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Title of Document (To be amended): Financial Instructions 3: Payments					
Reference No. of Document:FI3 Payments 20180322.doc					
Issue No.				Format No	
1			1		
Rev. 01	Date	Rev.02	Date	Rev.03	Date

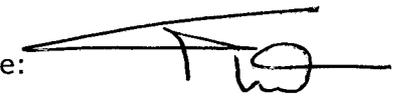| Purpose to Change Document |
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Proposed Change:

Submitted By: George Plant   Date: 15 October 2018

Designation: Deputy Secretary (Treasury)   Signature:

Approved / Non-Approved	Reason if not Approved
Approved By: Martin Hunt	
Designation: Secretary for Finance	

New Issue No.

Republic of Nauru

Financial Instructions

Payments

March 2018

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ABBREVIATIONS

AOP	Annual Operating Plans
APP	Annual Procurement Plans
BOs	Budget officers
BoP	Balance of Payments
CA	Chief Accountant
COFOG	Classification of Functions of Government
CPI	Consumer Price Index
CSD	Chief Secretary Department
DoBD	Director of Budget and Debt
DoF	Department of Finance
DoP	Director of Payments
FMIS	Financial Management Information Systems
FMM	Fiscal Management Model
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GoN	Government of Nauru
HoD	Head of Department
ISHT	Inter Sub-Head budget transfer
MSA	Management Systems Accountant
NSDS	National Sustainable Development Strategy
PAD	Planning and Aid Division (DoF)
PO	FMIS-based Purchase Order
PR	FMIS-based Purchase Requisition
PV	Paper-based GoN Purchase Order/Payment Voucher
SOE	State-owned enterprise

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PAYMENTS PROCESSES

Overview

3.1.   The Treasury is responsible for approval of bills invoices and making payments. Payments are to be made as per the terms of payments and other terms & conditions and to the authorized person only. Necessary adjustments/deductions are to be made from the bills invoices (such as for advances, recoveries, taxes, shortages etc.). It is to ensure that all expenditure is incurred with due economy as if and with as much care as a person with ordinary prudence would take in case of his own business and finances.

3.2.   The payment function includes the following:
- To operate bank accounts
- To handle cash
- To make payments to suppliers and contractors based on bills invoices approved for payments subject to the budget provision, delegation of powers and proprietary conditions.
- To exercise necessary check on all claims before payment, and this includes ensuring that such payments are in accordance with the rules and regulation issued by the competent authority, that sanctions for payments are issued by competent authorities in accordance with the delegation of powers, and that they are incurred against duly sanctioned estimates and covered by allocations of funds under the budget in force;
- To observe rules, procedures etc. regarding deduction of tax at source, remittance to various Government authorities as per law and where applicable
- To comply with various instructions issued from time to time for economy in expenditure

3.3.   The GoN payment process is a combination of manual paper-based payment vouchers (PVs) and electronic Purchase Requisitions[1] (PR) and Purchase Orders (PO) that are raised within the Accounts Payable (AP) module of the Government's FMIS. The paper-based use of PR's now has little value and with increased roll-out of the FMIS can be removed in the future.

3.4.   The international standard for terms of trade with suppliers is to make payment thirty days after acceptance of a valid supplier invoice. At present, many GoN suppliers request payment in advance of supply, however, wherever possible, departments/agencies/procurement agents should negotiate with suppliers a formal payment date of thirty days after acceptance by the Government of a valid supplier invoice.

3.5.   The accounts of all transactions are maintained centrally on the FMIS by the Treasury. Weekly reporting of departmental/agency budget heads at the level of natural account and transactions will be supplied by the Treasury to each Department for reconciliation with reference to source document i.e. Payment Vouchers to exercise control over expenditure.

Payment Processes and Instructions

Purchase requisitions

3.6.   The raising of purchases is the role responsibility of departmental budget officers, admin officers and accounting officers. The form to be used is the paper PV form.

3.7.   All PVs are required to be submitted and approved through the FMIS using the Purchasing module.

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[1] The paper-based forms for either Government travel or General purchase are labelled "Purchase Order/Payment Voucher". This is a legacy from when the entire system was paper-based.

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3.8. All PVs (Paper Purchase vouchers) **must** be signed by the HOD or the Acting HOD. At this early stage they should check that the propose purchase is consistent with the budget purpose and that sufficient funds in the proposed budget line natural account are available.

3.9. Departmental Budget/Finance Officers should take the details from the signed PV and create an electronic Purchase Requisition on the FMIS[2]. In completing the Purchase Requisition, the officer **must**-

    3.9.1. Ensure that the Supplier Account has been raised on the system and describes correctly whom the payment is for.

    3.9.2. Provide the Department and Contact person in the department who can be contacted regarding the requisition.

    3.9.3. Select the payment method to be used (EFT, TT, Cheque). The preference for all payments is by electronic transfer (EFT or TT) and only in exceptional circumstances[3] will payment by cheque be allowed.

    3.9.4. Provide an adequate and accurate description of the Goods or Services

    3.9.5. Provide the budget line and ensure that the Natural Account code is correct for the type of expenditure.[4]

3.10. Supporting documentation such as procurement details, contract details, delivery notes and/or invoices **must** be scanned attached by the officer raising the requisition to the FMIS requisition. The signed PV should also be scanned and attached to the transaction recorded on the FMIS for Treasury Assessors to review and analyse. The original paper PV should be retained and filed (along with original supporting documents by the department. Only electronic copies should be attached and sent through with the purchase requisition to Treasury.

3.11. Note that if there are insufficient funds in the budget line and Natural Account code to which the requisition is being charged the system will not allow it to be created. In this situation Budget/Finance Officers **must** contact the CA in Treasury immediately if the payment is for goods or services that have already been received.

3.12. Budget officers send the PVs via Workflow to their HoD for approval

3.13. HOD may endorse the PV they **must** again check that the proposed expenditure is consistent with the purpose of the budget line to which it has been charged and consistent with the approved operational plan for the department. if it is not they **must** reject the PV. If approved, it will be sent directly via Workflow to the Treasury Assessor (TA1/2).

3.14. Note: Donor PVs for payment will go to the Planning and Aid Division workflow for assessment on funding and compliance with the donor project agreement. If the PV is rejected, then it will be sent back to the originating department.

3.15. The PAD assessor will review the requisition information and **must** ensure: -

    3.15.1. That the proposed transaction has been correctly charged to a donor-funded project that has been loaded onto the FMIS

    3.15.2. That the proposed expenditure is consistent with the donor-agreed expenditures under the project

    3.15.3. That the proposed expenditure has not already been paid

    3.15.4. That for purchases requiring procurement that the procurement documentation has been included with the requisition

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[2] This process is detailed under section 4.2 of the *FMIS Manual v 1.1*

[3] If payment is being requested by Cheque approval to do so must be sought from the Chief Accountant prior to entering the requisition onto the FMIS.

[4] If in doubt refer to the latest list of Natural Account codes and permissible transactions included with the Budget Circular or available from Treasury.

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3.16. If the documentation is incomplete or errors exist in the proposed requisition the PAD assessor **must** reject the proposed requisition provide a note on the system explaining the rejection and return it in the workflow to the originating department. If the requisition is approved, it will be sent to the Treasury Assessor (TA1/2).

3.17. The Treasury Assessor will review items (requisitions) that are awaiting Purchase Order Entry [5]. They will review the requisition information with the attached scanned version of the paper PV and scanned supporting documents such the approval by the cabinet, receipts, quotes, travel documents, and others. The Treasury Assessor **must** ensure: -

    3.17.1.   That the details of the payee are correct and that the system has the correct bank details

    3.17.2.   That the proposed transaction is a permissible transaction against the natural account

    3.17.3.   That the PV has been correctly raised by a departmental/agency finance officer and approved by the HoD

    3.17.4.   That the calculations are correct, and payments are consistent with amounts checked on invoices

    3.17.5.   For the payment of goods and services evidence of procurement requirements are attached

    3.17.6.   For travel, the requested amounts are correct and do not include payment which will be borne by sponsoring organisations.

    3.17.7.   In the case of a transaction where an invoice has been attached ensure that the invoice has been endorsed as received and that it has not previously been paid.

3.18. If the PV is rejected by the Treasury Assessor, then it will be returned the HoD in their workflow.

3.19. If the PV is approved by the Treasury Assessor, then the purchase will be moved to the Chief Accountant's/Treasury Deputy Secretary's workflow. The Chief Accountant/Treasury Deputy Secretary will perform his or her final review to check the PV and the supporting documents. If the Chief Accountant/Treasury Deputy Secretary is satisfied with the PV then they will approve it. For PVs below the $1,000 threshold it will go directly to the Pre-Approver, but for the PVs above the $1000 threshold it will go to the Minister of Finance's workflow for final approval.

3.20. Conversely, if the Chief Accountant/Treasury Deputy Secretary finds errors or discrepancies or omissions on the requisitions then the CA/Dep Sec **must** reject the requisition. They will note on the system the reason for rejection, and it will return directly to the originator's workflow (budget/finance officer).

3.21. Following approval of the requisition by the Minister the document is moved via the workflow to the Pre-approver. The Pre-approver **must** ensure that the requisition has been approved by either the Minister or the Chief Accountant/Deputy Secretary (in the case of items less than $1,000).

Purchase Orders

3.22. The Treasury Pre-approver undertakes the process to release the Purchase requisition to a Purchase Order[6].

3.23. Normally the Purchase Order is provided to the supplier who then supplies the goods or services to the Government. In Nauru often, the goods or services have already been supplied and the Goods Receipting process occurs simultaneously[7]. With improving credit terms, it is expected that Purchase orders produced by the system will be issued to suppliers for the provision of goods and services to Government.

Goods Receipt and Payment

3.24. Evidence of goods receipt (Delivery dockets; signed and endorsed invoices etc.) **must** be included by department HoDs/Budget officers before payment processes are initiated. Any proposal to pre-pay for services or goods **must**

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[5] This process is detailed as the Pre-Approver under section 4.3 of the *FMIS Manual v1.0*

[6] This process is described in section 4.3 of the FMIS Manual

[7] This process is described in section 4.4 of the FMIS Manual

include signed documentation in the form of contracts or agreements providing evidence for pre-payment requirements.

3.25. The Treasury Pre-approver **must** check that evidence of the goods receipt has been provided or that evidence to undertake pre-payment approval has been included with the transaction documentation. If evidence has not been provided payment **must** be dis-continued until provided. The Pre-approver shall notify the originator of the requirement to provide the supporting documentation.

3.26. In receipting the goods or services on the FMIS the Pre-approver **must** check that only those lines on the requisition that have been received and ensure that quantity received is correctly entered on the system.

3.27. The Pre-approver will undertake the receipt to invoice process and **must** ensure that the correct method of payment is used[8]. For payments that are to be made using electronic funds transfer (EFT/TT) the Pre-approver **must** ensure that if the payment is for <u>more than $500,000 it is not</u> included in a bulk bank payment but is paid as an individual bank transaction. They **must** also ensure that the Creditor details have been entered into the system[9] and that duplicates of the same creditor do not exist on the system. <u>Note that the system has been setup to automatically match the Purchase Order to invoice.</u>

3.28. In the case of a supplier being paid by a Government cheque the Pre-approver **must** ensure that: -

   3.28.1.   The correct creditor number and order number are entered for the payment

   3.28.2.   That the automatic matching is carried out and the correct details have been entered onto the ledger

   3.28.3.   That following the printing of the cheque the document file is posted to complete the process.

3.29. In the case of a supplier being paid by EFT/TT the Pre-approver **must: -**

   3.29.1.   Ensure the correct invoice number and invoice date are entered into the system

   3.29.2.   That the correct creditor and order number corresponding to the payment has been selected

   3.29.3.   That the invoice is automatically matched on the system.

   3.29.4.   The document is accepted and posted.

3.30. Direct supplier payment is only used by Treasury in the cases where an invoice has already been signed to approve payment[10]. Departmental HoDs/Budget officers **must** not use this payment method. In raising the payment, the Treasury officer **must** complete the normal ledger details and submit the payment to the Treasury Assessor to follow normal payment procedures.

Payment processing

3.31. Payment processing is undertaken by the Pre-approver in the Treasury[11]. Four payment runs are available on the system. The Pre-approver **must** ensure that the process associated with each payment type is followed. In particular: -

   3.31.1.   The remittance message is included in the payment run providing a description of the payments.

   3.31.2.   In printing cheques, the number of cheques to be printed is equal to the number of suppliers to be paid by cheque.

   3.31.3.   Ensure that printed cheques are securely stored and passed to the appropriate Treasury officers for endorsement. Two endorsements are made, neither of which can be beneficiaries of the cheque.

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[8] This process is detailed in section 4.5 of the FMIS manual.

[9] This process is detailed in section 8.2 of the FMIS manual.

[10] This system is used for payment of things such as utilities where an invoice

[11] This process is detailed in section 4.6 of the FMIS manual.

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3.31.4. For EFT payments the eft banking file when produced is emailed immediately to the Banking Officer for uploading to the internet.

3.31.5. That all remittance advice is emailed to the departments initiating the payment.

3.31.6. That all payment runs are finalised and posted to the General Ledger

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Penalties

3.32. Compliance with these instructions is required by all employees of the Government. Non-compliance with the following instructions will be regarded as misconduct under the **Public Service (Disciplinary Procedures) Regulations 2016**.

MISCONDUCT	SERIOUS MISCONDUCT
Instructions No:	Instructions No.
3.8; 3.9; 3.10; 3.10; 3.15; 3.16; 3.17; 3.24; 3.26; 3.27; 3.28; 3.29; 3.30; 3.31	3.13; 3.20; 3.21; 3.25;