

## PAYMENT OF ACCOUNTS

### POLICY

EPD has responsibility to ensure that there are proper controls in place to achieve the regular and accurate expenditure of public monies.

In order to maintain proper control on the expenditure of public monies and to reduce the risk of fraud and costly errors, an effective system for checking and approving the payment of accounts will be maintained.

Only staff who have been authorised in writing by the Director-General, or who have power derived from legislation, may approve proposals to spend public money.

### RATIONALE FOR POLICY

This policy has been developed to assist the Directorate in ensuring the efficient, effective and ethical financial management of the Directorate.

### RESPONSIBILITIES AND ACCOUNTABILITIES

The primary responsibilities and accountabilities in relation to payment of accounts rests with the following:

Position	Responsibility
Director-General	<ul style="list-style-type: none"> <li>ensure that the expenditure of the Directorate does not exceed the limit of its appropriations and that there is adequate control over the Directorate's assets and liabilities.</li> </ul>
Chief Finance Officer	<ul style="list-style-type: none"> <li>ensure that risk assessments are periodically conducted to identify risks in the payment of accounts processes;</li> <li>financial controls exist for the payment of accounts and that they are being adhered to by all staff; and</li> <li>the accounting systems and records provide a complete and accurate audit trail of the activities of each supplier account.</li> </ul>
Other Officers	<ul style="list-style-type: none"> <li>ensure that they understand the powers and limitations, and responsibilities of their delegation;</li> <li>receive goods and services, check price and quantity details for accuracy;</li> <li>ensure all invoices have been approved for payment;</li> <li>arrange for credit notes, adjustments or revised invoices from suppliers (if applicable);</li> <li>rectify incorrect details on invoices and adjustment notes returned or flagged by SSC/EPD Finance; and</li> <li>ensure that the approval of payments do not exceed the delegation holder's monetary and / or delegated authority.</li> </ul>
Petty Cash Holder	<ul style="list-style-type: none"> <li>administer the petty cash float; and</li> <li>ensure the security of the petty cash float.</li> </ul>

Credit Card Administration Officer	<ul style="list-style-type: none"> <li>• ensure that credit card statements are reconciled to payment records in ORACLE; and</li> <li>• administer credit card application, distribution and credit card related issues.</li> </ul>
Shared Services	<p>Shared Services Finance staff are responsible for the timely and accurate processing of accounts payable invoices delivered from within the Directorate. This includes:</p> <ul style="list-style-type: none"> <li>• check invoices and adjustment notes, ensuring GST compliance, and reasonableness check for coding and delegate approval;</li> <li>• enter and validate invoices and adjustment notes in Oracle Financials AP;</li> <li>• entry of purchase orders, where agreed with the agency;</li> <li>• process the payment of suppliers in a timely manner;</li> <li>• provision of EFT remittances and cheques to suppliers;</li> <li>• manage lost/stolen cheques issued by SSC;</li> <li>• process PAYG including calculating, coding and payment;</li> <li>• provide for aged creditors reporting facility as required;</li> <li>• entry and maintenance of supplier information; and</li> <li>• update General Ledger information and reconcile AP to GL at end of period.</li> </ul>

### NON-COMPLIANCE

Failure to comply with these procedures may result in errors occurring and possible fraud against the Directorate.

Staff are therefore accountable to the Director-General for the fulfilment of their responsibilities under these procedures. Non-compliance will be taken as a serious matter and may result in disciplinary action or be reflected in performance reviews.

### TARGET USERS

These procedural rules are primarily for all staff responsible for the payment of accounts.

## PROCEDURES

The following procedures are addressed by these guidelines:

• payment of accounts;	• direct debit and credits;
• payment controls;	• electronic funds transfer;
• supplier creation;	• payments by petty cash;
• invoice processing;	• cash advances;
• payment options;	• payment terms, discounts and credit notes;
• cheque payments;	• prepayments; and
• corporate credit cards;	• progress claims under contract.

### Payment of Accounts

Payments should be made in accordance with contractual arrangements, or (if no contractual arrangements are specified) in accordance with ACT Government standard payment terms.

Before an invoice is approved for payment, staff must ensure the expense or asset purchase was approved and the Directorate has received the goods or services invoiced (in good order and condition), in accordance with the approved expense or purchase. Controls should exist and be used to ensure that invoices are genuine, priced as per order / contract, correct in all other ways and not duplicated.

Procedures that must be followed for the approval of purchases are detailed in DGFI - Procurement of Goods of Services.

### Payment Controls

A major control in the accounts payable process is approval of expenses and includes:

- authorisation of either expenses or asset purchases within budget limits;
- authorisation of either prepayment or instalment payment arrangements, if applicable; and
- proper documentation for the acceptance of the goods or services.

Other major controls in the accounts payable process include:

- segregation of duties;
- system access controls;
- independent checks;
- random counts of petty cash; and
- physical security of accountable forms and petty cash.

### Supplier Creation

If a supplier is not already in the ORACLE system, a new supplier will need to be created. All new suppliers need to be set up in the ORACLE system and this is managed within Shared Services. The relevant Accounts Officer must undertake reasonable checks to ensure the supplier is genuine.

Step	Action
1	Invoice is identified as a new Supplier.
2	ORACLE checks the validity of the ABN. If ORACLE rejects the ABN then a search is done on the appropriate web site.
3	The Accounts Officer creates a new supplier record in ORACLE.
4	The invoice is then processed.

### Invoice Processing

Invoice processing involves the process from the receipt of an invoice by Branches/Sections to the point that it is ready for payment.

Step	Action
1	An invoice is received by a Branch/Section.
2	Approval must be sought and obtained from an authorised delegate.
3	The original invoice is then sent to EPD Finance where it is checked to ensure authorisation has been given. EPD Finance will then forward to Shared Services.
4	If the supplier is a new supplier, a new supplier record must be created (see supplier creation process).
5	The detail of the invoice is entered into ORACLE and checked back to original invoice and validated in ORACLE by the Accounts Officer.
6	The original invoice is then filed.
7	Payment is then made as per the payment process documented later in this chapter.

### Payment Options

A range of payment options are available to the Directorate, including:

- by cheque;
- by Corporate Credit Card;
- by electronic funds transfer (EFT - direct credit); and
- by direct debit to a nominated directorate bank account.

### Cheque Payments (within Shared Services)

The cheque run is conducted twice a week by the Assistant Accountant.

Step	Action
1	Cash requirement report detailing all payments due to be made is printed.
2	Report is checked to ensure all payments relate to the correct bank account.

Step	Action
3	Preliminary payment register is produced.
4	Cheques are printed.
5	Final payments Register is printed out and compared to the Preliminary Register and signed off.

Cheque books are pre-numbered accountable forms and should be treated in accordance with the guidelines for Accountable Forms refer to DGFI - Accountable Forms.

For official accounts, cheques will be generated by an automated accounting system with appropriate internal controls. Electronic signatures are printed onto cheques. Manual cheques and cheques opened to cash should only be used in exceptional cases. In these cases, the Senior Manager, Shared Services Finance is responsible for ensuring that adequate controls exist within the manual cheque preparation, signing and recording procedures.

The Senior Manager, Shared Services Finance is responsible for the security of the computer 'Form Trap' device used in automatic cheque production. The device is hidden in a locked cabinet at all times. The cheque forms are to be stored in a locked cupboard. Manual cheque books are to be stored in the safety box.

Cancelled cheques and returned cheques must be recorded in the Directorate's accounting system and records as soon as possible. Action should be taken to resolve the matter as quickly as possible, to maintain compliance with supplier payment arrangements and minimise the impact on projected cash flows.

If a cheque is "unpresented" after 15 months from the date of issue, the cheque should be cancelled and written back into the accounting system.

### Corporate Credit Cards

A number of staff members within the Directorate have been issued with credit cards. The credit card transactions are entered into the ORACLE system as follows:

Step	Action
1	Credit card payments are direct debited from the operating bank accounts.
2	The expense is coded to the relevant section on ORACLE.
3	Credit card bills are acquitted (coded) by the credit card holder.
4	An authorised delegate approves the acquittal.
5	The acquittal is sent to the Credit Card Administration Officer.
6	The acquittal coding is input into ORACLE by the Credit Card Administration Officer.

The Credit Card Administration Officer should ensure that credit card statements are reconciled to the payments recorded on the accounting system. For additional information on Corporate Credit Cards please refer to DGFI - Credit Cards.

### Direct Debits and Credits

Any receipts or payments that are made automatically to the bank account need to be processed in ORACLE. These transactions include receipts from government Directorates, bank fees and interest

revenue. Shared Services Banking and Accounts Officers will ensure that these transactions are entered into ORACLE on a daily basis.

Step	Action
1	The Banking Officer reviews the bank statement on a daily basis and advises Accounts Officer of transactions to be receipted through the Accounts Receivable module.
2	The Banking and Accounts Officers code all items on the bank statement that have not been initiated by the Directorate.
3	The entry is then input into ORACLE and the receipt register is checked by the Senior Manager, Shared Services Finance.
4	The Banking Officer performs bank reconciliations in ORACLE daily and ensures that all amounts in the bank account have been completely and accurately recorded.

### Electronic Funds Transfer (EFT)

EFT payments are made through the Westpac system. The Banking Officer oversees them. EFT payments are usually processed twice a week. Note, there are some EFT transactions that are not reflected in ORACLE such as interagency transfer of Government operating and capital funds. Manual EFT of supplier invoices are reflected in ORACLE as soon as the payment is transmitted.

Step	Action
1	Cash requirement report detailing all payments to be made is printed.
2	Report is checked to ensure all payments relate to the correct bank account.
3	Preliminary payment register is produced from ORACLE. A signed copy of the register is provided to the Banking Officer.
4	The payment file is stored within an application which can only be accessed by the Banking Officer for upload into Westpac Banking.
5	The Banking Officer prints out EFT transaction list from Westpac Banking.
6	Westpac report total is matched to the preliminary register by the Banking Officer and signed off as checked.
7	EFT transfer is checked, authorised and approved by the Senior Manager, Shared Services Finance.
8	The Banking Officer inserts systems disk in order to send the transaction to the bank.
9	Confirmation is received from Westpac Banking as approved.
10	Payments register is marked as final in ORACLE.
11	Monthly bank reconciliation reports are reviewed and signed by the Senior Manager, Shared Services Finance.

Electronic funds transfers (EFT) should be subject to controls, in the same way that manual transactions are subject to controls. Where EFT arrangements are in place the Senior Manager, Shared Services Finance is responsible for ensuring that adequate procedures are issued to control the links between the bank's system and the Directorate's accounting system and records.

Banking Officers must ensure that transactions are accurately processed as soon as possible.

As part of the bank reconciliation process, Banking Officers should monitor errors and timing differences arising from EFT arrangements, and take appropriate actions to ensure sufficient controls are maintained.

Transfers between the Directorate's bank accounts should be authorised and carried out as if each transaction was between the Directorate and an external party.

The Banking Officer is responsible for the security of the bank software diskette and related access passwords used for EFT transactions. The diskette is to be locked in a safe at the end of each day.

### Payments by Petty Cash

The Petty Cash Holder administers the petty cash float. The cash is located in a safe that can only be accessed by the Petty Cash Holder.

Step	Action
1	Claimant fills in a petty cash claim form. Claims are limited to \$50 (inclusive of GST) and petty cash is not available for the purposes of giving change.
2	The Petty Cash Claim Form details are checked against an original invoice (where available), by an authorised delegate.
3	The manager then approves the claim.
4	Claim form together with supporting documentation is given to the Petty Cash Holder, who will check to ensure that an authorised delegate approved the claim form.
5	Claimant is reimbursed.
6	The Petty Cash Holder updates petty cash register.
7	The petty cash register and supporting documentation are sent to Shared Services for reimbursement.
8	The reimbursement is processed in ORACLE (as in invoice processing procedure).
9	A cheque is issued and opened to cash.

The Petty Cash Float is to be counted randomly by the Senior Manager, Shared Services Finance and / or EPD Finance staff. Documentation clearly stating the date of the count and signed off by both the Petty Cash Holder and Senior Manager, Shared Services Finance and / or EPD Finance staff (as appropriate) should be retained on file as evidence of the count.

A count should be performed every time the Petty Cash Holder goes on leave and custody of the fund is transferred to the replacement.

### Cash Advances

The cash advance process is similar to the petty cash process. It is administered by the Accounts Officer. Once a purchase has been made, the cash advance holder must acquit the cash advance.

Step	Action
1	A cash advance form is completed by the cash advance holder and must be approved by an authorised delegate.
2	The form is handed to the Accounts Officer and after being checked the Accounts Officer pays the cash advance to the applicant.
3	The Accounts Officer retains the cash advance form and records it in the cash advance listing and ORACLE.
4	The Accounts Officer follows up all cash advances that are not acquitted within a month.
5	The applicant acquits the cash advance and where necessary returns any extra cash to the Accounts Officer.
6	The advance register is updated and an adjustment is recorded in ORACLE (as in invoice processing procedure).

### Payment Terms, Discounts and Credit Notes

The Territory's standard payment terms are:

- payment within 30 days from acceptance of goods or services and receipt of a correctly rendered invoice.

Managers should take advantage of supplier discounts for earlier payments, where the discount is significantly greater than the interest the money would earn in the bank account, and where the cash is available to make payment.

The acceptance of tax adjustments notes/credit notes and credit amounts on suppliers' invoices (rather than refunds or reductions of payments) may be approved by an officer responsible for the payment of accounts where it is reasonable to believe that the credit will be used in a timely manner. Credits on supplier accounts should be applied to the next invoice(s) received until the credit is extinguished.

### Prepayments

Prepayments are payments that are made before goods have been delivered or services have been rendered. Prepayments must not be made unless it can be demonstrated that it obtains the best value for money outcome for the Directorate. This should be documented separately for all claims and where appropriate noted on the account that the payment is a prepayment and the period to which it relates.

### Progress Claims Under Contract

When an invoice is received it is forwarded to the appropriate authorising officer who checks the documents for completeness and to ensure the payment is in accordance with the terms of the contract.

Once it is authorised the original invoice is then forwarded to Shared Services for payment.

## REFERENCES

Source	Description
FMA	<a href="#">s31</a>
FMA Regs/FMOs	n/a
Other legislation/regs	n/a
Related DGFIs	Delegation of Authority Procurement of Goods of Services Credit Cards
Related Guidelines	<a href="#">EPD Financial Delegations</a>