementation of Accrual Accounting under the PFMA

Phase 3: Full implementation of Accrual Accounting under the PFMA

Phase 4: Progressive Decentralization of Input Controls

However, the revived FMR program is not starting from a zero base. When the program was suspended in August 1999, most ministries and departments had already: prepared balance sheets and forecast financial statements, and specified and costed outputs (see Appendix II).

6. Issue Synopsis: Government Budgeting and Accounting

Chapter VIII – *Issues and Recommendations* – identifies and describes constraints, and proposes corrective actions. In the case of government budgeting and accounting arrangements, these emphasize the necessity for a comprehensive skill-needs analysis leading to development of appropriate qualifications to be supported by cohesive education and training initiatives.

⁸⁵ MOFANP. 9 November 2001. *Economic and Fiscal Update: Supplement to the 2002 Budget Address*. Government of the Fiji Islands. p. 42.