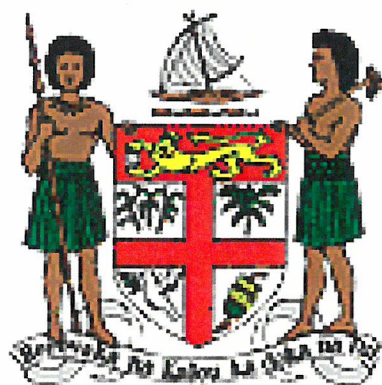


TRADING & MANUFACTURING ACCOUNT POLICY



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Background

Trading & Manufacturing Accounts are government owned entities that are operated on a semi-commercial basis and within the limits of a prescribed ceiling set by the Minister for Finance; to provide goods, services or works cost-effectively, whilst increasing the returns that are realized from them.

As a result of changes in the business environment, TMAs have been encouraged to explore other available business opportunities to further establish their existence, in order to achieve their primary objective of delivering the required level of service to the public.

The Asset Management & Monitoring Unit of the Ministry of Finance is responsible for monitoring, assisting and advising TMAs on operational matters.

1.0 Introduction

- 1.1 This policy may be cited as the 'TMA Policy 2015' and has been developed to act as a procedural guide for agencies that operate Trading & Manufacturing Accounts.

2.0 Definitions

- 2.1 In this policy, unless the context otherwise requires –

“Act” means the Financial Management Act 2004;

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

“Agency” means a government Ministry or Department;

"Capital expenditure" or CAPEX means the disbursement of funds to acquire or upgrade physical assets such as property, industrial buildings or equipment (PPE) for improving service delivery;

“Finance Instructions” means the Finance Instructions 2010;

“Finance Manual” means the Finance Manual required under section 28 of the Act;

"FMIS" means the Financial Management Information System;

“Fund 1” in relation to the FMIS means the Operating Fund;

“Fund 4” in relation to the FMIS means the TMA Fund;

“Furniture” means tables, desks, chairs, stools, sofas, bed frames, bookshelves, cabinets, cupboards, shelves, drawers and trunks;

3.0 Purpose

3.1 The purpose of this Policy is to:

- (1) provide guidance to agencies that operate TMAs;
- (2) prevent inter-fund transactions and posting errors on the FMIS;
- (3) encourage accountability and transparency in the management of TMAs; and
- (4) ensure the commercial viability and sustainability of the TMA's Operations.

4.0 Scope

4.1 This policy applies to Agencies that operate TMAs, and shall be read in conjunction with the Act, the Finance Instructions and the Finance Manual.

5.0 Legislative Requirements

5.1 Section 7 of the Act states that the responsible authority for a state entity is responsible for managing the financial affairs of the entity in accordance with the requirements of this Act, and with due regards to the principles of responsible financial management.

5.2 In this regard, the Head of Agency as the responsible authority in relation to a Ministry or Department shall ensure that, the financial management of their TMAs operations is in accordance with the requirements of the Act, and principles of responsible financial management.

6.0 Establishing the Trading & Manufacturing Account

6.1 Agencies that intend on operating a TMA shall be required to submit a written proposal to the Ministry with the following information:

- (1) the nature of the activities;
- (2) products or services the TMA is intending to produce or provide with:
 - (a) all the costing that will be associated with the TMA's activities;
 - (b) forecasted revenue that will be generated per unit;
 - (c) only revenue generating Agencies shall submit their past and forecasted 3 years financial reports (Balance Sheet, Income Statement and the Cash Flow Statement);

- 7.9 The use of TMA resources for any Sports and Social activities or initiatives of an Agency is prohibited.
- 7.10 Notwithstanding section 7.9, exceptions may be considered for the use of a TMA's Property, Plant & Equipment to fulfill the Government's 'social obligations' after consultation with the Ministry and approval from the Permanent Secretary.
- 7.11 The purchase of inventory required for trading or manufacturing shall be carried out in accordance with the procurement procedures in the Expenditure section of the respective Agencies Finance Manual.
- 7.12 Similarly, all inventory purchased shall be recorded in an inventory register in accordance with inventory procedures in the Inventory Management section of the respective Agencies Finance Manual.
- 7.13 All invoices or claims for payments that are received shall be recorded in an accounts payable ledger except for procurement invoices, which shall be recorded in the commitment ledger. This section shall be read in conjunction with the Accounts Payable sections of the Finance Instructions and the Finance Manual.
- 7.14 The Head of Agency shall be responsible for notifying the Permanent Secretary on any changes, or new appointment for the position of TMA Manager.

8.0 Responsibilities of the TMA Manager

8.1 Business Plan

- (1) The TMA Manager shall prepare and submit to the Ministry an Annual Business Plan documenting the planned performances and profit target for each TMA activity before the end of October each year. A guide to preparation of a TMA Business Plan is provided under Annex 2.
- (2) This section shall be read in conjunction with the TMA section of the respective Agencies Finance Manual.

8.2 Stocktaking

- (1) The TMA Manager shall nominate two (2) stocktaking officers (other than the stock-keeper) to conduct a quarterly stocktake on TMA inventory.
- (2) The TMA Manager shall ensure that a stock take report is submitted and endorsed by the stocktaking officers, with a copy to the Accounting Head within three (3) days after the end of the stocktake. The report shall outline:
 - (a) any discrepancies between actual stock and supporting records;
 - (b) whether any stock is obsolete or unserviceable; and
 - (c) explanations from the stock-keepers if relevant.

- 8.10 The TMA Manager shall update the FMIS on a daily basis to ensure that revenues and expenses are reflected under the correct period (month) to which they belong.
- 8.11 The TMA Manager shall be accountable to any queries that may arise from the Auditor's Management Letter or Audit Report on the TMA.

9.0 Responsibilities of the Ministry

- 9.1 The Ministry shall undertake special site visits for monitoring purposes as and when deemed necessary, and the TMA Manager shall allow full, free and unrestricted access to all functions, premises, assets, accounting records, returns and other relevant documentation and information required.
- 9.2 The TMA Manager shall also comply with the requirements of section 9.1 in the case of an Audit and Special Audit in accordance with section 72 of the Finance Instructions.
- 9.3 The Ministry in consultation with the respective TMAs shall facilitate and implement any reform initiative or changes to TMA's policies, processes and procedures.
- 9.4 The Ministry shall assess, comment and provide advice on the reports and information submitted by the TMAs.
- 9.5 The Ministry shall assist and advise on requests from the TMA Manager to improve on their financial reporting, managerial and operational issues.
- 9.6 The Ministry shall monitor the TMA's operation to ensure that they comply with the reporting requirements as mandated in the Act, its subsidiary legislations and instructions issued by the Ministry.
- 9.7 The Ministry shall provide sound advice to the TMA Manager to ensure the commercial viability and sustainability of the TMA.

10.0 Remittance and retention arrangements

- 10.1 The TMA Manager shall ensure that remittance is submitted annually to the Ministry by 31st January of the subsequent year.
- 10.2 The retention of cash by TMAs is prohibited. Exceptions to this clause shall only be made on a case by case basis after consultation with the Ministry and approval from the Minister.
- 10.3 This section shall be read in conjunction with section 30(4) of the Finance Instructions.

- 13.3 **Fraud**: This is a deliberate action taken for personal gain or to deceive the Agency. Intentional use of funds or resources for personal use or for another is fraudulent and prohibited.

Penalty: Disciplinary or surcharge action in accordance with financial regulations and procedures and criminal charges, as appropriate may be pursued. Restitution for all illegal transactions will be required.

14.0 Review of Policy

- 14.1 The Permanent Secretary may, on the advice of the Financial Policy Assurance Unit and the Asset Management & Monitoring Unit review the policy as and when deemed necessary.

Annex 2

Business Plan Content Format

1. **Title Page** - this is to include the name of the entity, title of the planning document & the business planning period;
2. **The Table of Content** - which has to be linked to the page numbers;
3. **The Executive Summary** - this needs to highlight the vision, mission, major objectives, strategic issues faced by the entity, strategies developed, major development anticipated and discussions on the intentions of the TMA agency using the Corporate Plan to achieve its objectives.
4. **Mandate** - this highlights the TMA's mandated responsibility in producing the BP as set out in the Financial Management Act (FMA) 2004, Finance Instructions and Finance Manual for the respective TMAs. This needs to include the social obligation or Non Commercial Obligations (NCOs) that the state requires the TMA to perform.
5. **Profile/Background** - this is to cover the history, values and organization structure.
6. **Key Strategic Issues** - the key strategic issues includes the issues identified from past actual performances, expected external environment, TMA strengths and weakness and the future of the TMA business. The following are some key areas to summarize the above:
 - a. **Market Analysis** – This includes the TMA current and past business environment, current products and services, location, and channel of distribution, market share, market size of the products, critical needs of existing market and target market and clients.
 - b. **External Business Environment** - The content focuses on the determinants of success such as competition, labour relations, legal factors, changing government policies and others.
 - c. **Assessment of the TMA's resources** - TMA resources include its funds, staff, information technology, plant and equipment. There has to be an assessment of the TMA's strengths, weaknesses, opportunities and threats- SWOT (basis). The assessment to be based on past actual performance relative to the previously established objectives. Assessments will also require identification of strategic issues requiring corrective actions in the planning period. The financial and non-financial constraints that TMA is currently facing should be identified.

ANNEX 3
TRADING & MANUFACTURING ACCOUNTS BANK RECONCILIATION
STATEMENT STANDARD FORMAT

<u>...TMA NAME...Bank Reconciliations Statement for the month of NAME OF THE MONTH</u>		
<u>Bank Statement Reconciliation</u>		
Closing Balance as per Bank Statement	xxxx	xxxxxx
Add: Lodgement not Credited		xxxx
		xxxxxxxxxx
Less: Unpresented Cheques	(xxxxxx)	(xxxxxx)
Reconciled Balance		← xxxxxx
<u>Cash Book Reconciliation</u>		
Opening Balance as per Cash Book		xxxxxx
Add: Receipts		xxxxxx
		xxxxxxxxxx
Less: Payments		(xxxxxxxxxx)
Closing Balance as per Cash Book		xxx
Adjustment		
Add: Direct Deposit to Bank	xx	
: Cancel Cheques/Stale Cheques	x	
		xxx
Less: Direct Deduction by Bank	(x)	xxxxxx
		(x)
Reconciled Balance		← xxxxxx
<u>GL Reconciliations</u>		
Opening Balance as per GL		xxxxxx
Add: Posted Receipts		xxxxxx
		xxxxxxxxxx
Less: Posted Payments		(xxxxxxxxxx)
Closing Balance as per GL		xxx
Adjustment		
Add: Unposted Receipts	xx	
: Cancel Cheques/ Stale Cheques	xx	
		xxxxx
Less: Unposted Payments	(xx)	xxxxxxxxx
		(xx)
Reconciled Balance		← xxxxxx

Preparer Signature

Supervisor Signature

Permanent Secretary's Signature

UNPRESENTED CHEQUES DETAILS AND RECONCILIATIONS

Unpresented Cheques Reconciliations	
Opening Balance of Unpresented Cheques	X1
Add: Cheques written in the month	X2
	X1 + X2
Less: Cheques cleared by the Bank	X3
Closing Balance of Unpresented Cheques	X1+X2-X3

Details of Unpresented Cheques		
Date Received	Cheque #	Amounts
dd/mm/yy		A1
		A2
		A3
Total of Previous Unpresented Cheque		SUM(A1:A3)
dd/mm/yy		B1
		B2
		B3
Total of Unpresented for the month		SUM(B1:B3)
Total Unpresented Cheque		SUM(B1:B3)+SUM(A1:A3)

Note:

1. Opening Balance is equal to closing balance of previous month
2. **X2** should equal to **SUM(B1:B3)**
3. **X3** is equal to **X1 - SUM(A1:A3)**
4. **X1+X2-X3** should equals to **SUM(B1:B3)+SUM(A1:A3)** which should be equal to the amount of Unpresented Cheques appeared in the Bank Reconciliation Statement

DIRECT DEDUCTIONS BY BANK

Date	Transaction Description	Amount
dd/mm/yy		
Total of Direct Deductions by Bank		

DIRECT DEPOSIT TO BANK

Date	Transactions Descriptions	Amount
dd/mm/yy		
Total of Direct Deposit to Bank		

UNPOSTED RECEIPTS DETAILS AND RECONCILIATIONS

Unposted Receipts Reconciliations	
Opening Balance of Unposted Receipts	X1
Add: Unposted Receipts in the month	X2
	X1 + X2
Less: Previous Unposted Receipt posted in the month	X3
Closing Balance of Unposted Receipts	X1+X2-X3

Details of Unposted Receipts		
Date Received	Receipt #	Amounts
dd/mm/yy		A1
		A2
		A3
Total of Previous Unposted Receipts		SUM(A1:A3)
dd/mm/yy		B1
		B2
		B3
Total of Unposted Receipts in the month		SUM(B1:B3)
Total Unposted Receipts		SUM(B1:B3)+SUM(A1:A3)

Note:

1. Opening Balance is equal to closing balance of previous month
2. X2 should equal to SUM(B1:B3)
3. X3 is equal to X1 - SUM(A1:A3)
4. X1+X2-X3 should equals to SUM(B1:B3)+SUM(A1:A3) which should be equal to the amount of Unposted Receipts appeared in the Bank Reconciliation Statement