

# CIRCULAR SAVINGRAM

GOVERNMENT OF TONGA

TO : All Heads of Ministries and Departments  
FROM : Secretary for Finance & Planning  
Saving No :  
Date : 1 October, 2008

## TREASURY CIRCULAR NO.4/08-09

### ASSETS MANAGEMENT BY MINISTRIES

I write to seek your assistance in observing the following important financial management issues relating to the managing of arrears of revenue (debtors/receivables) and physical (fixed) assets for information and appropriate actions.

#### ARREARS OF REVENUE (DEBTORS)

##### Responsibility for collecting public money

1. All Heads of Departments (HODs) shall ensure that any accounting officers under their care and responsible for collecting public money should be informed and ensure awareness of the requirements of the related Act and regulations and policies governing the collecting and accounted for of public money.
2. HODs and responsible accounting officers in their respective ministries are personally responsible for the prompt collection of all revenue under their control.
3. All supply of goods, works and services are strictly on a cash basis.

##### Authority for supply of goods, works and services on credit.

4. The Minister of Finance & National Planning has the authority, with the approval of Cabinet, to grant permission in writing for any ministry to supply a particular goods, works, and/or services in credit. Otherwise, public officers are strictly prohibited to allow credit in any supplying of goods, works, and or services.
5. HODs and related accounting officers shall report to the Secretary for Finance & Planning any difficulty in collecting public money and the underlying circumstances.

##### Records

6. For ministries who have been allowed to supply a particular goods, works, and/or services on credit they shall maintain an Arrear of Revenue (Debtors) Register or an accounts receivable ledger for licenses, debts, court fees and other government or ministry revenues receivable.

7. HODs and respective accounting officers shall promptly follow up the accounts which are overdue.

#### Reports

8. HODs shall within seven (7) days after the end of each month, prepare and submit a *monthly report on the arrears of revenue status* to the Ministry of Finance & National Planning (MOFNP) on the outstanding and overdue debts and correctly showing the aging of these arrears.
9. The arrears of revenue monthly report shall be reviewed by the HOD and submitted a copy to the Secretary for Finance & National Planning and the Auditor General *no later than the 10<sup>th</sup> of the month* following.
10. Information to be included in the Monthly Reports on Outstanding and Overdue Debts shall be in accordance to any format specified by the MOFNP.

#### Payment with Cheque

11. Because of the problem with bounced cheque it is required that personal and company cheque presented for payment of any goods or service should NOT be accepted UNLESS it is endorsed by the bank issuing the cheque to ensure availability of fund in the relevant account.

#### PHYSICAL (FIXED) ASSETS

##### Records

12. All HODs must ensure that each ministry and department keep an up to date Asset Register of all its fixed and current assets. (*Public Finance Administration (Public Stores) (Amendments) Regulation 2000, and CD no. 1032 of 7 July 1999, part 3*).
13. HODs shall therefore ensure that proper system is in place to record and account for any government physical (fixed) assets held by the ministry and under their care.
14. All property, plant or equipment with a single value in excess of \$200 or more must be recorded in the ministry's asset register.
15. All ministries shall maintain a Fixed Asset Register. 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
  - (e) location.
16. HODs shall be responsible to:
  - (a) ensure that the ministry's Asset Register is established, and accurately and completely updated at all times.
  - (b) review the register on a quarterly basis, and sign and dated.
  - (c) perform the physical asset counting at end of each financial year.

17. 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 yearly to ensure it does not exceed the asset's fair value (where this can be estimated reliably).

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

### Stocktakes

19. HOD shall be responsible for the overall supervision of the assets' stocktake and ensure that proper system is in place to carry out the stocktaking in an efficient and effective manner

20. A stocktake shall be undertaken at the end of each financial year to verify the existence and condition of assets recorded on the asset register. However, for ministries that have a large base asset, the Treasury Instructions may provide for stocktakes to be undertaken on a cyclical basis so that all assets are checked at least once every three years.

21. Stocktakes must be undertaken by 2 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each stocktake and must be signed and dated by the officers undertaking it.

22. All assets which are not accounted for in the stocktake must be investigated to determine the appropriate recovery or written-off action and report immediately to Secretary and copy to Auditor General.

### Depreciation

23. 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 shall be -

- (a) appropriate for the type, use and location of the assets;
- (b) determined by the respective ministry with consultation and agreement with the MOFNP and the Audit Office; and
- (c) within the following ranges -

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

### Reports

24. HODs shall within twenty (20) days after the end of balance date prepare and submit a report on the status of fixed assets held by the ministry at 30<sup>th</sup> June, by Asset Class with correct total value per class, to the Secretary for Finance & Planning and the Auditor General.

## Disposals

25. All disposals of government assets shall be in accordance with the following procedures:

- a. The HOD shall identify those ministry's assets that need to be disposed and request in writing to the Secretary of the Government Assets Disposal Committee (GADC)<sup>1</sup> for the disposal of ministry assets.
- b. The GADC board of survey team shall perform a physical inspection of the related assets to be disposed and then make recommendations for the disposal of assets, through:
  - i. sale;
  - ii. transfer to another entity or another ministry;
  - iii. transfer as a gift to a non-government organization which contributes to government outcomes;
  - iv. retain for spare parts; or
  - v. discarding as scrap.
- c. Approval from the GADC is required before disposing of any government asset.
- d. The sale of assets must be carried out in a transparent and competitive way to ensure that maximum value for money is obtained.
- e. The HODs shall ensure that all assets identified and approved by GADC to be disposed by the ministry to its staff are valued and subject to a tender or other process that is appropriate to the value of the asset.

## Government Vehicle operations

26. HODs shall be responsible for taking care of all government vehicles under the ministry and ensure that the related requirements of Policy 14 of the Public Service Commission (PSC) Policy Manual are duly adhered to by all Accountable Officers.
27. Drivers of government vehicles shall only be those stated in Policy 14.4 of the PSC Policy Manual and shall comply with the related requirements of such policy. All drivers must have a current driver's license of the relevant class or type of vehicle.
28. HODs are to keep the complete and updated records of staff and the approval granted to them to drive government vehicles as per Policy 14.4(b).
29. Government Vehicles must only be used for official purposes, except for those with Transport Privileges as per Policy 14.7 & 14.8.
30. Any staff authorized to drive government vehicles shall keep a record of each and every official runs made by that government vehicle in a vehicle log book for each government vehicle.

<sup>1</sup> Members of the GADC include: **Chairman** – Minister of Finance, **Deputy Chairman** – Director of Works, **Members:** Secretary for Finance, Auditor General. Secretariat is provided by Treasury staff.

31. The vehicle log book shall be reviewed by a senior officer independent of the officer's recording it on a regular basis and sign as evidence of the review.
32. Government vehicles shall be used and maintained so as to maximize their useful life and their value upon disposal.

#### **Private use of Ministry's Assets**

33. HODs shall ensure that proper system of control is established and clear guidance provided to identify what, if any, private use of entity assets is acceptable, the level of use (defined in terms of quantity), and the circumstances under which costs will be recovered. This includes the use of photocopiers, telephones, cellphones, means of accessing the internet, and stationery.
34. The ministry shall have an internal policy on the use of communication technology – cellphones, telephones, and e-mail and other access to the Internet – and HODs ensure that staff are well informed of such policy. Such policy should consider the risk of abusing the use of such communication technology.
35. Any costs of private use of assets should be recovered, unless it is impractical or uneconomic to separately identify those costs, and where it is administratively possible and cost-effective require reimbursement of personal use of communications technology.
36. The use of the ministry's assets in any private business that any employee may operate is prohibited. HODs shall report any such instance to the Secretary for Finance & Planning and to the Auditor General.

I would greatly appreciate taking the appropriate actions to comply with the above stated requirements in order to ensure a complete and accurate accounting, and safe custody, of government assets and public funds.

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SECRETARY FOR FINANCE & PLANNING

