



Government of Tonga

THE MINISTRY OF FINANCE AND NATIONAL PLANNING

THE GOVERNMENT OF THE KINGDOM OF TONGA

Public Finance Management Act (Treasury Instructions) 2010.

Public Finance Management Act (Treasury Instructions) 2010.

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ARRANGEMENTS OF PARTS

1. Citation

This Treasury Instructions (TIs) may be cited as the **Public Finance Management Act (Treasury Instructions) 2010**.

2. Commencement

These Instructions come into force on 13th September, 2010 and apply as from that date.

3. Repeals and Savings

All previous Treasury Instructions and Treasury Circulars applying to Ministries, Departments, and Agencies (MDAs) beforehand are hereby revoked.

4. Treasury Instructions and Treasury Circulars Compared

- (a) **Treasury Instructions** generally specify what the Heads of MDAs should do. Normally, TIs are issued annually and signed by the Minister of Finance and National Planning. They are directed to all the heads of MDAs and are intended to remind them of various issues relevant to promoting prudence in Public Financial Management (PFM). It is mandatory that all Accountable Officers are required to comply with these Instructions.
- (b) **Treasury Circulars** are issued to provide guidance and information, and to request financial information. They cover matters that are outside the scope of these TIs and/or matters that are required to take effect immediately but may later be incorporated into the TIs in its regular revision. Treasury Circulars are intended principally for MDAs use and they are sent through a Circular Savingram to Heads of Departments.

In exercising powers conferred upon thyself; the Minister for Finance and National Planning (MOFNP) under section 45 of the Public Finance Management Act (PFMA) 2002, I promulgate these Treasury Instructions.

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PART I: INTRODUCTION TO TREASURY INSTRUCTIONS

5. Objectives of the Instructions

These TIs are designed to familiarize all Accountable Officers with the changes to their responsibilities that were introduced by the Public Finance Management Act (PFMA) 2002, the accompanying regulations, and related legislations; that are a key element in a series of government budget and finance reforms. MOFNP shall always be contacted for clarifications on the applications of any of these Instructions.

These Treasury Instructions specific purposes are twofold:-

- (a) Prescribing particular accounting, financial management policies and financial statement representations that MDAs should apply in their financial reporting as applicable.
- (b) Regulating the collection, receipt, custody, issue, expenditure, control and management of public fund, public stores, public asset or trust money.

6. Interpretations

Any word or term used in these Instructions shall be interpreted to have the same meaning as in the PFMA 2002, and the related Regulations and Legislations.

“Accountable Officer” has the meaning given to it by the PFMA, 2002;

“Accounting Head” means an officer assigned responsibilities to head, and/or supervise the work of an Accounting Section of an MDA.

“Arrears of Revenue” means any revenue due to government but ministries had not yet collected nor received the related cash amount.

“Asset Register” means a record of all Long-Term Physical Assets held by the Ministry that is required by these Instructions to be recorded therein.

“Budgeting Agencies” means all government entities that benefit or claim vote in the central budget appropriation.

“Employees” means any officers employed by government and paid from the public funds and may include established staff, daily laborers, contracted personnel for local and donor funded activities or projects.

“Commitment” relates to the amount owed by ministries to suppliers for procuring of goods, works, or services through a purchase order but which is still unpaid.

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“*Government Assets Advisory Committee*” means an internal committee established to advise on the asset management of Government Assets.

“*Internal Control*” means processes and procedures established by the MOFNP to ensure proper management of the budgeting process, expenditure controls and revenue management; these are precondition to the achievement of the objectives stated in the PFMA 2002 under the following categories:-

- Effectiveness and efficiency of operation;
- Reliability of financial reporting and transactions;
- Compliance with applicable laws and regulations.

“*Inventories*” means Assets:-

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) In the process of production for sale or distribution.

“*Instructions*” means these Treasury Instructions

“*Long-Term Physical Assets*” mean assets other than financial or intangible assets, and exclude Inventories. It includes property, plant and equipment, and infrastructure assets.

“*Materiality*” means item of significance that its omission or inclusion may significantly affects the transaction or the accounts.

“*Minister*” means the Minister of Finance and National Planning unless otherwise indicated.

“*Ministry*” means the Ministry of Finance and National Planning.

“*Register of losses*” means the record of losses kept by MDA either electronically or in hard copy.

“*Responsible Minister*” refers to the Minister responsible for a Ministry and controls relevant vote in the annual budget estimate.

“*Secretary*” means the Secretary for Finance and National Planning

“*Standard Expenditure Group*” the group of expenditure defined by the MOFNP to which any single type of expenses should belong and included into its category. They are normally abbreviated as SEGs.

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PART II: RESPONSIBILITY FOR FINANCIAL MANAGEMENT

7. Responsibility of the Minister

The responsibility for the management of public finance rests with the Minister.

8. Powers of the Minister

The Minister may exercise powers bestowed upon him to ensure proper collection and valid disbursements of the public fund. Such powers can also be delegated in writing to the Secretary.

PART III: PLANNING, BUDGETING AND APPROPRIATIONS

9. Corporate Plan and Annual Management Plan

- (1) All MDAs shall submit a copy of their respective Corporate and Annual Management Plans to the MOFNP as part of their annual budget preparation process.
- (2) The Corporate Plan and the Annual Management Plan shall be developed having regard for any outcomes in the National Strategic Planning Framework (NSPF). These shall clearly specify the MDAs' responsibilities and contributions to the NSPF.
- (3) The Corporate Plan shall contain the following information:-
 - (a) the role and responsibilities of the MDA;
 - (b) the policy objectives of the National Government that the MDA shall contribute to;
 - (c) the specific outcomes that the ministry aims to achieve;
 - (d) the outputs contributing to these outcomes;
 - (e) outcome indicators and targets;
 - (f) output measures and targets; and
 - (g) any other relevant information.

10. Revision of Corporate and Management Plans

MDAs shall revise their Corporate Plans and their Annual Management Plans after the Annual Budget is passed to show the impact of the funding allocation.

11. Budget Process

- (1) All Budgeting Agencies shall adhere to the Budget Circular processes, procedures and timeliness issued by the Minister and the accompanying Explanatory Notes.

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- (2) All Budgeting Agencies shall ensure that their budget submissions:-
 - (a) clearly link to the policy objectives and outputs outlined in their Annual Corporate Plans and Commitment with NSPF.
 - (b) clearly show operating and capital expenditures; and
 - (c) clearly specify projects and expenditures to be externally funded.
 - (d) anticipated revenues.
 - (e) include any other specific requirements instructed by the Budget Circulars or from MOFNP Budget Team.

12. Aid Projects

All projects requiring government funding including aid assistance shall be formally endorsed by the Budget Division of the MOFNP.

PART IV: EXPENDITURE

Section 1 – Authority for Expenditure

13. Expenditure Appropriations

- (1) Authority to spend public money is only conferred upon by the Appropriation Act. Budgetary appropriations shall be spent only on the statutory expenditures.
- (2) Each Accountable Officer shall ensure that every Budgeting Agencies for which he or she is responsible has in place appropriate internal controls to ensure that at any time their expenditure do not exceed the amount appropriated for that specific vote.

14. Authorities to Transfer of Funds

- (1) Where the Accountable Officer considers that amounts specified in the Appropriation Act are insufficient to meet the purpose of the appropriation, a request for additional funds or for the transfer of funds between programs shall be forwarded to the MOFNP by the budgeting agency authorizing officer.
- (2) Transfer of appropriations between programs under the same budgeting agencies is granted only if:-
 - (a) the program to which the funds are applied for may not increase its appropriation by more than 10%;
 - (b) the implementation of the program from which the funds are appropriated remains unaffected.

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- (3) MDAs shall file a copy of all the related transfers made and approved during the financial year, and record the budget variations in its own vote due to the transfers.

15. Contingency Fund

- (1) Contingency fund shall be maintained and controlled by the MOFNP.
- (2) All applications for contingency fund shall be made in writing in the prescribed application form to the Minister.
- (3) The MOFNP shall review and check applications for contingency funds and upon approval by the Minister, process it to the Cabinet and Privy for final approval.
- (4) MDAs shall file a copy of all the related transfers made and approved during the financial year, and record the budget variations in its own vote due to the transfers.

Section 2 – Procurement

16. Procurement Authorities

- (1) All government procurements shall be carried out by MDA's under this TI, except for any donor funded procurements that had been agreed to follow the specific donor procurement guidelines, ministries shall follow such related procurement guideline.
- (2) MDAs shall ensure that all procurement of goods, works and/or services by the MDA shall comply with the established government procurement policies at all times.
- (3) The GPC shall be the final authorizing body for procurements in excess of the threshold values detailed in the table below.
- (4) The Procurement Division (PD) of the Ministry acts as the secretariat to the GPC.
- (5) The threshold or limits in Table 1 apply to the total value of goods, services or works (single item) to be obtained from a single supplier or consortium for a particular project or contract.

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Table 1 - Threshold for Procurement

Amount	Type	Government Procurement Policy	Necessary actions
More than TOP100,000	Goods	International Competitive Bidding	MDA via PD to GPC
Over TOP50,000- TOP 500,000	Services	National Competitive Bidding	MDA- procurement entity via PD to GPC
Over TOP 500,000	Services	International Competitive Bidding (Consultancy service)	MDA- procurement entity via PD to GPC
More than TOP 100, 000	Consultancy services	International Competitive Bidding (Consultancy services)	MDA- procurement entity via PD to GPC

17. Competitive Procurement

- (1) The MDA must obtain the required competitive quotations or tenders for any procurement of goods, services or works in accordance with procurement policies in Table 2 below.

Table 2 - Procurement Policies

Amount	Type	Government Procurement Policy	Necessary actions
Less than TOP 500	Goods	Discretionary Shopping receipt	MDA- procurement entity
TOP 500- 2,000	Goods	Required minimum of two (2) documents quotations	MDA- procurement entity
TOP 2,000- TOP 100,000	Goods	Required minimum 3 written quotes	MDA- procurement entity
More than TOP100,000	Goods	International Competitive Bidding	MDA via PD to GPC
Less then TOP 500	Works & Physical Services	One written quotation	MDA- procurement entity
TOP 500- TOP 50,000	Works & Physical Services	Three written quotations	MDA- procurement entity with assistance and endorsement from specialist ministries, like MOW, Health etc
Over TOP50,000- TOP 500,000	Works & Physical Services	National Competitive Bidding	MDA- procurement entity via PD to GPC
Over TOP 500,000	Works & Physical Services	International Competitive Bidding (Consultancy service)	Client Ministries- procurement entity via PD to GPC
Up to TOP 100,000	Consultancy Services (Professional & Intellectual Services)	Minimum 3 written quotations (Consultancy services)	MDA- procurement entity with assistance and endorsement from specialist ministries, like MOW, Health etc
More than TOP 100, 000	Consultancy Services (Professional & Intellectual Services)	International Competitive Bidding (Consultancy services)	MDA- procurement entity via PD to GPC

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- (2) Every invitation for tender shall be issued so as to promote the submission of competitive offers.
- (3) Despite provisions in (Tables 1 & 2) the GPC can approve that tenders or quotes not be sought where:
 - (a) there is only one supplier (sole provider) capable of supplying goods, services or works;
 - (b) there is a standing annual contract established with the MDA; or
 - (c) a supplier (provider) has been nominated by an aid agency which is fully funding the procurement.
- (4) Where the GPC has given approval not to seek tenders or written quotes, they must do so in writing.

18. National Tenders

- (1) The MDA shall issue all national tenders for the supply of goods, services or works.
- (2) National tenders shall be advertised in at least two local newspapers for a minimum of two (2) days. Whenever possible, local tenders are also to be advertised on a Government website or through other means as appropriate.

19. International Tenders

- (1) The MDA shall issue all international tenders for the supply of goods, services or works
- (2) In addition to the requirement to advertise as in 18(2), all international tenders shall also be advertised in at least two overseas newspapers or an international organization website. Tenders shall also be advertised on a Government website or through other means as are considered appropriate.

20. Annual Tender

- (1) Where goods, services or works are regularly required by the MDA, the MDA shall request the GPC to issue an annual tender for those particular goods, services, or works.
- (2) All annual contracts are to be re-tendered annually to allow MDAs to obtain the best value for money for the goods and services being supplied.

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21. Procurement Process

- (1) All invitations to tender must contain sufficient information to enable potential tenderers to prepare their tenders and shall include the evaluation criteria to be used. Where goods, services or works to be procured cannot be described in details in the advertisement, additional information must be readily available from the MDA or a Government website.
- (2) The overall evaluation criteria shall be value for money, which may not necessarily be the lowest cost.
- (3) All invitations to tender must allow reasonable time for potential providers to respond.
- (4) All tenderers or their representatives shall be invited to the opening of tenders. The MDA shall open all tenders received by the final date and time and must record details in a Tender Register. At least one representative from the PD should be invited to participate in the tender opening.
- (5) Tenders received after the final date and time shall not be admitted for consideration.
- (6) The MDA Evaluation Committee shall be responsible to evaluate the tenders and submit a written report on the process and outcome of their evaluations, and where necessary submit the report through the PD to the GPC.
- (7) Approval of the evaluation report by the MDA, and GPC if applicable, is required before a contract is awarded to the successful tenderer.
- (8) All tenderers must be formally informed of the outcome of the tender.
- (9) If the staff of the MDA or member of any relevant committees including the GPC has direct or indirect interest in a tender or proposed tender, that person shall as soon as practicable after relevant facts have come to their knowledge, declare the nature of their interest to the MDA and shall be excluded from further evaluation or approval of that tender.

22. Contractual Procedures

- (1) MDAs shall adopt, as a minimum, the following contractual procedures in the procurement of goods, works and/or services.

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- (2) Goods, services and works required by MDAs will be procured:
 - (a) by issuing purchase orders for any national or international procurements; or
 - (b) by executing a contract or agreement.
- (3) A purchase order, contract or agreement must be issued to the supplier or provider to supply and provide goods, works or services before any related invoice is send, and any goods, services and works are delivered to or carried out for the MDA.
- (4) Once an order is placed or a contract is signed the MDA has committed government to that particular expenditure and should therefore also commit the related funds from the respective vote for future payment of such expenditure.

23. Contract Agreement

- (1) All forms of contract or agreement including any for development projects shall be submitted through the PD to the GPC for review and endorsement before signing by all relevant parties.
- (2) Any voucher presented by an MDA for payment with regards to, and accompanied by, a signed contract but such contract had not yet been submitted for the consideration and approval of the GPC, such voucher will put on hold and request the ministry to submit the contract for the consideration of GPC, and if approved, payment will then process. If there are additional amendments to be made to the contract, the contract will be returned to the ministry for the amendments and re-submission to GPC.
- (3) MDAs shall ensure that in any contract for provision of goods, works or services in which a portion or whole of funding are to be provided from a donor source, the approved written project document signed by the donor confirming the availability of related funding, must be presented together with the draft contract to the GPC for checking and consideration.
- (4) The MOFNP will only process payments of any approved donor funded contract or part thereof upon confirmation of receipt of such fund from the donor to the Government's bank account and had been accounted for in respective development vote of the respective ministry to be disbursed from.
- (5) Contracts within the procurement threshold shall rest with the MDAs to approve in accordance with Treasury Instructions 16(5) and 17(1) (Table 1 & 2).

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- (6) Contracts that require an initial deposit payment upon the signing or at the commencement of the contract shall be limited only to 20% at the most of the total costs or total contract sum, unless the GPC approved a higher percentage. All contracts that include such clause shall be firstly submitted to the Secretary and to the GPC for consideration and approval before the contract is allowed to be signed or executed.
- (7) The MOFNP shall only pay any initial deposit payment if the instruction in 23(6) above is being followed and complied with.

24. Hire of Goods, Works or Services

- (1) MDAs of ministries shall submit in writing to the Secretary the proposed rate for any hire of goods, works or services for review and endorsement at least three (3) working days prior to any hiring being carried out.
- (2) Any proposed hire rate by MDAs shall be in due consideration with the related hire rate approved by the Competent Authority for that particular good, work, or service or other appropriate authority to establish such rate.
- (3) If there is no hire rate available, the MDA shall liaise and seek in writing the approval of the GPC for the propose rate to be used.
- (4) All hire of goods, works or services shall be in accordance with the government procurement policies.

Section 3 – Accounting for Expenditure

25. Recording of Commitments

- (1) All purchase orders, and other commitments of funds shall be recorded in the SunSystem or a vote book (commitment ledger) immediately after they have been approved.
- (2) MDAs shall prepare a complete list of commitments at the end of each month and submit to MOFNP within five (5) working days from the end of each month. Format for the report can be requested from the MOFNP.
- (3) MOFNP may require MDAs to prepare and submit a more regular commitments report to assist in monitoring of cash-flows. All MDAs shall comply with the MOFNP request accordingly.

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26. Payments for Approved Contracts

- (1) Accountable Officers for MDAs shall ensure compliance with the established rules, policies and procedures regarding the disbursements of the public fund.
- (2) Details of each invoice or other source document for a payment shall be properly and accurately recorded in the payment voucher including, but not limited to:-
 - (a) the name of the supplier or payee;
 - (b) the invoice or statement number, the purchase order or orders it/they relate(s) to, the due date and, where applicable, payment terms; and
 - (c) the chargeable code vote account,.
 - (d) Tax Payers Identification Number (TIN).
- (3) All payment vouchers shall be certified correct by a certifying officer before being processed for approval and signing by the Accountable Officer or delegated authority.
- (4) Accountable Officers for MDAs shall ensure that any vouchers being processed for payments comply with related governing rules, regulations, policies and procedures before being approved for payments.
- (5) Wherever possible, MDAs shall process and pay accounts by the due date so that :-
 - (a) discounts for prompt payment are not lost;
 - (b) interest charges for late payment are not incurred;
 - (c) suppliers do not quote higher prices to MDAs to compensate for late payments.
- (6) Subject to provision 26(2)(b), where no due date is specified, vouchers shall be processed by MDAs to MOFNP for payments, within three (3) working days from receiving the invoice from suppliers.
- (7) Accountable Officers for MDAs shall ensure that invoices from suppliers are processed and submitted to MOFNP for payment within three (3) working days from receiving such invoice. Valid reasons shall be provided for any late submissions of related vouchers.
- (8) MDAs shall have system in place to ensure that invoices or statements are not paid twice and that fraudulent claims are not paid.

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- (9) All official payments shall be made by cheque except, at Treasury and Sub-Treasury cashiers who may make payment by cash and, where payable by direct transfer or in case of overseas missions' payment using corporate card.
- (10) All cheques shall be signed by at least two (2) officers appointed/approved for that purpose by the Secretary.

27. Checking of Goods, Works, or Services Delivered and Received

- (1) Accountable Officers for MDAs shall ensure that goods, works, or services are guaranteed and definite to deliver and/or received or performed before processing and approving any related vouchers for payments.
- (2) Accountable Officers for MDAs shall assign an appropriate Senior Officer in the MDA to check any goods, works, or services procured and delivered to the MDA against the related purchase order or contractor agreement to ensure that goods, works, or services are correctly and completely delivered and received. The assigned Senior Officer shall be independent from the staff responsible for placing the order or signing the contract.
- (3) Accountable Officers for MDAs shall ensure that the appropriate records of the independent checking in 27(2) above are properly and completely kept by the MDA at all times.

28. Benefits or Rewards from Purchasing Goods, Works, or Services

- (1) All realized and gained rewards acquired by any staff of the MDAs in the course of performing their duties shall be declared and transferred to the relevant authorities immediately and they are the property of the MDA.
- (2) Such rewards and benefits shall be applied as soon as is practical for the benefit of the MDA, such as to reduce costs, but not for personal benefit of the individual staff.
- (3) Staff leaving the MDA with unapplied rewards and benefits shall transfer the benefits to the MDA or buy the unapplied rewards from the MDA at the market rate. Where neither of these is practical, arrangements should be made with the supplier to cancel the unapplied rewards or benefits.

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29. MDA's Use of Private Assets

- (1) All employees of MDAs shall not approve or administer payments to themselves for the MDA's use of their private assets. These include private motor vehicles, private cell phones, private computers, and any other private assets.
- (2) In an exceptional circumstances where use of staff private assets by the MDA is unavoidable, the MDA shall have proper controls, and monitoring and reporting to ensure that use of private assets by the MDA is in order and transparent; and in all related cases there shall be consultations with MOFNP.

30. Private Use of a MDA's Suppliers

All MDAs shall have guidelines regarding employees' use of preferential purchasing. Accountable Officers for MDAs shall ensure that the selection of suppliers is in the MDA's interest, and is not affected by the availability or possibility of purchasing privileges to employees and their immediate relatives.

31. Recording of Expenditure

- (1) All MDAs shall maintain a vote book as prescribed by the MOFNP or similar expenditure records such the SunSystem.
- (2) All payments for refund/rebate, including CT (consumption tax), shall be immediately recorded in the SunSystem and/or the vote book.

32. Reconciliation of Expenditure Records

- (1) MDAs shall reconcile their expenditure records or vote books with the MOFNP Treasury division's vote records and SunSystem on a monthly basis.
- (2) For those MDAs who maintain a SunSystem, there shall be no need to carry out monthly vote reconciliation. However, they shall frequently check their vote balances in the SunSystem to ensure that all expenses incurred are being recorded.

33. Regular Review of the Expenditure Record

The Accountable Officer shall review or assign appropriate senior officer to review the vote book on a monthly basis to ensure the vote book reconciliation has been carried out, and then sign as evidence of the review.

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Section 4 – Emergency Expenditure

34. Interim Emergency Instructions

In the case where a State of Emergency has been declared, the Minister, under section 45 of the PFMA 2002, may issue an Interim Emergency Instructions governing receipts, disbursements and accounting for public funds and public resources. This may be in addition or temporary suspension of some or all of the provisions contained in these Treasury Instructions. It shall only cease to be operational by the authority and the advice of the Minister.

Section 5 – Government Grants

35. Administering of Government Grants

- (1) Accountable Officers shall ensure that procedures for administering and monitoring grants are well adhered to by relevant parties.
- (2) The MDA administering a grant shall enter into a grant agreement with any organization or person who either receives a one-off grant or ongoing grant assistance.
- (3) The Accountable Officer of the MDA administering the grant shall ensure that each grant agreement is adequate and legally binding, and shall satisfy the requirement of section 35(2) above.
- (4) A grant agreement shall provide for the organization receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon request by the administering MDA, the Secretary, or the Auditor-General.
- (5) Grants shall only be paid in accordance with the terms and conditions in the grant agreement. No variation to a grant agreement shall be made without the written approval of the Minister or the Cabinet.
- (6) Administering MDAs shall review each grant scheme each year to determine whether it is achieving its specified outcomes as efficiently and effectively as possible and, where it is not, shall take action necessary to improve its efficiency and effectiveness.
- (7) Unless otherwise approved by the Secretary or Minister, all grants over TOP\$5,000 shall be paid in monthly or quarterly installments, or other period considered suitable by the Secretary to ensure that:-

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- (a) there is an incentive for the organization to comply with the conditions of the grant; and
 - (b) government financing costs are minimized.
- (8) The administering MDAs shall include in the agreement for the organization a requirement to prepare an Acquittal Reports monthly or any other time agreed upon, and forward to the MOFNP and/or to other delegated authority.
- (9) The administering MDA upon receiving the endorsed Acquittal Report from MOFNP or other MDA shall also send a copy of that Acquittal Report to the Office of the Auditor General in due course.
- (10) The administering MDA shall ensure that each grant has been used only for the purposes for which it was intended.

Section 6 – Utility Bills, Salaries and Wages

36. Public Utility Bills Payment Timing

In these instructions public utility bills cover power, communications, and water. The following procedures shall ensure timely and prompt payment of MDAs' bills to avoid additional charges to the government that are frequently incurred due to late payments and as reconnection fees. It is therefore important that all MDAs comply with these procedures:-

- (1) All MDAs are required to prepare related payment vouchers for all the outstanding public utility bills and submit them to the Treasury by 18th of each month or any other date as may be advised by the Secretary from time to time.
- (2) Treasury Division shall process payments of all MDAs' bills for power, communications, and water on each 20th of the month or any other date as may be advised by the Secretary from time to time.
- (3) In the case where an MDA has insufficient funds in their related sub-votes to pay for part or all of the bills, they shall prepare the appropriate Transfer of Funds Form; and then submit it to the Treasury together with the related voucher(s) for payment.
- (4) MDAs shall advise the Treasury each month of any outstanding public utility bills and the underlying reasons why they remain unpaid.

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37. Salaries and Wages Procedures

- (1) All salaries and wages shall be disbursed in accordance to the instructions and time schedule prepared and issued by the Secretary in the first week of July every year.
- (2) Salary advices shall be submitted promptly to the MOFNP where there is any change to personnel emoluments or deductions such as appointments, promotions, transfers, acting allowances, dismissals and resignations, income tax allowances, housing deductions, or other charges or deductions.
- (3) All approved staff increment certificates of MDAs shall be sent to MOFNP within three (3) working days from the end of the increment period.
- (4) A deduction from the salary or wage of an employee, other than a deduction made in accordance with a statutory requirement, may be made only upon approval by the Secretary and on the signed authority of that employee.
- (5) Salary and wage input forms shall be checked and signed by an officer independent of the officer preparing it.
- (6) The Accountable Officers shall advise MOFNP at the earliest opportunity any staff entitlements; leave with or without pay or any absence from duty to avoid any possible overpayments of the public fund.
- (7) Salary and wage payments shall be made by direct credit to the employee's bank account, except for those in special circumstances approved by the Secretary for their salaries and wages to be paid by other mode of payments.
- (8) The MOFNP will not accept any change to the staff bank account to which his/her salary is being paid without the endorsement by that related bank, stamped and signed.
- (9) Payments of arrears of salaries and wages, acting allowances, overtime, and any other related allowances shall be made on the next pay date together with the scheduled normal salary pay date. Monthly allowances (if any) will be paid within three (3) working days from end of month.
- (10) Any payments of salaries and wages in cash shall be signed for by the employee in person and witnessed in writing by two (2) officers.

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- (11) Any unclaimed salaries or wages shall be kept in a secure place pending payment, for a maximum period of 48 hours. On the next working day, the unclaimed salaries and wages shall be paid to Treasury/Sub-Treasury cashier who shall bank/store and:-
 - (a) credit to the relevant expenditure account if they relate to the current year; or
 - (b) credit to sundry revenue if they relate to the preceding year.
- (12) The Accountable Officers shall ensure that MDA's Salary and Wages registers are reconciled to Treasury salary and wages registers on a monthly basis.

38. Maintaining of Salaries and Wages Records

MDAs shall keep a complete and updated Salary and Wages Registers containing the relevant details regarding the employee's salary and wage details. Format of such register shall be issued by MOFNP.

39. Regular Review of the Salaries and Wages Records

The Accountable Officers of MDAs shall assign appropriate officer to review the Salary and Wage Registers on a regular basis to ensure the registers are kept up to date and reconciled, and then sign the registers as evidence of the review.

40. Staff Overtime

- (1) Staff overtime shall be paid in accordance with the requirements of the Public Service Commission Policy Manual. And any specific instructions issued via Treasury Instructions and/or Circulars.
- (2) All MDAs shall prepare a work-plan of any overtime work to be undertaken by any employee of the MDA, signed by the supervisor of such overtime work, and submit to the Accountable Officer or delegated authority for consideration and approval *prior* to the overtime work being carried out.
- (3) The work-plan shall be post-checked and signed for by the Accountable Officers or an officer delegated by the Accountable Officer to do the checking, to indicate that the work performed were those stated in the work-plan, and that overtime work was genuine and satisfactorily carried out.

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- (4) The copy of the signed and post-checked work-plan shall be sent to MOFNP together with the related overtime claim voucher for checking and payment. The MDA shall also file the original copy of work-plan and also file copies of all overtime records.
- (5) All staffs that have been approved to work after hours shall correctly record and sign their beginning and ending working time in the MDA's Attendance Register at the beginning and end of each related work after hours' day.
- (6) The timesheets for overtime shall be prepared from the MDA's Attendance Register and submit to the Accountable Officers for approval.
- (7) The Accountable Officer shall ensure that sufficient funds are available in the respective overtime vote before any employee are approved and committed to work after official hours.
- (8) Overtime can be paid in time-off in lieu and/or cash, but the MOFNP shall be duly informed of that arrangement prior the processing of any overtime payment.
- (9) All staff overtime shall be settled within one (1) month if paid by cash, or leave shall be taken within three (3) months if time off in lieu.
- (10) All staff overtime shall be paid together with salaries on the scheduled salary pay day, and shall be considered for payment on the first pay period after such overtime are checked, processed and approved for payment.
- (11) Staff overtime shall not be accumulated for a period of more than one (1) month.
- (12) No overtime payments are allowed to be made after the period of payment stated in 40(9) and (10) above.

Section 7 - Travel

41. Local and Overseas Travel Procedures

- (1) MDAs shall comply with all the established government policies (Cabinet decisions, PSC Policy Manual, PSC decisions etc) governing the conditions for both local and overseas travel of staff.
- (2) Accountable Officers shall ensure that there are sufficient funds in the MDAs related travel vote to fund and before approving the travel.

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- (3) All travel costs such as per diem, airfares, and other costs shall be submitted to the MOFNP two (2) working days prior to the day of the travel. Payments shall only be made on the working day prior to the day of travel, unless a special circumstance requires an earlier payment.
- (4) Expenditure vouchers for travel related costs shall be prepared and submitted to the MOFNP together with the following documents:-
 - (a) approval of the travel by the appropriate authority (preferably copy of the PSC Overseas Travel plan form); and
 - (b) adequate supporting documents of the travel, such as:-
 - (i) letter of invitations;
 - (ii) document explaining reason for the travel and its duration, and travel funding arrangements;
 - (iii) travel itinerary; and
 - (iv) other travel related supporting documents.
- (5) Any requests for hotel top-up shall be submitted in writing to the Minister for approval at least five (5) working days prior to the day of travel, and clearly explaining the 'special circumstances' for such hotel top-up.
- (6) All employees who had been approved and paid with hotel top-up amount shall, within three (3) working days of returning to Tonga from that overseas trip, submit to MOFNP a copy of his/her paid hotel accommodation bill for verification and record, and shall also keep a copy at the MDA for audit purpose.
- (7) For any employee who further request hotel top-up due to extension of stay overseas, he/she shall send (by fax, email or other mean) to his/her MDA a copy of his/her hotel accommodation bill, and such copy shall be submitted together with the MDA's written request for further hotel top-up to the Minister before any further hotel top-up is considered and approved.
- (8) Travel fares shall only be paid to the travel agent that issued the related travel invoice and not to any employee or individual.
- (9) Employees who travel on official duty that are full funded by government or the government paid for air fares and en route travel expenses shall not change their initial travel itinerary without the approval of the Secretary.
- (10) Accountable Officers shall submit a request in writing to the Secretary to approve any change in travel plan and provide the reasons for the change, and details of any further costs to government.

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- (11) Any employee who failed to observe the requirements in 41(9) & (10) above shall be responsible for any additional costs and shall return to MOFNP any excess travel per-diem or allowances that had been paid.
- (12) All travel allowances and per diems shall be calculated and paid in accordance with the approved rate issued by the Cabinet and/or by the Secretary, and shall always in accordance with the related travel itinerary.
- (13) Travel allowances and per-diems shall always take into account any overnight flight hours and stop-over hours in foreign country, early check into, and late check out from, hotels, in order to determine whether a full, part, or no per-diem be paid to the employee.
- (14) There shall be no per diem paid for :-
 - (a) time spent on air during long flights;
 - (b) stop-over in foreign country of less than six (6) hours from time of arrival to time of departure; and/or
 - (c) return flight from overseas destination direct to Tonga with no or short stop over.
- (15) Portions of per diem could be paid in relation to long stop-over hours in overseas countries within the same day. A guideline for payment shall be as follows but with the approval of Accountable Officer:
 - (a) Between 6 to 8 hours, 2/3 of accommodation and 1/3 of meals portion could be paid, provided that evidence of pre-booked/paid accommodation is submitted;
 - (b) More than 8 hours to 15 hours, accommodation and 2/3 of meals could be paid;
 - (c) More than 15 hours, full per diem will be paid.

Hour ranges above are from time of arrival to time of departure.

- (16) Where any employee stays in any of government property in overseas missions post, there shall be no payment of the accommodation and meals portion of per diem if these are provided by the missions during the period of stay.
- (17) Local traveling allowances shall be paid at the travel destination, unless:-
 - (a) approved by MOFNP of a request for an advance payment but limits only to five (5) working days; or
 - (b) travel to any of the smaller outer islands with no access to Treasury services.

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- (18) Local travel allowances shall cover for accommodation in the outer islands given the change in location of work for the employee. Meals and incidentals are therefore still covered from employee normal salary or wages.
- (19) Where any employee stays in any government quarter or shelter built by government (permanent or temporary) in any of the outer islands, there shall be no payment of travel allowances to the employee. However, if in some circumstances meals are required to be paid, 1/3 of the travel allowance rate shall be paid as meal allowance.
- (20) For employees who choose not to claim local travel allowances the government shall meet the accommodation and meals expenses with the following conditions:
- (a) submit travel details on accommodation and travel costs to the Secretary two (2) days for checking and approval prior to the travel;
 - (b) the accommodation is cost-effective, taking into account the geographic location of the accommodation relative to where staff are working, the standard of accommodation, and safety and security issues;
 - (c) at most, three (3) meals per day per employee - one each for breakfast, lunch, and dinner;
 - (d) provide the Secretary with guidance on the drink and whether the MDAs will pay for alcohol, and, if so, include the limits on what will be paid for;
 - (e) no claims for separate meal expenses if a meal is provided as part of another package paid for by the MDAs;
 - (f) prohibit any payment for mini-bar expenses;
 - (g) any other charges to the room shall be personally liable and to be paid for by the employee;
 - (h) no communication costs shall be paid by the MDAs unless it is for official purposes but shall provide the full supporting documents to MOFNP together with the related payment voucher;
 - (i) no other travel costs will be paid unless approved by the Secretary.
- (21) For all reimbursements to the public fund of all or portion of travel costs:-
- (a) MDAs shall advise MOFNP with full details of reimbursements;
 - (b) it shall be paid within 5 working days upon return to Tonga or to their respective posts in the case of overseas missions and outer islands; and/or
 - (c) direct credit to general revenue account if reimburse directly from overseas agency, at earliest opportunity.

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- (22) Any claim for refund or reimbursements of any travel related or other costs incurred overseas and considered to be official expenses shall be submitted in writing to the MOFNP within five (5) working days from the date of arrival back in Tonga or overseas mission posts. And shall be submitted together with complete original documents to support, and explanations to justify the claim.

42. Travel Advances

- (1) MDAs shall comply with these specific travel advances to ensure proper accountability of the public funds.
- (2) Traveling advances shall only be approved by the Minister.
- (3) Traveling advances shall only be approved for an amount up to the estimated value of the official entitlement.
- (4) Traveling advances shall be recouped within five (5) working days of the completion of travel by submission of a voucher with complete original documents to support the expenditure incurred.
- (5) Where a traveling advance has not been fully expended, it shall be repaid to the MOFNP within five (5) working days of the completion of travel.

Section 8 - Corporate Card Use Policy

43. Card Use Procedures

- (1) Corporate cards are held in the holder's name. The holder shall be responsible to the MOFNP for any charges made to the card that the Minister or Cabinet did not subsequently approve.
- (2) Corporate cards are principally restricted to the use of payment for expenses incurred while traveling overseas on official business. The corporate cards shall not be used for non-travel related expenditures unless authorized by the Minister.
- (3) Corporate cards shall not be charged with expenses that has already been paid by the Treasury to the cardholder for the purpose of overseas travel, such as those covered by the per diem or other related travel expenses. If those expenses are again being charged to the card, they shall be reimbursed by the cardholder to Treasury immediately.
- (4) The card may be returned to the Secretary, upon demand, between overseas travel trips.

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- (5) No cash advances shall be obtained from corporate cards.
- (6) No private purchases are allowed using the corporate card. Any private purchase charged shall be reimbursed immediately to public fund upon arrival in the country.
- (7) Loss of the card should be reported immediately to the bank and the Secretary.
- (8) Each month, a copy of statements is sent out by the Corporate Card Agent to the designated officers at MOFNP. A copy will then be sent by the MOFNP to the Cardholder.
- (9) Cardholders, upon receipt of their copy:-
 - (a) Review their statements and ensure that all entries are correct. It is the cardholder's responsibility to contact the responsible Bank regarding any incorrect/invalid entries and to follow up to ensure the Bank has taken the required corrective action.
 - (b) Attach Corporate Card slips, full invoices and complete supporting documents for those items appearing on the statement.
 - (c) Complete the Corporate Card's form in the order that the charges appear on the statement. This form should be available from the responsible Bank. Add any comments that would be considered assisting the MOFNP staff when processing the Corporate Card statement.
 - (d) Sign the statement to indicate personal approval for payment.
 - (e) Send corporate card form, statement and attached documentation to the Secretary within three (3) working days of receipt.
 - (f) All expenses incurred and charged to the corporate card shall be charged to related vote of the cardholder's MDA. The related MDA shall ensure that sufficient funds are in vote to charge the expenses that had been incurred and charged to the card.
 - (g) MDA shall advise MOFNP of the relevant vote to which the card expenses shall be charged.
 - (f) Cardholders should be prepared to answer any questions that may be asked regarding their corporate card statement by the MOFNP. It may be appropriate to take a photocopy of the approved and coded statement before sending it to the Secretary.
 - (g) The statement balance is paid in accordance with the terms of payment agreed with the bank; therefore the card may have up to few weeks of transactions before it is paid.
- (10) Card limits shall be periodically reviewed. Temporary increases for the card limit may be obtained for approved overseas travel. Please allow three (3) working days for this to take effect.

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- (11) The Minister reserves the right to remove the corporate card at his discretion.

Section 9 – Entertainment and Hospitality Expenditure

44. Guidance and Procedures

- (1) The Accountable Officer shall provide to the Secretary with clear written guidance and details on any entertainment and hospitality expected to be paid by the MDA:-
 - (a) on whether alcohol will be paid for by the MDA, and, if so, the circumstances and limits that applies.
 - (b) about what is an acceptable level of expenditure, if any, on seasonal or national occasions or events.
 - (c) on the appropriate details and justifications of expenses to be incurred on a particular activity of any official occasions or events.
- (2) Entertainment and hospitality shall be provided and paid only when it is cost-effective and appropriate for the occasion.
- (3) All entertainment and hospitality expenditure shall be approved by the responsible Accountable Officer, with clear and appropriate limits on quantity and use of alcohol, if any, and is substantiated by appropriate documentation that includes receipts, names of parties entertained (if practical), and the reasons for the entertainment and hospitality.
- (4) MDAs shall ensure that there should be proper system in place to control the utilizing of the entertainment and hospitality vote.
- (5) All expenses on entertainment and hospitality shall be properly justified with appropriate documents to support the expenses incurred.
- (6) Accountable Officer shall ensure that any hospitality or entertainment host by the MDA is properly controlled. Any stock remaining shall be accounted for and recorded and shall be kept by the MDA in a safe place.

Section 10 - Lapse of Money at End of the Financial Year.

45. Guidance

- (1) In terms of the Appropriation Act all recurrent expenditure allocations shall lapse at the end of the financial year. Any vote that is not spent at the end of the financial year, the amount remaining cannot be carried forwards to the next financial year.

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- (2) Accountable Officers shall ensure that all transactions relating to a financial year are processed in that financial year.
- (3) Accountable Officers shall ensure that their MDAs do not put through unnecessary expenditure vouchers at the end of the financial year with the purpose of using up the remaining vote allocation. Those vouchers will be under close scrutiny by the Treasury whether they are essential expenses or not; otherwise they will be returned to the MDAs.

PART V: REVENUE

Section 1 – Collection of Revenue

46. Appointment of Revenue Collectors

The appointment of revenue collector(s) for the MDAs shall be the responsibility of the Accountable Officers in consultation with the Public Service Commission; and shall be in accordance with the following instructions:-

- (1) The Accountable Officer shall designate established staff only as revenue collectors for the MDA.
- (2) Officers employed as daily labor shall not be allowed to collect public money nor assign with the responsibility of revenue collector.
- (3) Revenue collectors shall process and record all money received in accordance with procedures set out in the Treasury Instructions.
- (4) The Accountable Officer shall designate in writing the appropriate senior officer to supervise the work of the revenue collector(s), while the Accountable Officer is responsible for the overall proper supervision of the designated revenue collector(s).
- (5) The responsibility of the Accountable Officer for the efficient and effective collection of revenue is not diminished when duties and responsibilities are delegated to other officers.

47. Issue of Revenue Records

- (1) All official receipt books to be used by MDAs in collecting public money shall be issued only from the MOFNP.
- (2) MDAs shall obtain their official receipt books from MOFNP and sign the Treasury Pass Book.

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- (3) Accountable Officer shall maintain the MDA's Pass Book recording all receipt books and other revenue recording forms issued to revenue collectors of that MDA.
- (4) Receipt books and other revenue recording forms shall not be transferred between revenue collectors within MDA unless prior approval has been given by the Accountable Officer.
- (5) Accountable Officer shall notify the Secretary of any losses or damages to receipt books and other revenue recording forms so that they can be recorded and written off from Treasury Register.
- (6) The Accountable Officer shall ensure that all official receipt books, used and unused, are completely accounted for and are kept and stored in a safe place.

48. Receipt of Revenue

All monies received as public monies are government revenue and therefore shall be collected and accounted for in accordance with the following instructions:-

- (1) Revenue can be received in any of the following instruments:-
 - (a) cash;
 - (b) cheques from firms or individuals provided they have been guaranteed by any of the local banks;
 - (c) bank drafts;
 - (d) money orders; and/or
 - (e) direct credit.
- (2) Immediately upon receipt, all cheques and other negotiable instruments shall be stamped "not negotiable". All bank cheques, foreign cheque and travelers' cheques, postal notes, money orders, or other negotiable instruments shall be immediately stamped on receipt with the departmental stamp and are also to be stamped "Not Negotiable".
- (3) All mail containing cash, cheques, bank drafts or money orders shall be entered into a Cheque Register.
- (4) An official government receipt shall be issued for all monies received immediately at the time of receiving the money.
- (5) No person other than the Revenue Collector shall receive, collect, take possession of, or issue receipts for payment of any money.

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- (6) Every designated revenue collector who receives public money, other money or trust money shall record the details in a cashbook, or in the SunSystem in their appropriate columns.
- (7) All money received by a MDA shall be banked on the day of receipt, or as early as practicable on the next banking day, by an officer who, wherever possible, is independent of the revenue collector.
- (8) Public money shall not be used in any way whatsoever between the time of receiving the money and the time of depositing it to the bank.
- (9) Accountable Officers shall assign in writing to the an independent senior officer with the responsibility to perform the independent checking of cash and cash records before and after every banking.
- (10) The officer assigned with the duty of performing the independent checking shall sign the cash book and all the related cash records and deposit slips as evidence of the checking being done.

49. Cheque Received as Payment for Government Services

- (1) Accountable Officers shall ensure that every cheque received for payment of public money is closely examined to ensure details are accurate and valid.
- (2) All local banks in Tonga cheques, foreign cheques, travelers cheques, postal notes, money orders, or other negotiable instruments shall be immediately stamped on receipt with the MDA's stamp and are also to be stamped "Not Negotiable"
- (3) Every cheque received shall be closely examined and scrutinized to ensure the following:-
 - (a) that it is correctly dated, i.e. not postdated or more than six months old;
 - (b) the words and figures agree;
 - (c) that it appears to be properly signed;
 - (d) that it is correctly endorsed, if required; and
 - (e) any alterations are correctly signed.
- (4) Where incorrect cheque is received over the counter the person presenting the cheque shall be requested to have the cheque corrected before a receipt could be issued.
- (5) Postdated cheques are not to be accepted by the revenue collectors.
- (6) Cheques are not to be cashed by the revenue collectors.

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- (7) Change shall not be given on cheques. If the person paying in the cheque (the payer) does not have the correct amount, they shall write out a new cheque for the correct amount.
- (8) All public money received by cheque shall receive the prior approval of the Accountable Officer in order to ensure that the payer has sufficient funds in the Bank to honor the cheque.
- (9) In the case of the outlying branches prior approval of the officer-in-charge in the branch shall be obtained in order to ensure that the payer has sufficient funds in the Bank to honor the cheque.
- (10) Accountable Officers shall not advise nor encourage MDA officials to open, operate, or deposit public money into, another bank account other than the bank account authorized by the Minister for that public money. This is a legal requirement and shall be complied with at all times.
- (11) Any cheque payable to MDA as public money shall be receipted as public money and deposited to the authorized bank account for that particular fund.
- (12) MDAs' officials shall not attempt to deposit any cheque payable to Government or to a MDA as public money to any private bank account or to cash it for any purposes. Such practice is strictly prohibited.

50. Issue of Receipts

- (1) Revenue collectors shall issue a receipt for all money paid to the Public or other Government accounts. Those receipts shall be on the officially printed form.
- (2) Revenue Collectors shall ensure that Notices in English and Tongan are displayed in each cash office stating that a receipt on an official printed form shall be obtained by every person paying money to the Government.
- (3) The receipts shall be issued at the time the money is collected. In no circumstances may the issue of the receipt be delayed or a temporary (unofficial) receipt given.
- (4) The Revenue Collection should ensure that legible and complete carbon copies are retained in the receipts book.

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51. Preparation of Receipts

- (1) Ball-pointed pens shall be used for writing receipts.
- (2) Writing shall be clear and neat, and all copies shall be readable. No blank spaces shall be left in the space provided for the amount.

52. Receipts Not to be Altered

Receipt shall not be altered. If a receipt is drawn in error or requires amendment it shall be cancelled and retained in the receipt book and a new receipt written out.

53. Preparation of Receipts for Banking

- (1) All public money received shall be banked with the designated approved Government of Tonga bank account, to the credit of the public account.
- (2) MDAs shall not bring in their receipts for banking to Treasury except in reasonable circumstances.
- (3) MDAs shall conduct the banking of public money at least once a week. Banking shall be done on a daily basis if the average collection is greater than TOPS100 per day in the week.
- (4) Deposits shall be prepared on the Bank of Tonga deposit form CHQ.D2.
- (5) A "Revenue Deposits Details" form (T4-1) shall be completed, in duplicate, at the same time as the deposit form.
- (6) Deposit forms and revenue deposit detail forms shall be checked by the a designated officer but independent from the officer doing the banking, before and after banking, to ensure that the banking is complete and correct.
- (7) Deposit forms and revenue deposit details forms shall be filed in accurately and clearly in ball-point pen.

54. Banking of Receipts

- (1) The deposit form, revenue deposit details form, Revenue Collectors cashbook, and the cash/cheque shall be taken to the approved bank for banking.

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- (2) The officer taking the pay-ins to the bank shall ensure that the bank teller stamps the bank stamp on the cashbook, the revenue deposit details form and the deposit slip butt before handling the forms back.
- (3) The deposit butt, cashbook and revenue deposit details forms shall be brought to the Treasury/Sub-Treasury where the banking is recorded.
- (4) The officer shall ensure that the staff at Revenue Unit at the Treasury stamps all the forms and the cashbook. Treasury will retain the original copy of the revenue deposit details form.

55. Cashiers Receipts Book

- (1) Receipt books are printed in various forms depending on the needs of each MDA but shall be approved by the Minister or Secretary.
- (2) All receipts shall be consecutively pre-numbered and record the following information:-
 - (a) date cash received;
 - (b) name of payee (person, department or organization paying the money);
 - (c) amount received, in both words and figures;
 - (d) signature of the Revenue Collectors issuing the receipt;
 - (e) the particular of the receipt.
- (3) When receipts are issued by the Treasury or Sub-Treasury cashiers, the number allocated to the accompanying revenue voucher shall always be indicated.

56. Revenue Collectors Cashbook

- (1) Every Revenue Collectors shall keep a cashbook in a form approved by the Minister or Secretary.
- (2) All Revenue Collectors who receive Public Funds are required to enter all receipts into the revenue collector's cashbook.
- (3) The Revenue Collector shall enter complete details such as: the date, amount of money received, the receipt number, and any other particulars i.e. name of payee, and invoice number.
- (4) When the banking is being prepared the Revenue Collector shall add up the cashbook entries since the last banking. The cashbook total should equal the cash and cheque to be banked. The total of the banking shall be entered in the cashbook and initialed by the Revenue Collector.

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- (5) The Revenue Collectors cashbook shall be taken to the bank along with the bank deposit slip and the receipt to be banked.
- (6) The Accountable Officer shall designate a senior officer to verify before banking that the cash/cheque on hand, receipts, deposit and cash book are agreed and to confirm after the banking that funds receipted were paid intact, and both the cashbook and deposit slip have been stamped by the Bank and the Treasury and Sub-Treasury.
- (7) The supervisor shall initial the cashbook, the last receipt of the receipt book, and copies of the banking documents as evidence of having completed the checking requirement as stated in paragraph 55(6) foregoing.

57. Dishonoured Cheque

- (1) Where a cheque is dishonored by the bank, the dishonored cheque will be sent by the bank to the MOFNP. The MOFNP will advise the MDA that presented the cheque and demand not to accept any further payments by cheque from the payer until further advice from MOFNP. The Accountable Officer shall provide explanation for why the cheque has been dishonored.
- (2) The Accountable Officer shall take immediate action to inform the drawer to contact MOFNP in person with the cash amount equal to the amount of the dishonored cheque plus any associated fees.
- (3) MOFNP shall advise the drawer to take the cash and pay into the general revenue account; then return the deposit slip to the Treasury for verification and control purposes.
- (4) MOFNP shall advise MDA on any conditions for acceptance of future cheques of the drawer.

58. Accounting for Revenue

- (1) Accountable Officer shall ensure that proper system is in place to ensure complete and accurate accounting of revenue by the MDA.
- (2) Each Accounting Head shall ensure that:-
 - (a) revenue is recorded against the correct revenue head;
 - (b) the recording of revenue is reconciled monthly with the MOFNP;
 - (c) revenue collected is paid into the correct bank account;
 - (d) revenue collected is paid into the bank in accordance to the pay-in policy and that no late banking charges are incurred;

Public Finance Management Act (Treasury Instructions) 2010.

- (e) the MOFNP is duly advised of any errors or discrepancies within
(2) two working days after the end of each month; and
 - (f) consumption tax is correctly accounted for and remitted as required.
- (3) Each Accountable Officer shall maintain a Revenue Collectors Chart to monitor payment of revenues by the revenue collectors.
 - (4) MDAs shall maintain a register of revenue collected, if applicable, and shall be updated and accurately recorded to ensure public money is duly accounted for.
 - (5) Accountable Officers shall review the revenue status report of the MDA on a regular basis (daily, weekly, monthly) and shall also determine any arrears of revenue for monitoring and appropriate action.

59. Refunds of Revenue

- (1) Accountable Officer shall approve all refunds unless legislation governing the collection of revenue by a particular MDA, states otherwise. If the refund relates to revenue received in the preceding year, approval shall be obtained from the Secretary. Whenever possible all refunds shall be paid from the account code which was first deposited.
- (2) Every refund of revenue shall be made on a payment voucher and shall show the following details:-
 - (a) details of the overpayment, including the payer and the amount;
 - (b) the number, date and name of payer on the original receipt; and
 - (c) the reasons for the refund.

60. Transactions Strictly on Cash Basis

All transactions are strictly on cash basis with no credit allowed except with the prior approval of the Minister and the Cabinet.

Section 2 – Custody of Public funds

61. Revenue Collectors Not to Control Non-Public Funds

Employee having control of public money shall not manage or keep non-public funds. Accountable Officers shall therefore ensure that revenue collectors do not act as collectors for staff, social or charitable funds.

Public Finance Management Act (Treasury Instructions) 2010.

62. Mixing of Public Money With Private Money

In terms of section 24 of the Public Finance Administration (Public Funds) Regulations no Accountable officer shall keep in any Government strong-room or safe under his/her charge any money except the public funds. If any non- public funds are found in Government safe, will be receipted and credited to sundry revenue.

63. Security of Public Funds

- (1) Revenue Collectors shall keep cash securely locked-up when not required. This shall be in a safe or strong-room.
- (2) Public funds shall not be kept in a drawer or unlock/unsafe place or location.
- (3) Accountable Officers shall be responsible to always ensure that there is a safely locked place or strong-room within the MDA to keep public money before depositing to the bank.
- (4) Accounting Head and revenue collector shall ensure that all cash collected as public monies are deposited in a safe locked place before depositing to the bank.
- (5) Carbon copy receipts, registers, license books, cash books, and all other government valuable documents shall be kept in safe, strong-room or locked cupboard.

64. Conveyance of Cash Outside Office Premises

Where cash is conveyed outside premises, such as to or from the bank, delivery to staff or other conveyance, it shall be under the control of two (2) officers. Where appropriate, an MDA vehicle shall be used by the officers conveying the cash.

65. Balancing of Cash

Cash shall be verified and balanced against cashbook daily. All entries in the cashbook should be verified with receipt and expenditure vouchers and the last entry initialed by a designated senior officer by the Accounting officer.

Public Finance Management Act (Treasury Instructions) 2010.

Section 3 – Miscellaneous

66. Official Gifts

- (1) Gifts of money, goods or property to an MDA or to an officer in an official capacity are the property of the Government. Details of the gift and any conditions attached to it shall be accounted for in a Gift Register.
- (2) MDAs shall keep proper records of the movement of these gifts and ensure that appropriate authority is obtained before distributing or issuing these official gifts.
- (3) The Gift Register shall be reviewed on a regular basis and reconcile to any money, goods or property on hand.

67. Division of Duties

- (1) Accountable Officer shall ensure that there are clear division of duties in the operation of the MDA to avoid any possibility of misappropriation and irregular practice.
- (2) Wherever practical, employees who are independent of each other shall be assigned duties of:-
 - (a) receiving money (over the counter or by mail);
 - (b) banking money;
 - (c) posting of entries into the cashbook;
 - (d) assessing fees and charges;
 - (e) writing-off losses of revenue with prior approval by the Minister and the Secretary in accordance with section 41(2) of the PFMA, 2002.
- (3) The MDA shall have proper documentation that specifies the employees responsible for each of these functions.

PART VI: GOVERNMENT ASSETS

Section 1 – Cash Management

68. Cash on Hand

- (1) Accountable Officer shall ensure that proper system is in place to ensure safe custody of cash at all times.
- (2) All money shall be kept in a safe or other secure place. No public money shall be kept in a drawer, unlock or unsecure place.

Public Finance Management Act (Treasury Instructions) 2010.

- (3) Safes and strongboxes shall be obtained from the Secretary and shall not be transferred from one MDA to another without prior approval of the Secretary.
- (4) No safe keys shall be duplicated without the prior approval of the Secretary.
- (5) Cash collections shall be taken to the bank with a level of security appropriate for the amount and composition of the banking. Banking shall be done by two (2) employees, unless otherwise specified in the Treasury Instructions.
- (6) The Minister may appoint a Board of Survey to conduct a physical stock-take of all cash on hand and other stocks held in safes of MDAs at least once a year, including those in the outer islands.
- (7) Any discrepancies shall be accounted for and brought to the attention of the Accountable Officer through the Board of Survey Report. A copy shall also be sent to the Secretary and the Auditor General.

69. Bank Accounts

- (1) MDA which maintain or operate a bank account shall ensure that proper controls are in place accordingly.
- (2) A bank account for public money, other money or trust money shall only be established with the approval of the Minister, who shall inform the bank of the MDA's officers authorized to operate it.
- (3) Trust money and where required by the donor, aid money shall be kept in a separate bank account.
- (4) All MDA bank accounts shall be kept in the name of the MDA or the official title of a unit within the MDA, as approved by the Minister.
- (5) Officers operating official bank accounts shall not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.
- (6) All bank accounts shall be reconciled monthly. The bank reconciliations shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.
- (7) The Accountable Officer shall review the monthly bank reconciliations, and then signed and dated.

Public Finance Management Act (Treasury Instructions) 2010.

- (8) Any MDA that has been approved to maintain a separate bank account due to special request from donor or any other organization to open and operate such bank account for particular purpose, but constitute public funds shall provide MOFNP with monthly financial report on the funds receipts and payments and bank balances.

70. Cash Flow Forecasting

- (1) Accountable Officer shall ensure that cash flow forecasts are accurately and completely prepared and sign-off before sending to the MOFNP.
- (2) Cash flow information shall be provided to the MOFNP, as follows –
 - (a) to Budget Division:
 - (i) an annual forecast of expenditure (by output/activity and SEG) and of revenue, for each month – ten working days before the start of each year; and
 - (ii) a monthly update of forecast expenditure (by output/activity and SEG) and of revenue for each remaining month – three workings days before start of each month.
 - (b) To Treasury Division:
 - (i) a rolling forecast of total daily expenditure and total daily revenue for the next four weeks period – two working days before the start of each week; and
 - (ii) updated forecasts of variations in the timing of cash flows of TOP\$1,000 or more – on the day the variation becomes known.
- (3) The Accountable Officer shall ensure that the forecast information provided is reliable and does not lead to unnecessary borrowing costs to government.

Section 2 – Public Stores and Inventories

71. Inventory Ordering

Inventory shall be purchased in the most economical manner having regard for:-

- (a) the expected level of usage;
- (b) lead times for delivery;
- (c) volume discounts;
- (d) holding costs;
- (e) the availability of secure storage; and
- (f) the likelihood of deterioration.

Public Finance Management Act (Treasury Instructions) 2010.

72. Inventory Recording

Inventories which are material in value shall be recorded in an inventory system.

73. Inventory Physical Count or Stock Taking

- (1) A stock taking shall be undertaken at the end of each financial year to verify the existence and condition of inventories on hand.
- (2) Accountable Officers shall be responsible to carry out the stock-taking and shall engage the Auditor General and his staff to observe the stock-taking.

74. Inventory Valuation

Inventories shall be valued at the lower of cost and net realizable value. Costs shall be assigned to inventory items on a consistent basis year-to-year using one of the following costing methods:

- (a) specific identification;
- (b) first-in, first-out; or
- (c) weighted average cost.

Section 3 – Arrears of Revenue

75. Revenue Recording and Recovery

- (1) Each MDA shall maintain an Arrears of Revenue Register or an accounts receivable ledger for licenses, debts, court fees and other government or MDA revenues receivable.
- (2) Accounts which are overdue shall promptly be followed-up in accordance with the debt recovery procedures as stated in (75) below of these Treasury Instructions.

76. Revenue Arrears Write-Offs

- (1) Debts shall be written-off in accordance with Part VIII after failure all practical and cost-effective efforts have been taken to recover them.

Public Finance Management Act (Treasury Instructions) 2010.

- (2) A debt may only be written off if approved in accordance to section 41(2) of the PFMA, 2002 by:-
 - (a) the Secretary, where the debt owed is equal to or less than TOPS5,000;
 - (b) the Minister where the amount exceeds TOPS5,000 and up to and equal to TOPS10,000; and/or
 - (c) the Cabinet where the debt is more than TOPS10,000.

77. Revenue Arrears Reporting

- (1) Within seven (7) working days after the end of each month, each MDA shall prepare and submit a monthly report on the arrears of revenue status to the MOFNP on the outstanding and overdue debts and correctly showing the aging of these arrears.
- (2) The arrears of revenue monthly report shall be reviewed by the Accountable Officer and submitted a copy to the Secretary and the Auditor General no later than the 10th of the month following.
- (3) Information to be included in the Monthly Reports on Outstanding and Overdue Debts shall be in accordance to any format specified by the MOFNP.

Section 4 – Loans and Advances

78. Loans and Advances to Civil Servants

There shall be no loans and advances from public fund to any civil servants by any MDA.

Section 5 – Property, Plant and Equipment

79. Public Stores Recording

- (1) The Accountable Officer shall ensure that proper system is in place to record and account for any government physical assets held by the MDA and under their care.
- (2) All property, plant or equipment with a value in excess of TOPS500 or more shall be recorded in the MDA's asset register.
- (3) All MDAs 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

Public Finance Management Act (Treasury Instructions) 2010.

- (d) make, model and identification number, where applicable
 - (e) location.
 - (f) depreciation
- (4) Accountable Officer s shall be responsible to:
- (a) ensure that the MDA'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 count at end of each financial year as stated in 82 below.
- (5) Assets whose value is between TOPS100 and TOPS500 may also be recorded by the MDA for control and monitoring purposes.

80. Property, Plant and Equipment Valuation

Property, plant and equipment shall be valued at either cost or fair value. For assets recorded at cost, the book value (depreciated where applicable) shall be reviewed yearly to ensure it does not exceed the asset's fair value (where this can be estimated reliably).

81. Use of Assets

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

82. Property, Plant and Equipment Stock-taking

- (1) Accountable Officer shall be responsible for the overall supervision of the assets' stock-take and ensure that proper system is in place to carry out the stocktaking in an efficient and effective manner.
- (2) A stock-take 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 MDAs that have a large base asset, the Finance Manual may provide for stock-takes to be undertaken on a cyclical basis so that all assets are checked at least once every three years.
- (3) Stock-takes shall be undertaken by 2 officers who are independent of the officer responsible for the custody of the assets. A written record shall be kept of each stock-take and must be signed and dated by the officers undertaking it.

Public Finance Management Act (Treasury Instructions) 2010.

- (4) All assets which are not accounted for in the stock-take shall be investigated to determine the appropriate recovery or written-off action and report immediately to Secretary and copy to Auditor General.

83. Depreciation of Property, Plant and Equipment

All depreciable assets recorded in the assets register shall 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 MDA 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)	Furniture and Fittings	5 – 10 years
(vii)	Military Assets	5 – 20 years
(vii)	Other plant and equipment	5 – 20 years
(viii)	Other intangible assets	3 – 20 years

84. Disposals of Property, Plant and Equipment

- (1) All Government Assets required to be disposed-off shall be reported by the Accountable Officers concerned to the Government Assets Disposal Committee (GADC)¹ which shall consist of the following persons:-
 - (a) Secretary for Finance & National Planning (Chairman)
 - (b) Auditor General
 - (c) Head of Department concerned
 - (d) Secretariat (Deputy Secretary for Finance (Treasury))
 - (e) Co-opt Director of Works
- (2) The Accountable Officer shall identify those MDA’s assets that need to be disposed and request in writing to the Secretary of the GADC for the disposal of MDA assets.
- (3) The submission from the Accountable Officer shall include updated details of that particular asset from the MDA’s assets register which shall include the following information:-

¹ Also known as Standing Board of Survey.

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- (a) type of assets;
 - (b) date of purchase or acquisition;
 - (c) estimated economic life;
 - (d) cost price and relevant invoice;
 - (e) book value at date of proposed disposal;
 - (f) recommended disposal value; and
 - (g) recommended method of disposal.
- (4) 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:-
- (a) sale;
 - (b) transfer to another entity or another MDA;
 - (c) transfer as a gift to a non-government organization which contributes to government outcomes;
 - (d) retain for spare parts; or
 - (e) discarding as scrap.
- (5) Approval from the GADC is required before disposing of any government asset.
- (6) The sale of assets shall be carried out in a transparent and competitive way to ensure that maximum value for money is obtained.
- (7) The Accountable Officers shall ensure that all assets identified and approved by GADC to be disposed to its staff are valued and subject to a tender or other process that is appropriate to the value of the asset; no parts shall be taken out of the assets by anyone prior to the disposal.

85. Unused Serviceable Government Assets

- (1) Unused serviceable Government assets shall not be sold to any person. In special circumstances, and only with the prior approval of the GADC, unused serviceable Government assets may be sold.
- (2) Any Accountable Officers who seeks the GADC approval under Instruction 83 (1) above shall certify that the sale of such unused serviceable Government assets will not result in any cost being incurred by the Government in excess of the sale price in purchasing replacement for such assets.
- (3) Unused serviceable Government assets which are surplus to the requirements of the Government, or which have become obsolete, underperforming, or unserviceable shall be sold by direct sale to a tendered after tenders have been called for by public advertisement.

Public Finance Management Act (Treasury Instructions) 2010.

86. Proceeds From Sales of Government Assets

Any proceeds from the sale of government assets shall be paid into the Government General Revenue.

87. Trade-in of Government Assets

- (1) Accountable Officers may, with the approval of GADC, dispose of Government Assets (referred to here as used assets), in transacting the purchase of replacement assets, in return for a value offered by the supplier of such replacement assets.
- (2) If the value of the replacement assets to be charged by a supplier is greater than the value that is being offered by that supplier for the used assets, then the Government shall pay the difference to the supplier, but if the value of the replacement assets to be charged by a supplier is less than the value that is being offered by that supplier for the used assets then the supplier shall pay the difference to the Government.
- (3) For the purpose of recording transactions of the type referred to in this Instruction, the used assets shall be regarded as being disposed of and the replacement assets shall be regarded as being purchased.

88. Inter-Departmental Transfer of Public Assets

- (1) Any Accountable Officers may, by agreement in writing with another Accountable Officers, transfer assets under the control of the first MDA to the control of the second MDA.
- (2) Any transfer of Government assets between MDAs may only take place with the approval of the GADC in writing.
- (3) In the case of any transfer referred to in Instruction 88(1) above, the Asset Register of the two MDAs concerned shall be adjusted accordingly.

89. Write-off of Government Assets

- (1) Upon recommendation from the Accountable Officers, any assets may be written-off subject to written approval from the GADC.
- (2) All assets that are written-off shall be properly recorded and such record shall contain:-
 - (a) detail description and value of the asset written-off; and
 - (b) the estimated replacement value of that particular asset.

Public Finance Management Act (Treasury Instructions) 2010.

Section 6 – Government Vehicles

90. Vehicle Operations

- (1) Accountable Officers shall be responsible for taking care of all government vehicles under the MDA 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.
- (2) 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 shall have a current driver's license of the relevant class or type of vehicle.
- (3) Accountable Officers shall keep the complete and updated records of staff and the approval granted to them to drive government vehicles as per Policy 14.4(b).
- (4) Government Vehicles shall only be used for official purposes, except for those with Transport Privileges as per PSC Policy Manual policies 14.7 & 14.8.
- (5) 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.
- (6) 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.
- (7) Government vehicles shall be used and maintained so as to maximize their useful life and their value upon disposal.

Section 7 – Miscellaneous Provisions

91. Private Use of MDA's Assets

- (1) Accountable Officers 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, cell-phones, means of accessing the internet, and stationeries.

Public Finance Management Act (Treasury Instructions) 2010.

- (2) The MDA shall have an internal policy on the use of communication technology – cell-phones, telephones, e-mail and other access to the Internet – and Accountable Officers shall ensure that staffs are well informed of such policy. Such policy should consider the risk of abusing the use of such communication technology and the resulting cost to the government.
- (3) 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.
- (4) The use of the MDA's assets for any private business that any employee may operate is prohibited. Accountable Officers shall report any such abuses to the Secretary and to the Auditor General.

PART VII: LIABILITIES

92. Commitments

- (1) MDAs shall ensure that all commitments and invoices are promptly and accurately recorded in the accounting system to meet management and external reporting needs.
- (2) Within seven (7) working days after the end of each month, MDAs shall prepare an Aging Commitment Report, and checked by the Accountable Officers.
- (3) Accountable Officers shall review such report on a regular basis, sign and date; then send to the Secretary and the Auditor General by the 10th of the month following.
- (4) Information to be included in the Monthly Reports on Outstanding and Overdue Debts shall be in accordance to the format specified by the MOFNP.
- (5) Accountable Officers shall be responsible to any commitments of the MDA and shall provide reasonable explanations to the Secretary together with the report in 92(2) above as to the existence of any Commitments and plan to settle those debts in due course.

93. Employee Entitlements

MDAs shall keep accurate and up-to-date records of all leave and other employee entitlements.

Public Finance Management Act (Treasury Instructions) 2010.

94. Contingent Liabilities

The Accountable Officer shall maintain a Register of Contingent liabilities, which includes the following information:-

- (a) a description of the contingent liability;
- (b) its value, if this can be measured reliably;
- (c) the way in which the contingency arose;
- (d) details of any action required to minimize the potential loss; and
- (e) details of progress in managing the risk.

PART VIII: DEVELOPMENT FUND

95. Reporting on Development Fund

- (1) All cash received and cash payments on development projects shall comply with the related requirements in these Treasury Instructions unless a specific requirement has been agreed upon by Donors and the Government.
- (2) MDAs shall prepare and submit to the Secretary the following information relating to all development projects, including those projects that are managed outside the government accounting system:-
 - (a) copy of the project document before the projects commenced;
 - (b) a copy of regular financial reports or acquittal statements of the projects activities;
 - (c) a copy of project's end of financial year report for each financial year;
 - (d) a copy of progress reports on the physical and financial status of the projects; and
 - (e) a copy of completion report at the end of the projects.
- (3) Accountable Officers and Project Managers shall ensure that any information requested by the MOFNP for the complete recording of development projects are made available and provided on a timely basis and as requested.
- (4) Any MDAs or organization who received and disbursed donor funds on behalf of and for government and operate a separate bank account to that effect as agreed with by the donor agency and channel outside government accounting system, shall provide a copy to MOFNP of the same financial reports prepared and sent to donor organization on a regular basis and at end of the financial year.

Public Finance Management Act (Treasury Instructions) 2010.

PART IX: LOSSES

96. Recording and Reporting Losses

- (1) Each MDA shall establish a Register of Losses and shall record in it details of each loss, including:-
 - (a) the date of loss;
 - (b) particulars of the loss including value;
 - (c) nature and circumstances of the loss;
 - (d) recovery action taken;
 - (e) any amount recovered, written-off, waived or postponed;
 - (f) a record of the year of disclosure in the MDA's record; and
 - (g) references to supporting documentation (e.g. loss reports, write off approvals, file references).
- (2) Details of losses incurred each year shall be reported by the Accountable Officers at the end of the financial year to the Secretary and copy to the Auditor General.

97. Reporting and Recovering of Theft

- (1) Losses suspected to have been caused by theft or other breaches of the law should be reported immediately to the police and a copy of the report provided to the Secretary, the Secretary for Public Service Commission, and the Auditor General.
- (2) All practical and cost-effective efforts shall be made to recover losses which are recoverable and to avoid future losses occurring from the same cause.

98. Write-off of Losses

Each year, losses of any kind which are considered not recoverable shall be reported by the Accountable Officers to the Secretary for appropriate action, and copy to the Auditor General.

PART X: TRUST MONEY

99. Accounting for Trust Money

- (1) Trust account can only be established in accordance with section 22 of the PFMA 2002.
- (2) MDAs shall record the receipt and payment of trust money in a separate cashbook or set of ledger accounts.

Public Finance Management Act (Treasury Instructions) 2010.

- (3) Each month, the trust money record shall be balanced and reconciled with the Treasury records and related trust bank account. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items should be investigated and resolved promptly.
- (4) Accountable Officers of MDAs that collect and disburse trust money shall ensure that updated and complete records are kept.
- (5) MDAs that collect trust money shall, in preparing the pay in of such money collected, also prepare the related expenditure voucher of the amount to which the claimant is entitled, and submit to MOFNP on the same date that the money is being paid in.
- (6) Each payment of trust monies shall be supported by an expenditure voucher which contain details of:-
 - (a) the date;
 - (b) the payee;
 - (c) the amount; and
 - (d) the reason for the payment.
- (7) Each expenditure voucher for trust money shall be signed and dated by the authorizing officer, who shall be independent of the officer responsible for maintaining the trust account records.

100. Trust Money Reporting

- (1) The Accountable Officers who collect trust money shall prepare a statement of receipt and payment of trust money, collected and paid during the year and submit a copy of the report to the Secretary and the Auditor General, no later than 15th July.
- (2) The format of the report in 100(1) above can be consulted with MOFNP.

PART XI: DIPLOMATIC AND CONSULAR SERVICES OVERSEAS POSTS

101. Application of These Instructions

All Diplomatic and Consular Services Overseas Posts shall, where applicable, adhere to all the provisions of these Treasury Instructions relating to the receipts, disbursements and safe custody of public funds and public resources.

Public Finance Management Act (Treasury Instructions) 2010.

102. Practical Application of Policies and Procedures

- (1) In the situation where the application(s) of any provisions of these Treasury Instructions is not practical in the overseas missions, the Secretary shall be duly advised for specific directions and instructions on that specific matter.
- (2) The Post shall send to the MOFNP any information required regarding the monthly financial report and shall provide the information requested on a timely basis.

103. Overseas Staff Handover

- (1) *Head of Posts* -There shall be a proper handover carried out when a new Head of Posts is appointed. A proper handover statement including all assets, bank books, receipts, passports, payment vouchers, files with filing index, and etc, shall be prepared and signed by both the incoming and outgoing Heads of Post under the supervision of the Auditor General. Any discrepancies revealed shall be settled immediately before the outgoing Head leaves the post.
- (2) *Other Staff*-A proper handover be conducted and supervised by the Head of Post immediately when there is a change in other staff of the overseas post. Both the incoming and outgoing staff agreed to the assets, cash, records/ documents and any other public fund entrusted with that particular post. Such handover statement will be signed by the officers and the Head of the Post.

PART XII: INTERNAL CONTROLS

104. Objective of Internal Controls

Each MDA shall have in place a cost effective system of internal controls which:-

- (a) addresses the MDA's risks;
- (b) the safeguards money and property against loss;
- (c) avoids or detects accounting errors; and
- (d) avoid unfavorable audit reports.

105. Responsibility of the Accountable Officer

- (1) The Accountable Officer of MDA is responsible for the effective design and operation of internal controls across the MDA.

Public Finance Management Act (Treasury Instructions) 2010.

- (2) The Accountable Officer shall ensure that all officers of the MDA who are responsible for particular controls are aware of their responsibilities, including the need for managers to regularly rotate duties between staff, where practical, to minimize and detect the possibility of fraud. These internal checks are in addition to any that are carried out by internal audit.
- (3) The Accountable Officer shall ensure that random internal checks are performed to ensure that all controls required by these Instructions or the Finance Manuals are being carried out and that they remain effective.

106. Defalcations², Shortages, Failure to Account

- (1) If it appears that any person has misappropriated, obtained illegal possession, or has failed to account for any public money or caused or permitted its misappropriation, the Accountable Officers shall take immediate action. Where it is suspected that a shortage is caused by theft, fraud, or improper use of public money the police shall be notified immediately.
- (2) Where an attempt is made to misappropriate public money by forgery, fraud, or otherwise is disclosed, disciplinary action shall be taken in accordance with the circumstances.
- (3) The primary responsibility for ensuring that money is accounted for and Government property is properly protected rests with the Accountable Officers with assistance from the subordinate staff.
- (4) Where MDA has sustained a loss or deficiency of public money or public resources, the Accountable Officers in conjunction with the Secretary and the Auditor-General, shall take all reasonable steps to recover the amount from the person responsible.

107. MDA's Financial and Accounting Records and Forms

- (1) All financial and accounting books, records, documents, cards, to be used by MDA's for recording, accounting, or similar use shall be endorsed and approved by the MOFNP.
- (2) MDA's accounting systems and records are at all times subjects to MOFNP inspection as per PFMA, 2002. Accountable Officers shall ensure that financial records are available on request by MOFNP staff for checking or other related accounting tasks.

² Misappropriation of funds held in any fiduciary capacity; failure to properly account for such funds or an act of embezzlement

Public Finance Management Act (Treasury Instructions) 2010.

- (3) Any proposed alterations to MDA's financial accounting systems shall be submitted to MOFNP for checking and approval before they are implemented.

108. Risk Assessment

- (1) Accountable Officers shall carry out a risk assessment of the MDA on annually and maintain complete records and related documents of those risks identified. Such risk records shall be updated, monitored and reviewed on a regular basis.
- (2) The Accountable Officers shall ensure that specific control objectives are set and related internal controls are put in place to mitigate the identified risks.
- (3) The Accountable Officers shall submit a copy of the MDA's risk profile report to the Secretary and the Auditor General by the 15th July every year.

109. Documentation of Internal Controls

- (1) The Accountable Officers of each MDA shall ensure that the MDA for which they are responsible develops, implements and documents policies, procedures and systems which will assist the them and the responsible Minister to discharge accountability in relation to the MDA's:-
 - (a) reporting of financial information;
 - (b) application of accounting policies;
 - (c) financial management;
 - (d) internal control systems;
 - (e) risks;
 - (f) government policies and practices;
 - (g) compliance with applicable laws and regulations; and
 - (h) managing, measuring, monitoring and controlling risk.
- (2) Each Accountable Officer shall ensure that the policies, procedures and systems required by these Treasury Instructions are properly documented. That documentation shall be reviewed regularly, revised where necessary and be readily available to all officers of the MDA.

Public Finance Management Act (Treasury Instructions) 2010.

110. MDA's Finance Manual

The MDA's Finance Manual shall document the internal controls that are in place to minimize the risk of losses of money and property and of unreliable accounting information, in relation to:-

- (a) revenue;
- (b) accounts receivable;
- (c) banking;
- (d) salaries and wages;
- (e) bank accounts;
- (f) expenditure;
- (g) commitments;
- (h) inventory; and
- (i) property, plant and equipment;
- (j) development projects.

PART XIII : SURCHARGES

111. Authority to Impose Surcharges

The MOFNP will take appropriate action to surcharge any officer including Accountable Officers of MDA in the event of non-compliance with the requirement of these Treasury Instructions in accordance with section 39(1)(d) of the PFMA, 2002.

112. When a Surcharge May be Imposed

A surcharge may be imposed on an officer who is directly or indirectly responsible for:-

- (a) expenditure which has not been properly authorized in accordance with the law;
- (b) the destruction, damage, theft or other loss of property; or
- (c) the loss of money, including public money, other money and trust money.

113. Surcharge Action

The following factors will be considered when calculating the surcharge amount:-

Public Finance Management Act (Treasury Instructions) 2010.

Table 2 Surcharge Action

LOSS	ACTION	SURCHARGE
Damage to or loss of government vehicles	Disregard for procedures in the Treasury Instructions	100% recovery of the full cost of repairs or replacement
Loss of cash, inventories or property, plant and equipment	Disregard for procedures in the Treasury Instructions. Lack of adequate internal control or supervision	100% recovery up to the amount of the loss. The loss may be apportioned amongst all officers responsible. 50% recovery of total loss or lower value approved by the Secretary or delegate.
Overpayment of Salaries & Wages	Disregard for procedures in the Treasury Instructions. Lack of adequate internal control or supervision	100% recovery of the total amount overpaid. 50% recovery of total overpaid
Unauthorized expenditure	Disregard for procedures in the Treasury Instructions. Lack of adequate internal control or supervision	100% recovery of the unauthorized expenditure. 50% recovery of total unauthorized expenditure or lower amount approved by the Secretary or delegate.

114. Rate of Recovery

- (1) The rate of recovery from the salary or wage of an officer or employee shall not be less than 5% of their net salary or wage (that is, gross after tax) or TOP\$10,000, whichever is lower.
- (2) Any surcharge recovery shall be made in full within one (1) year from the date of surcharge or for a longer period as approved by the Secretary.
- (3) The rate of recovery of surcharge may be varied at the discretion of the Public Service Commissioners, on a written submission by the surcharged officer.
- (4) At the end of each month, the Auditor General or Head of Internal Audit – Finance shall submit a Surcharges Report to the Secretary and the Auditor General.

Public Finance Management Act (Treasury Instructions) 2010.

PART XIV: REPORTING

Management Reporting

115. Reports to MDAs' Accountable Officer


Within one (1) week after the end of each month or other time specified by MOFNP, each Accountable Officer shall prepare and provide a management report which focuses on the following areas:-

- (a) service delivery performance;
- (b) financial performance;
- (c) risks and internal controls; and
- (d) other significant issues for the Accountable Officer information or decision.

116. Annual Financial Statements

- (1) The preparation of the annual financial statements of Government as a whole is the responsibility of the MOFNP in accordance with the requirement of the PFMA 2002.
- (2) MDAs shall provide all the information and documents that may be requested and required by the MOFNP for the timely and accurate preparation of the Government Financial Statements.

Dated this Friday, September 10, 2010.


Hon. 'Otenifi Afu'alo Matoto
Minister for Finance and National Planning

