

# Financial Instruction 1: General Principles

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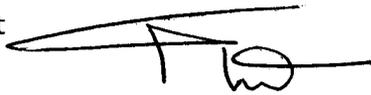
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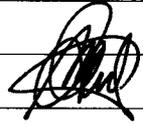
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# Republic of Nauru

## Financial Instructions

### General Principles

February 2018

## FOREWORD

It gives me great pleasure to announce the release of the Government's new Financial Instructions.

The release of these Instructions marks a significant development in the Government's public financial management framework. The Instructions are a key part of the Government's major policy initiatives intended to ensure that the Government maintains a sustainable fiscal position, resources are allocated effectively, public goods and services are delivered efficiently, the Government's finances and other resources are used in a controlled and transparent fashion and Government officials are accountable for the use of those public resources.

Instructions are produced for each major element of Public Financial Management and set out in detail the Government's legal framework and financial management systems, together with financial management principals, policies and procedures to be followed by GoN departments and agencies. The Instructions have been designed to bring clarity and uniformity to GoN policy and practice in public financial management.

These Instructions covering the General Principles will take effect from 15 October 2018 and will apply to all Government departments and agencies. I encourage every Head of Department to ensure that they and their staff are thoroughly familiar with the Instructions and ensure that the Instructions are implemented efficiently and effectively.

David Adeang  
Minister of Finance  
15 October 2018

## ABBREVIATIONS

CA	Chief Accountant
FMIS	Financial Management Information Systems
GoN	Government of Nauru
HoD	Head of Department
IMF	International Monetary Fund
IPA	Independent Procurement Agent
ISHT	Inter Sub-Head budget transfer
MoF	Ministry of Finance
PAD	Planning and Aid Division (DoF)
PFCMA	Public Finance (Control and Management) Act 2012
PFM	Public Financial Management
SOE	State-owned enterprise
TFPA	Treasury Fund Protection Act

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## General Principles

### Institutional application of the Financial Instructions

- 1.1 The Financial Instructions apply to all financial management activities undertaken by Government of Nauru (GoN) Departments and agencies.

### Purpose of the Instructions

- 1.2 The purpose of the Financial Instructions is to provide GoN users with financial guidance consistent with the legal framework for public financial management in Nauru<sup>1</sup>.
- 1.3 The Instructions have been established to improve and clarify financial management and control within Government consistent with international best practice. The foundations of the control framework have been designed to ensure that there is a primary focus on accountability, value for money, fairness, transparency and compliance with these prescribed policies and procedures.
- 1.4 The Instructions set out the financial responsibilities, policies and procedures adopted by the Government of Nauru. They are designed to ensure that the Republic's financial management processes and procedures are carried out in accordance with the law and Government policy. The Instructions identify the financial responsibilities which apply to all persons employed directly or indirectly by the Government and its entities and Funds. The Instructions are aimed to create a common public financial management (PFM) protocol.
- 1.5 It is expected that some elements of PFM will change through time and for this reason the Instructions are formatted so that individual elements may be updated and approved without the requirement to change the entire set of instructions. The Secretary for Finance will formally approve each instruction and Treasury will provide updates to each department as they are made. It is important that departments liaise with Treasury to ensure that they are operating based on the most recent instruction.
- 1.6 While each Government department and agency is unique in terms of its objectives and daily operations, the Instructions are required to ensure that financial transactions are properly managed, controlled, recorded and reported on a consistent basis and that appropriate governance and control frameworks in place. The Instructions should form the minimum standard for financial controls in every department and agency. The Instructions emphasize the responsibilities of Heads of Departments and all other GoN officers who should ensure that the financial systems which they are responsible for are operating in accordance with appropriate internal controls and governance frameworks. This responsibility cannot be delegated. It is the responsibility of all GoN offices who have a fiduciary duty for management and control of government funds and assets to understand the Instructions and ensure that the internal controls and governance frameworks are followed. Section 5 of the Instructions sets out the sanctions and penalties that can apply as a result of failure to comply with the Instructions.
- 1.7 Any questions relating to the application or interpretation of the Instructions should be referred in the first instance to the Chief Accountant. Should any difficulty arise regarding the interpretation or application of any of the FIs, the clarification of the Chief Accountant must be sought in writing before implementation. In cases where Instructions are not considered to be applicable or require changes for specific situations, the Chief Accountant must be consulted, and any approval for variation of the Instructions must be obtained in writing. The Secretary for Finance will continue to amend the Instructions over time to keep them relevant and applicable.

### Use of the Instructions

- 1.8 The Instructions should be used as both a management and an operational tool by all GoN Departments and Agencies. They are drafted consistent with the legal requirements of the public financial management.

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<sup>1</sup> The main piece of legislation is the *Public Finance (Control & Management) Act 2012*

- 1.9 The Instructions should be used by GoN management and auditors for the purpose of auditing and evaluating user compliance with the PFM regulatory framework.

#### Version Control

- 1.10 To maintain strict version control, each Instructions will be assigned an Issue No. and date. These *General Principles* will be Financial Instruction 1 (FI 1.X). Financial Instructions covering other elements of PFM will be subsequently numbered. First editions will be identified as Issue No. 1, together with the Issue Date. All subsequent editions will be given a sequential revision number and the relevant issue date. The revision number and issue date will appear in the document header on each page of the Manual, to ensure that readers have the most recent version.

#### Responsibility for the Instructions

- 1.11 Responsibility for the issue and maintenance of the Instructions rests with the Secretary for Finance.

#### Legal Authority for the Financial Instructions

- 1.12 These instructions are issued under the *Public Finance (Control and Management) (Financial Instructions) Regulations 2018* by the Secretary for Finance.

## Business Conduct

### Purpose

- 2.1 Government is committed to a policy of fair dealing and integrity in the conduct of all aspects of its business and operations. This commitment is based on a fundamental belief in law, honesty and fairness. Government expects its employees to share its commitment to high legal, ethical and moral standards. Further information on conduct is provided in the GoN Public Service Values and Code of Conduct.

### Compliance with Laws and Regulations

- 2.2 Government and its employees must always comply with all applicable laws and regulations. Government will not condone the activities of any employee who violates the law or participates in unethical business dealings. No activity should be undertaken which will not stand the closest possible scrutiny.
- 2.3 Employees **must** ensure that their conduct cannot be interpreted as being in any way in contravention of laws and regulations. Whenever an employee is in doubt about the application or interpretation of any legal requirement, the employee should refer the matter to their Head of Department who, if necessary, should seek the advice of the Chief Accountant, Deputy Secretary (Treasury) or the Secretary of Finance.

### Conflict of Interest

- 2.4 Employees **must** perform their duties conscientiously, honestly and in accordance with the best interests of the Government.
- 2.5 Employees **must** not use their position, or the knowledge gained through it, for private or personal advantage, or in such a manner that a conflict or the appearance of a conflict arises between the Government's interest and their personal interest. A conflict of interest is created when an obligation, interest or distraction exists which would interfere with the independent exercise of judgement in the Government's best interest.
- 2.6 If an employee feels that a course which they have pursued, is pursuing or is contemplating pursuing, may involve them in a conflict of interest, they **must** immediately make all facts known to their supervisor.

### Political Activity

- 2.7 Government funds, goods or services **must** not be used as contributions to political parties, and Government facilities must not be made available to candidates or campaigns unless authorised by the Chief Secretary.

### Government Funds and Property

- 2.8 Employees with access to Government funds or property in any form **must** follow the prescribed procedures for recording, handling and protecting funds or property as detailed in these Instructions and other departmental circulars and memoranda. Standard instructions are imposed to help prevent fraud and dishonesty and where an employee is aware of any evidence that fraud or dishonesty may have occurred, they should immediately advise their Head of Department or the Chief Accountant, so that further investigation can be promptly initiated.
- 2.9 Where an employee's position requires spending of Government funds or incurring any expenses to be reimbursed by the Government, it is the individual's responsibility to use sound judgement on the Government's behalf and to ensure that equitable, appropriate value is received for every expenditure. Government funds or property should only be used for Government purposes and must not be used for personal reasons.

### Government Records

- 2.10 Accurate and reliable records are necessary to meet legal and financial obligations and to properly manage the affairs of Government. Records must reflect all business transactions in an accurate and timely manner. Undisclosed or unrecorded funds or assets or liabilities are not permissible, and Heads of Departments as well

as other employees responsible for accounting and record-keeping functions **must** be diligent in enforcing all Financial Instructions.

### Dealing with Outside Persons and Organizations

- 2.11 Employees must take care to separate personal dealings from Government positions when communicating on matters not involving Government business. Government identification, stationery, supplies and equipment **must** not be used for personal or political matters.

### Prompt Communications

- 2.12 Every effort **must** be made to achieve complete, accurate and timely communications with applicants, suppliers, customers, government authorities and the public when dealing with matters relevant to them. A prompt and courteous response must be made to all proper requests for information and to all complaints.

### Privacy and Confidentiality

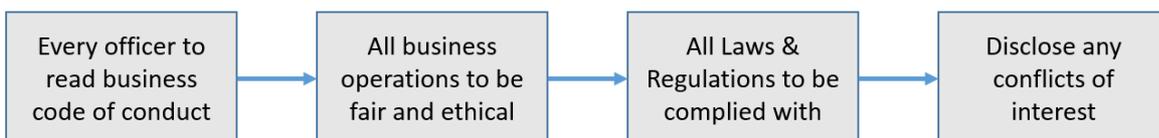
- 2.13 When handling financial and personal information, only such personal information as is necessary to Government's business should be collected, used and retained. Information should only be retained if it is needed or as required by law, and the physical security of such information should be protected. Internal access to personal information should be limited to those with a legitimate business reason to seek the information. Personal information should only be used for the purposes for which it was originally obtained.

### Common Standards of Financial Propriety:

- 2.14 Every officer authorizing commitment of public moneys, expenditure of public moneys or other uses of public resources should be guided by the highest standards of financial propriety. Every officer who is responsible for requests and approvals of commitment and use of public resources **must** ensure that all applicable financial management laws, regulations, policies and prescribed procedures are strictly observed. Key standards of financial propriety include the following:
- (a) GoN officers are expected to exercise the same due diligence in respect of receipts, expenditures, liabilities and assets that persons of ordinary prudence would exercise in respect of their own money.
  - (b) In entering into purchasing contracts or making payments, officers should ensure that the principles of efficiency, effectiveness, economy, fitness for purpose and value for money are transparently considered and satisfied.
  - (c) GoN officers should not enter into purchasing contracts or approve payments or undertake any other activities using Government resources that would personally benefit them or be advantageous directly or indirectly to themselves.

### Detailed Processes and Procedures

#### Business conduct process



## Governance

### Finance Structure

- 3.1 The Finance Ministry consists of the following departments
  - (a) Treasury
  - (b) Planning and Aid
  - (c) Statistics
  - (d) Customs
  - (e) Revenue
  - (f) GoN Warehouse
- 3.2 The Treasury executive comprises the Finance Secretary, the Deputy Secretary Treasury and the Chief Accountant. Three Divisions operate under the direction of the Chief Accountant:
  - (a) Systems and Processing Division; which is involved in the processing of payment requests.
  - (b) Financial Reporting Division; which undertakes the compilation and preparation of financial reports
  - (c) Budget and Debt Division. which undertakes the preparation of the annual budget estimates along with requests for Supplementary Appropriations or ISHT's
- 3.3 The organization structure of the GoN Treasury is set out in Figure 1.

### Governance structure

- 3.4 Each department and agency should establish governance arrangements appropriate to its business, scale and culture. The structure should combine efficient decision making with accountability and transparency.
- 3.5 In doing so, government departments should be guided by the GoN Corporate Governance Code. Each department needs clear leadership, normally provided by a Head of Department.
- 3.6 It is good practice for SOEs to use similar principles. In many SOEs some structural features, such as board composition, derive from statute but considerable discretion may remain. In some organizations it is usual, or found valuable, for the board to include members with designated responsibility or expertise e.g. specialist professional skills.

### Working methods

- 3.7 The head of each department is accountable to Parliament for the quality of the administration that they lead. The operational methods employed should always comply with the Government's legal framework, and effectively and efficiently deliver each department's policy, program and service objectives, targets, responsibilities and obligations. It is against these standards that failure to deliver is assessed.
- 3.8 Treasury maintains an overall leadership position in managing public expenditure and setting the rules under which departments and agencies should deploy the assets, people and other resources under their control. In turn each department should have robust and effective systems for their internal management according to Treasury requirements.
- 3.9 To help the Treasury carry out this task properly:
  - (a) departments and agencies should provide the Treasury with accurate and timely information about in-year developments – they must ensure that any revenue collection is up-to-date and has been brought to account on the FMIS. Similarly, all approved invoices have been presented for payment and that serious unforeseen events or discovery of fraud are immediately reported to the Deputy Secretary for Treasury;
  - (b) SOEs should provide their portfolio Minister's and Board's with similar information; and

- (c) the established mechanisms (such as the FMIS) for controlling and reporting public expenditure, including Treasury support or approval where necessary, should be respected.
- 3.10 Departments should consult the Treasury (and SOEs their portfolio Minister's) at an early stage about proposals to undertake unusual transactions or financing techniques. This applies especially to any transactions which may have wider implications elsewhere in the public sector.

### Transparency

- 3.11 Departments and agencies should operate as openly as is compatible with statutory disclosure requirements and the requirements of their operational business. In line with statutory public disclosure requirements, they should make available timely information about their finances, services, standards and performance. This material should strike a careful balance between protecting confidentiality and open disclosure in the public interest.
- 3.12 The primary document of record for central government departments is the annual operational report, which should provide summary information about the agency's annual performance against budget and operational achievement against objectives and indicators.
- 3.13 In addition, the Treasury is responsible for publishing information about use of public resources at the whole of government level, including the annual financial statements of the government which consolidates all government organizations' accounts and provides comparisons of outturn with the national original and revised budgets.

## The elements of good governance

### Effective financial governance

- 3.14 The Department Head **must** establish and maintain effective financial governance that includes:
- (a) an appropriate internal management structure and oversight arrangements for planning, managing and overseeing the financial operations, risks and opportunities of their agency to achieve performance and compliance with these instructions;
  - (b) appropriate levels of resourcing and capability (including succession planning) to deliver their agency's financial management, performance and sustainability obligations;
  - (c) clear roles, responsibilities, accountabilities and delegations that are documented and communicated;
  - (d) the development and implementation of policies and procedures to support the internal control system<sup>2</sup>, in a way that is consistent with, and appropriate for, the sound financial management of their department's business operations;
  - (e) the effective management and oversight of any activities that are undertaken externally, including shared services arrangements and outsourcing to private sector providers;
  - (f) effective relationships between stakeholders, including the Parliament, the portfolio Minister, committees of the agency and management;
  - (g) cooperation with external parties, including other agencies, to achieve common objectives; and
  - (h) consideration of the effect of compliance burdens when developing and imposing requirements.

### Internal Control System

- 3.15 The Department Head **must** establish an effective internal control system to:
- (a) ensure effective and efficient agency operations and processes;
  - (b) safeguard resources and assets, and minimize fraud, misuse and other losses;

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<sup>2</sup> The CA within Treasury is available to provide advice on appropriate internal controls to HoDs upon request.

- (c) produce reliable internal and external reports; and
- (d) comply with applicable laws, regulations and standards.

3.16 The Department Head **must**:

- (a) design, implement and communicate to staff policies and procedures that meet the requirements in these Instructions;
- (b) conduct periodic reviews of those policies and procedures to reflect changes in business operations, technology and good practice trends in financial and risk management; and
- (c) ensure their agency operations and processes comply with those policies and procedures.

#### Fraud, Misuse and Other Losses policy

3.17 The Department Head **must**:

- (a) take all reasonable steps to minimize and manage the risk of Fraud, Misuse and Other Losses; and
- (b) establish a Fraud, Misuse and Other Losses prevention and management policy that is implemented across the Agency.

#### Recordkeeping

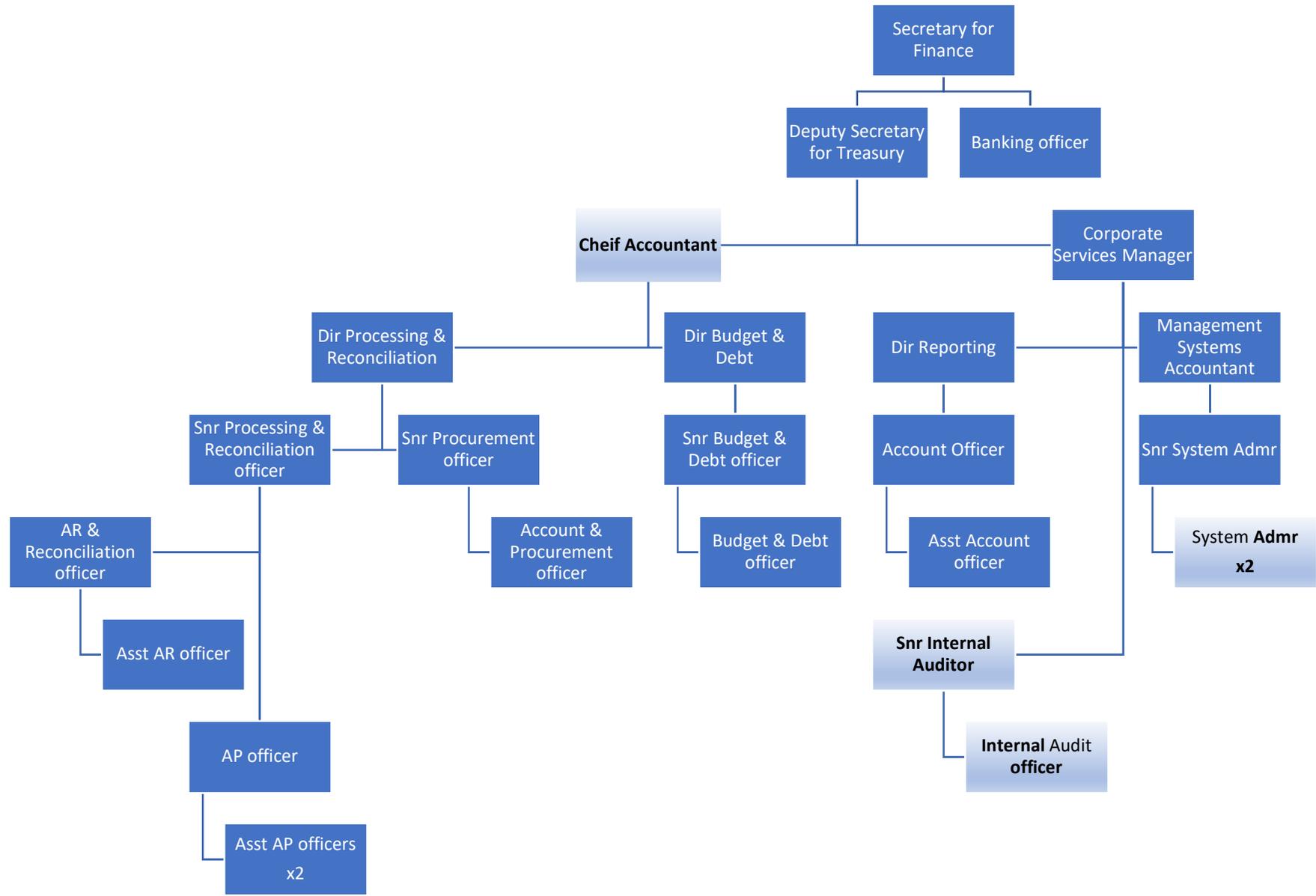
3.18 The Department Head **must**:

- (a) keep records of all actual and suspected Fraud, Misuse and Other Losses, including remedial actions planned and taken; and
- (b) provide their responsible minister, the Finance Secretary, Deputy Secretary for Treasury or Chief Accountant with a copy of the records kept.

#### Significant or Systemic Fraud, Corruption and Other Losses

3.19 Where an Agency is made aware of an actual or suspected significant or systemic Fraud, Misuse or Other Loss, the Department Head **must**:

- (a) notify, as soon as is practicable, the Responsible Minister, Secretary for Finance, Deputy Secretary for Treasury or Chief Accountant and Auditor-General of the incident and remedial action to be taken;
- (b) ensure that the persons notified are kept informed about the incident, including the outcome of investigations; and
- (c) ensure that the agency takes appropriate action to mitigate against future Fraud, Misuse and Other Losses.



Structure of the Treasury

## Roles and Responsibilities

- 4.1 The objective of the GoN roles and responsibilities framework is to ensure that GoN roles and responsibilities, and related financial authorizations and delegations, are clearly defined, documented and exercised in line with Government best practice.

### Responsibilities of the Parliament:

- 4.2 The Parliament is responsible for examining and debating the Government's annual budget estimates. It is the only authority for approving and passing the Government's annual budget and appropriation Bill or examining and passing changes to the budget by supplementary appropriation Bills<sup>3</sup>.
- 4.3 It is also responsible for passing laws in relation to taxes, fees and charges, passing laws in relation to public financial management, passing laws in relation to the establishment of various GoN Funds, receiving and examining the annual financial statements of the Government, and oversight of the GoN finances and public financial management generally.

### Responsibilities of the Cabinet

- 4.4 The Cabinet has the responsibility of recommending the Appropriation Bill and any Supplementary Appropriation Bill to Parliament<sup>4</sup>. The Cabinet is also responsible for approving transfers within a budget head (ISHT's)<sup>5</sup> and for directing that expenditure is to be limited under a budget head<sup>6</sup>. The Cabinet is also responsible for approving expenditures that span more than a single year<sup>7</sup>.
- 4.5 The Cabinet has considerable responsibilities under Part 3A of the PFCMA in respect of Procurement.
- 4.6 The Cabinet is also responsible for making regulations under the PFCMA<sup>8</sup>

### Responsibilities of the Finance Minister

- 4.7 The Finance Minister is responsible for the PFCMA and shall supervise the income, expenditure, assets and liabilities of the Republic and all matters related to public monies and public property<sup>9</sup>.
- 4.8 Submission of annual GoN budget estimates to the Cabinet along with tabling of the Annual Budget Statements and introduction of the annual Appropriation Bill in the Parliament is the responsibility of the Finance Minister.
- 4.9 The Finance Minister is also responsible for providing to Parliament a copy of any ISHT's that have been approved by Cabinet<sup>10</sup>.
- 4.10 The Finance Minister in consultation with the Director of Audit is responsible for the maintenance of the public accounts of the Republic<sup>11</sup>

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<sup>3</sup> s.7 of the PFCMA

<sup>4</sup> s.8(1) of the PFCMA

<sup>5</sup> s.8(5) of the PFCMA

<sup>6</sup> s.12(1) of the PFCMA

<sup>7</sup> s.13(1) of the PFCMA

<sup>8</sup> s.32 of the PFCMA

<sup>9</sup> s.4(2) of the PFCMA

<sup>10</sup> s.8(7) of the PFCMA

<sup>11</sup> s.9 of the PFCMA

- 4.11 Reporting to the Parliament on the use of moneys from the Contingency Reserve<sup>12</sup> is also a responsibility of the Minister of Finance.

### Responsibilities of Portfolio Ministers

- 4.12 Portfolio Ministers are responsible for presenting the annual estimates and any supplementary estimates of the revenue and expenditure of the department they are responsible for<sup>13</sup>. They are responsible for approving proposed annual budget estimates, approving the internal allocation of annual budgets, and approving proposed Inter-Sub-Head-transfers (ISHT) of budgets within department sub-heads and Natural Accounts.
- 4.13 They are responsible for the strategic direction and oversight of their portfolio departments and agencies, including setting policy and performance targets, examining and approving portfolio program and project proposals.

### Responsibilities of the Finance Secretary

- 4.14 The Finance Secretary is responsible for preparation of macroeconomic and fiscal outlook statements, preparation of GoN fiscal strategy, submission to the Finance Minister of proposed annual sector allocations and department budget ceilings, and preparation of the annual Budget statements.
- 4.15 Selection of the IPA through competitive tendering and extension of the engagement<sup>14</sup> and preparation of the Procurement manual<sup>15</sup>.
- 4.16 The Secretary for Finance also has the responsibility for jointly recommending the write-off of public monies or public property to the Finance Minister<sup>16</sup> and any of the Minister for Finance powers delegated to him<sup>17</sup>.

### Responsibilities of the Treasury

- 4.17 Treasury has overall responsibility for the efficient and effective management of the Government's finances. This includes all activities and aspects relating to GoN financial management, macroeconomic and fiscal forecasting and modelling, fiscal strategy, financial management policy setting, annual budgeting, procurement, payments, receipting, banking, cash management, financial control and risk management, accounting and financial reporting, supported by GoN Departments and agencies. More specifically, the Treasury is responsible for:
- (a) Assisting in exercising adequate financial management and control over the operations of the Government in terms of budgetary control over recurrent and capital expenditure, financial reporting and in taking timely corrective to maintain financial stability.
  - (b) The financial management function includes the following:
    1. To assist in preparation of long term and annual capital budget and operating budget for each program and activity.

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<sup>12</sup> s.15(3) of the PFCMA

<sup>13</sup> s.4(3 &4) of the PFCMA

<sup>14</sup> s.15C(2)(b) & s.15C(5) of the PFCMA

<sup>15</sup> s.15D of the PFCMA

<sup>16</sup> s.17(1) of the PFCMA

<sup>17</sup> s.33(1)

2. To exercise budgetary control and submission of required returns for Management control.
3. To assist the Management in making various investment decisions.
4. To generate Management Information Reports for efficient decision making by the Management at all levels to help in running the operations of the Government efficiently and economically.

4.18 In addition, the Treasury is responsible for all the Governments dealings with the IMF and World Bank<sup>18</sup>

### Responsibility of Head of Departments:

- 4.19 Heads of Department shall<sup>19</sup>: –
- (a) control the revenue or expenditure of the Department; and
  - (b) be responsible for all public moneys collected, received or disbursed, all services and public property and other assets of the Republic received, held or disposed of by or on account of the Department.
- 4.20 A Departmental Head shall define in writing the extent to which their powers and duties may be performed on their behalf by an accounting officer under his control. They are responsible to ensure that any delegated powers and duties are performed properly.
- 4.21 The Head of Department is responsible directly, and through the portfolio Minister, to the Parliament for all expenditure his Department incurs, and to ensure that expenditures made and committed can be met from the balance of funds still remaining in any departmental sub-head appropriation and that commitments **shall not**, under any circumstances, exceed the appropriation available to make such commitments at the time the commitments were made.

### Responsibilities of Departmental Budget Officers/Accounting Officers/Admin Officers

- 4.22 Departmental Budget Officers and Accounting Officers are responsible for:
1. preparing annual budget estimates, preparing annual budget submissions in accordance with the annual budget circular and timetable,
  2. maintaining records of budget adjustments,
  3. negotiations with Treasury in relation to annual estimates,
  4. preparing revenue invoices for GoN fees and charges,
  5. collecting revenues, banking revenues,
  6. maintaining reconciliations of revenue collections,
  7. maintaining records of accounts receivable,
  8. preparing aged analyses and reports on accounts receivable,
  9. taking follow up action on overdue receivables,
  10. undertaking annual and medium-term procurement planning
  11. preparing and publishing annual procurement plans,
  12. undertaking procurement action, including identifying departmental requirements, and specification of requirements,
  13. raising of purchase requisitions,
  14. raising of purchase orders,
  15. certification of delivery of goods and services,

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<sup>18</sup> s.8 of the International Monetary Fund and World Bank Institutions Act 2016

<sup>19</sup> s.14 of PFCMA

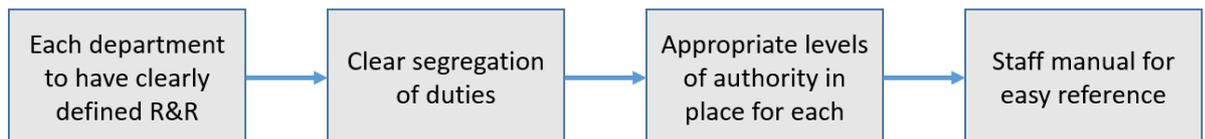
16. certification of supplier invoices in line with orders, contracts and delivery certificates,
17. issuance of payment requests,
18. maintenance of supplier and accounts payable records,
19. maintenance of fixed asset and inventory records,
20. undertaking regular rolling stocktake and valuation of fixed assets,
21. management of disposal of fixed assets in accordance with GoN policy,
22. issuance of requests for write-down and write-off of assets,
23. preparation of monthly financial reports,
24. preparation of annual financial reports,
25. compliance with framework of internal control and risk management, and
26. compliance with GoN financial legal framework, including laws, regulations and Financial Instructions.

### General Powers and Responsibilities

- 4.23 In terms of overarching responsibilities, it is the duty of all Departments, and each public officer within these departments, to ensure that all receipt and dues of the government are correctly and promptly assessed, collected and credited to the Treasury Fund. Similarly, no department may enter into any commitment, incur any liability or make any expenditure or transfer of money for investment/deposits from government account unless the same has been approved by the Parliament or an authority having appropriate delegation.
- 4.24 The Treasury Fund Protection Act also provides a further requirement on public officer<sup>20</sup> to render correct advice to Ministers or the Cabinet in relation to the spending and collection of public moneys and use of public assets.

### Detailed Processes and Procedures

- 4.25 Assigning roles and responsibilities in government.



### Financial authorizations

- 4.26 Financial authorizations are provided under these Financial Instructions consistent with the following Minister of Finance directions<sup>21</sup>.
- 4.27 In respect of a Portfolio Department, the responsible minister may:
- (a) give financial authorizations to Department employees for the creation of financial obligations for specified amounts within the agency annual budget; and/or
  - (b) authorize the Head of that Department to give financial authorisations to department employees, in which case the Department Head must not authorise the creation of financial obligations for any amount exceeding \$1,000.

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<sup>20</sup> s.6 The Treasury Fund Protection Act 2004

<sup>21</sup> s,4(2)(b) of the PFCMA

- 4.28 The HoD<sup>22</sup> is the officer authorized to commit to or approve payments on behalf of the agency. This authority may be delegated, and any such delegation needs to be provided in writing to the CA. Department Heads **must** establish and maintain financial authorizations and delegations covering the exercise of all financial roles and responsibilities.
- 4.29 The Department Head **must** ensure that the agency's financial authorizations are:
- (a) given a financial amount limit (up to \$1,000);
  - (b) appropriate for the efficient and effective conduct of the business of the agency;
  - (c) assigned to a specific position and that position is appropriate in relation to the amount being authorised
  - (d) given to cease immediately upon a substantial material change in the duties of the position;
  - (e) provided to employee(s) along with these Financial Instructions;
  - (f) kept current and appropriate and regularly reviewed and updated as required; and comprehensively maintained in a central record.

### FMIS Passwords and Access

- 4.30 Access to the Governments FMIS can only be provided to staff or personnel authorised by the Management Systems Accountant in Treasury. A unique username and password will be provided to each authorised user. An authorised user **must not** share or provide access to their password and **must** keep it secure.

### Specific Financial Powers

- 4.31 Table 1 *Specific Financial Powers* details the key financial powers that are normally exercised in the discharge of responsibilities functions of departments, agencies and other instrumentalities of the Republic of Nauru.
- 4.32 For an appropriate framework of transparency and accountability to be in place, there is a need for all public officials to have a clear and common understanding of the operation of the various financial powers and to have these legislated and delegated powers maintained in well-ordered and up-to-date documentary records.
- 4.33 The key financial powers are set out in the table below to show the approving authority for different financial powers, together with the supporting legal provision. The approving authority indicated against a specific power is the final approving authority but generally there will be other organizations and officers involved in the processes leading to the provision of final approval. It is imperative that each approving authority observes the Government's code of conduct, including the strictest standards of financial prudence and propriety while exercising their financial powers and responsibilities.

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<sup>22</sup> Under s.14 of the PFCMA

TABLE 1 SPECIFIC FINANCIAL POWERS

<b>Major Category:</b>	<b>Specific Financial Power:</b>	<b>Approving Authority and Legal Provision</b>
<b><u>Appropriations and Annual Budget:</u></b>	(i) Passage of Annual Appropriation Act	<b>Parliament</b> (s.5 of the PFCMA)
	(ii) Passage of Supplementary Appropriation Act	<b>Parliament</b> (s.6 of the PFCMA)
	(iv) Imposition of new taxes	<b>Parliament</b>
	(v) Amendment(s) of tax provisions	<b>Parliament</b>
	(vi) Approval of financial regulations	<b>Parliament</b> (s. 32(1) of the PFCMA)
	(vii) Approval of Financial Directions	<b>Finance Secretary</b>
	(vii) Withdrawal of moneys pending approval of Parliament and amount limited to one fourth of the total withdrawals of the preceding year	<b>Cabinet</b> (s.4 of the TFPA)
	(viii) Transfer of funds within a budget head	<b>Cabinet &amp; Minister</b> (s.8(5) & (7) PFCMA)
	(ix) Preparation of Department's Annual Budget Estimates and Supplementary estimates	<b>Portfolio Minister</b> (s.4(3) & (4) PFCMA)
	(x) Consolidation and preparation of the Annual Budget of the Government and Supplementary Appropriation Acts	<b>Minister of, Finance</b> (s.5 & 6 of the PFCMA)
<b><u>Receipt and payments:</u></b>	(i) Receipt of Government money to a fund other than approved by Parliament	<b>Parliament</b>
	(ii) Establishment of Trust Accounts	<b>Minister</b> (s.24 of the PFCMA) <b>Finance Secretary</b> (s.21 & 22 of the PFCMA)
	(ii-a) Accounting and withdrawal from Trust Funds	
	(iii): Assessment, collection and deposit of Government receipts	<b>HoD</b> (s.14 & 16 of the PFCMA and S. 7 of the Treasury Fund Protection Act, 2004)

<b>Major Category:</b>	<b>Specific Financial Power:</b>	<b>Approving Authority and Legal Provision</b>	
	(iv): Reconciliation of receipts with the bank	<b>Chief Accountant</b>	
	(v): Correct classification of receipts to an appropriate sub-head	<b>Minister</b> (s.9 of the PFCMA)	
	(vi): Authorization of Payment Vouchers (PV)	<b>HoD</b>	
	(vii): Checking and approval of PV	<b>Treasury</b>	
	(viii): Custody, preparation and issue of cheques	<b>Treasury</b>	
	(ix): Management of bank accounts (including opening and closure of bank accounts)	<b>Treasury</b> (s.10 of the PFCMA and Section 5 of the Treasury Fund Protection Act, 2004)	
	(x): Overseas payments	<b>Treasury</b>	
	(xi): Reconciliation of expenditure with bank statements.	<b>Chief Accountant</b>	
	(xii): Public Debt Management	<b>Treasury</b> (s.5 of the Treasury Fund Protection Act, 2004)	
	(xiii): Aid Management (sourcing, monitoring, coordination and monitoring of utilization)	<b>Planning and Aid Division (PAD), MoF</b>	
	(xiv): Preparation of Annual Financial Statements	<b>Treasury</b> (s. 9 of the PFCMA)	
	(xv): Preparation of budget summary	<b>Treasury</b>	
	(i) Preparation of Annual Procurement Plan (APP)	<b>HOD</b>	
	<b>Procurement:</b>		
	(ii) Approval of Annual Procurement Plan	<b>Cabinet</b>	
(iii) Preparation and submission of Annual indents	<b>HOD</b>		
(iv) Administrative Approval for procurement	<b>HOD</b>		
(v) Actual procurement of goods and services	<b>HOD/ IPA)</b>		
(vi) Procurement of capital items	<b>Minister concerned</b>		
(viii): Authorization of requisition slips for issue of goods by IPA	<b>HOD</b>		
(ix): Exemption from normal procurement process	<b>Secretary of Finance</b> (s.15E(6)(b) of the		

<b>Major Category:</b>	<b>Specific Financial Power:</b>	<b>Approving Authority and Legal Provision</b>
		PFCMA)
	(x): Pre-shipment of overseas goods	<b>IPA</b>
	(xi): Receipt of overseas goods	<b>IPA</b>
	(xii) Freight forwarding/Shipping of overseas goods	<b>IPA</b>
	(xii): Approval for domestic purchases	<b>HOD</b>
	(xiii): Preparation of Payment Voucher (PV) for payment to suppliers	<b>HOD (Domestic)/IPA(Overseas)</b>
<b><u>Lease and contracts:</u></b>	Long term contracts and lease agreements and future commitments (exceeding one year)	<b>Cabinet</b> (s.13 of the PFCMA)
<b><u>Future commitments and liabilities:</u></b>	(i) Subsequent financial year(s) commitments and liabilities over \$50,000	<b>Cabinet</b> (s.13(1) of the PFCMA)
	(i) Subsequent financial year(s) commitments and liabilities up to \$50,000	<b>Finance Minister, on recommendation of Portfolio Minister.</b> (s.13(2) of the PFCMA)
	(iii) Subsequent financial year(s) commitments and liabilities up to \$5,000	<b>Head of Department</b> (s.13(3) of the PFCMA)
<b><u>Fixed Assets (Property, Plant and Equipment and Inventories):</u></b>	(i) Maintain safe custody and control of fixed assets	<b>(i)HoD</b>
	(i) Maintenance of Fixed Asset Registers	<b>(ii)HoD</b>
	(ii) Rolling monthly stocktake of fixed assets	<b>(iii) HoD</b>
	(iii) Complete annual stocktake of Fixed assets	
	(iv): Disposal and transfer of assets	<b>(iii) HoD</b> <b>(iv) Portfolio Minister</b> (s. 19 of the PFCMA)

<b>Major Category:</b>	<b>Specific Financial Power:</b>	<b>Approving Authority and Legal Provision</b>
<b><u>Authorization of expenditure:</u></b>	(i): Authorization/approval of expenditure up to \$1,000 on each occasion (within the approved budget)	<b>(i) HOD</b>
	(ii): Authorization/approval of expenditure exceeding \$1,000 on each occasion (within the approved budget)	<b>(ii) Portfolio Minister</b>
<b><u>GoN Accounting Systems</u></b>	(i) Accounting for the Treasury Fund, Trust Fund and Development Fund	<b>Finance Minister</b> (s.9 of the PFCMA)
<b><u>Bank Accounts</u></b>	(i) Public moneys may be kept in such bank accounts as the Minister directs	<b>Finance Minister</b> (s.10(1) of the PFCMA)
	(ii) Opening of GoN Bank Accounts	<b>Finance Minister</b> (s.10(3) of the PFCMA)
	(iii) Overdrawing Bank Accounts up to \$10m	<b>Finance Minister</b> (s.11(1) of the PFCMA)
	(iv) Overdrawing Bank Accounts over \$10m	<b>Parliament</b> (s.11(2) of the PFCMA)
<b><u>Ministerial directions to limit expenditure</u></b>	(i) Portfolio Ministers may, and where Cabinet so directs, shall direct in writing that the whole or any part of a Division expenditure shall not be incurred and that moneys shall not be withdrawn from the Treasury Fund.	<b>Portfolio minister</b> (s.12 of the PFCMA)
<b><u>Contingency Reserve</u></b>	(i) Approval of provision for contingency reserve in the annual estimates or supplementary estimates	<b>Parliament</b>
	(ii) Approval of spending from the Contingency Reserve (CR)	<b>Finance Minister</b>
	(iv) Tabling in Parliament of monthly statement of expenditure from the CR	<b>Finance Minister</b>
	(v) Tabling in Parliament of Annual statement of annual expenditure as a final charge on the CR .	<b>Finance Minister</b>
<b><u>Independent Procurement Agent</u></b>	(i) Selection of Independent Procurement Agent (IPA) for first 5 years by selection panel	<b>(i) Chief Secretary, Finance Secretary and Independent expert nominated by Cabinet</b> (s.15C(2) of the PFMCA)
	(ii) Approval of five-year extension of IPA contract	<b>(ii) Finance Secretary and Cabinet</b>

<b>Major Category:</b>	<b>Specific Financial Power:</b>	<b>Approving Authority and Legal Provision</b>
<b><u>Procurement Manual</u></b>		(s.15C (5) of the PFMCA)
	(iii) the IPA must provide reports to Cabinet and to each department on the conduct of procurement operations;	<b>IPA</b> (s.15C (7) of the PFMCA)
	(i) Preparation, maintenance and publication of the procurement Manual	<b>(i) Finance Secretary</b> (s.15D (1) of the PFMCA)
	(ii) Approval of the Procurement Manual	<b>(ii) Cabinet</b> (s.15D (2) of the PFMCA)
	(iii) Procurement operations of a department must be conducted in accordance with the Regulations and the procurement manual.	<b>HoD</b> (s.15E(1) of the PFMCA)
	(iv) A department must not artificially divide a procurement operation in order to avoid procurement regulations	<b>HOD</b> (s.15E (4) of the PFMCA)
	(v) Exemption from compliance with the procurement Regulations and the procurement manual.	<b>Finance Secretary</b> (s.15E (6) of the PFMCA)

## Penalties

5. 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.
2.3; 2.4; 2.8; 2.10; 2.11; 2.12; 3.14; 3.15; 3.16; 3.18; 4.28; 4.29	2.5; 2.6; 2.7; 2.14; 3.17; 3.19; 4.21;4.30