



## Financial Management (Amendment) Bill – No. 25 of 2016

The primary purpose of the Bill is to **change the fiscal year** from 1 January to 31 December, to 1 August to 31 July.

The provisions of the Bill:

- **change the financial year** by amending various pieces of legislation;
- **removes the requirement for the Government to table a strategic policy statement in Parliament**, which outlines broad objectives, financial targets and limits for the previous financial years, as well as comparative figures; and
- **make various changes to outdated definitions**, such as changing “House of Representatives” to “Parliament”.

### Summary of provisions

**Clause 1** provides for the short title and commencement.

**Clause 2** amends the Financial Management Act 2004 (the ‘principle Act’) by:

- in the definition of “Annual Appropriation Act”, deleting “the House of Representatives” and **substituting with “Parliament”**;
- deleting the current definition of “chief executive officer”, which is:
  - (a) in relation to a department- the person who is responsible under section 110 of the Constitution for the management of the department;
  - (b) in relation to the following parliamentary bodies-
    - (i) the Office of the Auditor-General - the Auditor-General;
    - (ii) the Human Rights Commission and the Office of the Ombudsman - the Ombudsman;
    - (iii) the Office of the Secretary-General to the Parliament - the Secretary-General to the Parliament; or
  - (c) in relation to any other state entity - the person designated as or performing the functions of chief executive officer of the entity, however that designation is expressed;

And substituting with:

**“permanent secretary” means –**



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- (a) in relation to a department, the person who is responsible under section 127 of the Constitution of the Republic of Fiji for the management of the department; and
  - (b) in relation to any other state entity, the person designated as or performing the functions of the head of the entity, however that designation is expressed.
- in the definition of “**company**”, deleting “Companies Act (Cap 247)” and **substituting “Companies Act 2015”**;
  - in the definition of “**department**”, deleting “section 110 of the Constitution” and **substituting “section 127 of the Constitution of the Republic of Fiji”**;
  - in the definition of “**financial year**”, deleting “a year ending n and including 31<sup>st</sup> December or such other date” and **substituting “a 12-month period beginning on and including 1 August and ending on and including 31 July, or other such dates”**;
  - in the definition of “**quarter**”, deleting “March, June, September or December”, and **substituting “October, January, April or July”**;
  - deleting the definition of “**parliamentary body**”, which is currently:
    - (a) the Office of the Auditor-General, including staff of or attached to the Office;
    - (b) the Human Rights Commission, including staff of or attached to the Commission;
    - (c) the Office of the Ombudsman, including staff of or attached to the Office;
    - (d) if the Human Rights Commission and the Office of the Ombudsman are administered jointly- the joint entity consisting of that Commission and Office and the relevant staff; or
    - (e) the Office of the Secretary-General to the Parliament, including staff of or attached to the Office;

### And substituting with:

“**constitutional body**” means any body created or continued under the Constitution of the Republic of Fiji.

**Clause 3** amends section 10 of the principal Act by deleting “section 176 of the Constitution” and **substituting “section 140 of the Constitution of the Republic of Fiji”**.

**Clause 4** amends the principal Act by deleting “section 177 of the Constitution” and **substituting “section 141 of the Constitution of the Republic of Fiji”**.

**Clause 5** completely deletes section 12 of the Act, which is:

#### PART 4 - RESOURCE ALLOCATION

##### Division 1- Budget process

##### Strategic policy statement

12.-(1) The Minister must table a strategic policy statement in the House of Representatives on or before 30th June in each financial year.

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**(2) The strategic policy statement must include-**

- (a) a statement of the Government's **broad objectives** for the next financial year and for at least the following 2 financial years;
- (b) a statement of the Government's **financial targets or limits** for the next financial year and for the following 2 financial years, relating to-
  - (i) the budget result as a proportion of gross domestic product;
  - (ii) government debt as a proportion of gross domestic product;
  - (iii) government debt servicing as a proportion of gross domestic product; and
  - (iv) contingent liabilities as a proportion of gross domestic product;
- (c) a **statement comparing the figures** provided under paragraph (b) with-
  - (i) for each type of financial target or limit, the actual results for the 2 previous financial years; and
  - (ii) an estimate of the results for the current financial year; and
- (d) **an explanation as to how those financial targets and limits compare with any international benchmarks** that are relevant to the Fiji Islands economy.

The Explanatory Note to the Bill states that the requirements of section 12, which relate to the Government's broad objectives, financial targets and limits for the following financial years, as well as comparative figures, "will be outlined in the annual budget that the Minister tables in Parliament."

The Note states that "it is rather short-sighted and unreasonable to set targets without thoroughly ascertaining the overall fiscal policies and the intended initiatives for the new budget. On the other hand, all new policy initiatives will be thoroughly assessed to ensure it is fiscally sustainable and is aligned to the policy priorities of the State".

**Clause 6** amends section 13 of the Act as follows (additions in **bold**, deletions are struck out):

Annual budget

13.-(1) ~~On or before 30th November in,~~ **Prior to the beginning of** each financial year the Minister must table in the ~~House of Representatives and the Senate~~ **Parliament** budget papers for an annual budget for the next financial year.

(2) The budget papers for a financial year (the "budget year") comprise-

- (a) a Bill for an Annual Appropriation Act that appropriates money in the Consolidated Fund for the budget year and specifies each head of appropriation;
- (b) budget estimates that-
  - (i) specify the appropriation categories for each head of appropriation in the Bill; and

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(ii) include estimates of amounts appropriated by other Acts (other than this Act) for the budget year; and

(c) one or more budget statements that include-

(i) the estimated budget result for the budget year (as budget surplus or budget deficit);

(ii) a summary of the outcomes the Government is seeking to achieve in the budget year;

(iii) a summary of any new policy actions to be undertaken and the outcomes they are directed at achieving;

(iv) economic forecasts for the budget year and for the next 2 financial years;

(v) financial forecasts (including any revision of the financial targets or limits specified in the most recently tabled strategic policy statement) for the budget year and for the next 2 financial years;

(vi) a statement as to whether the financial forecasts for the budget year adopt the financial targets and limits for the budget year as specified in the most recently tabled strategic policy statement or whether they adopt revised financial targets or limits;

(vii) information on significant one-off revenue and expenditure items included in the financial forecasts, including aid funding;

(viii) a statement of the major assumptions underlying the economic and financial forecasts;

(ix) estimates of revenue retained by a state entity and of the expenditure of that revenue without appropriation as authorised by or under another Act, as referred to in ~~section 176 (2) of the Constitution~~ **section 140(2) of the Constitution of the Republic of Fiji.**

(3) The budget estimates and budget statements are to be prepared as far as practicable in accordance with internationally accepted standards.

(4) The budget estimates may denote items in the estimates as requiring "requisition to incur expenditure" (as referred to in section 15).

### Clause 7 amends section 19 of the Act as follows:

19.-(1) If an amount appropriated by an Annual Appropriation Act for a financial year-

(a) has not been used in that financial year; or

(b) is unlikely to be used in that financial year,

the Minister may authorise the carry-over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date, and the amount authorised for carry-over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorisation.

(2) If-

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(a) an authorisation under subsection (1) is made as at a date before the end of the financial year to which the unused appropriation relates; and

(b) some or all of the appropriated amount is subsequently used in that financial year,

the amount authorised for carry-over is reduced accordingly.

(3) The amount authorised for carry-over under subsection (1), reduced if and as required under subsection (2), is appropriated for the **financial** year in which it is used, without further appropriation than this Act.

**Clause 8** amends section 21 of the Act in subsection 5 by deleting “section 103 of the Constitution” and **substituting with “section 92 of the Constitution of the Republic of Fiji”**.

**Clause 9** amends section 23 of the Act by deleting “section 178 of the Constitution” and **substituting with “section 142 of the Constitution of the Republic of Fiji”**. It also deletes all references to “the year” and **replaces with “the financial year”**.

**Clause 10** amends section 33 of the Act by deleting “Public Services Act 1999” and **substituting with “Civil Service Act 1999”**.

**Clauses 11, 12, and 13** amends the principal Act by replacing all references to the “House of Representatives”, and “the House” **with “Parliament”**.

**Clause 14** amends section 48 in subsection (1)(f) as follows:

48.-(1) The annual budget statement required to be included in the whole of government annual report for a financial year must-

(a) show the revenue, expenditure, and surplus or deficit, for each of the 2 previous financial years;

(b) show the estimated revenue, expenditure, and surplus or deficit, for the financial year;

(c) show the projected revenue, expenditure, and surplus or deficit, for the next 2 financial years;

(d) provide a disaggregation of revenue, estimated revenue and projected revenue by economic type;

(e) provide a disaggregation of expenditure, estimated expenditure and projected expenditure by economic type; and

(f) include a statement comparing, for each type of financial target or limit ~~specified in the most recently tabled strategic policy statement under section 12-~~

(i) that target or limit;

(ii) any revisions specified in the budget statement or statements under section 13 of that target or limit; and

(iii) the actual results.





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**Clauses 15, 16, 17, 18 and 19** replace references to the “House of Representatives”, and “the House” with “Parliament”, and “the year” with “the financial year”

**Clause 20** amends the principal Act by:

- deleting “chief executive officer” and substituting “permanent secretary” wherever it appears, except in the definition of “responsible authority”; and
- deleting “chief executive officers” and substituting “permanent secretaries” wherever it appears.

**Clause 21** amends the Act by substituting references to “parliamentary body/bodies” and substituting with “constitutional body/bodies”.

**Clause 22** amends the Act by deleting section 84, which gives effect to the Schedule (Amendment of Acts), and substituting with:

**Transitional provision for change in financial year**

84. –(1) For the purpose of this section, “2016 financial year” means the period beginning on and including 1 January 2016 and ending on and including 31 July 2016.

(2) The financial year for any entity that tables an annual report containing its audited accounts in Parliament shall continue as it currently is unless otherwise provided for in any written law or determined by the Minister or the governing body of the entity, as applicable.

(3) Section 43(1) does not apply for the 2016 financial year and the Minister must table in Parliament an appropriation statement for the following periods –

(a) 1 January 2016 to 31 March 2016; and

(b) 1 April 2016 to 31 July 2016.

(4) Section 44 does not apply to the 2016 financial year.

(5) For the purpose of section 48(1) for the 2016 financial year, the “2 previous financial years” shall be taken to be –

(a) 1 August 2014 to 31 July 2015; and

(b) 1 August 2015 to 31 July 2016.

**Clause 23** deletes Schedule 3 of the Act, which relates to transitional and savings provisions.



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**Clause 24** amends the Interpretation Act (Cap. 7)<sup>1</sup> by deleting the definition of “financial year”.

It also amends the Audit Act (as amended) (Cap. 70)<sup>2</sup> as follows:

6.-(1) In addition to performing the functions of the Auditor-General under section 167 of the Constitution, the Auditor-General has, on behalf of the Parliament, the following duties-

(a) to audit-

(i) the accounts of the Consolidated Fund; and

(ii) the whole of government financial statements and annual appropriation statement required to be included in the whole of government annual report for a financial year under the Financial Management Act 2004;

(b) to audit-

(i) the accounts of all state entities, except the Office of the Auditor-General and off-budget state entities that are exempted by regulations made under section 19 from audit by the Auditor-General; and

(ii) the financial statements required to be included in such a state entity's annual report for a financial year ~~under the Financial Management Act 2004.~~

It inserts a new definition into the Audit Act (as amended), which is: “financial year” means the financial year to which the audit relates”.

Section 21(1) of the Act is amended as follows:

### Reports of Auditor-General

12.-(1) A report of the Auditor-General to the Parliament about an audit must be submitted to the Speaker of the House of Representatives within 9 months after the **financial** year to which the audit relates or within a longer period appointed by resolution of the House.

## International comparisons

The US Government State Department maintains a list of the financial years<sup>3</sup> for each country. Selected countries are below:

- Australia - 1 July - 30 June
- Canada - 1 April - 31 March
- Chile - calendar year

<sup>1</sup> [http://www.paclii.org/cgi-bin/sinodisp/fj/legis/consol\\_act\\_OK/ia191/ia191.html?stem=&synonyms=&query=cap%207](http://www.paclii.org/cgi-bin/sinodisp/fj/legis/consol_act_OK/ia191/ia191.html?stem=&synonyms=&query=cap%207)

<sup>2</sup> [http://www.paclii.org/cgi-bin/sinodisp/fj/legis/num\\_act/aa2006151/aa2006151.html?stem=&synonyms=&query=audit%20act](http://www.paclii.org/cgi-bin/sinodisp/fj/legis/num_act/aa2006151/aa2006151.html?stem=&synonyms=&query=audit%20act)

<sup>3</sup> <https://www.cia.gov/library/publications/the-world-factbook/fields/2080.html>



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- India - 1 April - 31 March
- Japan - 1 April - 31 March
- Kenya - 1 July - 30 June
- Marshall Islands - 1 October - 30 September
- Micronesia - 1 October - 30 September
- Nauru - 1 July - 30 June
- New Zealand - 1 April - 31 March note: this is the fiscal year for tax purposes
- Papua New Guinea - calendar year
- Philippines - calendar year
- Russia - calendar year
- Solomon Islands - calendar year
- Tonga - 1 July - 30 June
- Tuvalu - calendar year
- United Kingdom - 6 April - 5 April
- United States - 1 October - 30 September

Qatar changed its fiscal year in 2015 from the calendar year to 1 April – 31 March.<sup>4</sup>

### Disclaimer

This briefing was prepared to assist consideration of the Bill by Members of Parliament. It has no official status. Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Bill. Other sources should be consulted to determine the subsequent official status of the Bill.

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<sup>4</sup> <http://www.reuters.com/article/qatar-budget-idUSL5N0WC3Q520150311>