

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Circular No 18 of 2013

Our Ref: CF/40/30/63/A V4

13 November 2013

From: Financial Secretary

To: Supervising Officers-in-Charge of Ministries/Departments and Accounting Officers

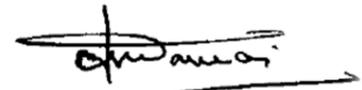
FINANCIAL MANAGEMENT KIT (FM KIT)

Financial Instructions No 5 of 2013

Settlement of Claims

The purpose of this circular is to inform you of the newly developed procedures which set out the timelines for the payment of invoices received by Ministries/Departments from suppliers including Small and Medium Enterprises.

2. Pending the complete review of the Financial Management Manual (FMM), the Financial Management Review Committee (FMRC) has developed Financial Instructions - Settlement of Claims so as to provide Accounting Officers with the necessary safeguards to effect payment on time and thus avoiding the payment of penalty or surcharge to suppliers/Contractors.
3. To meet the objective of Government in supporting Small and Medium Enterprises (SMEs), Ministries/Departments are required to effect payment to these SMEs within 7 working days from the date of receipt of invoices. As regards payments to all other suppliers, payments would be made according to the payment schedule as specified in their contracts or within 30 days from the receipt of invoices.
4. You may wish to note that these instructions have been finalized after consultation with the Director of Audit and necessary clearance has also been sought from the State Law Office. These instructions will replace the existing corresponding provisions contained in the Financial Management Manual of 1990 and they will eventually be included in the Financial Management Kit Volume II – General Financial Procedures.
5. Your attention is also being drawn that the Financial Instructions - Settlement of Claims will supersede MOFED Circular No. 16 of 2012- Supporting Businesses: Prompt Payment of Claims/Invoices/Goods Forms.
6. You are requested to ensure compliance with the enclosed Financial Instructions - Settlement of Claims.


D. D. Manraj
Financial Secretary

Copy to:

- (i) Secretary to Cabinet and Head of the Civil Service
- (ii) Director of Audit
- (iii) Accountant-General
- (iv) Directors, Economic and Finance, MOFED
- (v) Director, Financial Operations
- (vi) Director, Procurement & Supply
- (vii) Director, Internal Control
- (viii) Officers-in-Charge of Financial Operations Unit, Procurement & Supply Unit and Internal Control Unit in Ministries/Departments
- (ix) Group Managers, MOFED
- (x) Cluster Leaders and Team members, MOFED

Financial Instructions – Settlement of Claims

1. All claims from suppliers of goods, works and services (including Goods Form 1-Combined Indent, Invoice and Payment Voucher) should be settled on time.
2. Provided invoices are in order and have been duly certified, payments to suppliers should be made within the time specified in contracts or, as the case may be-
 - (a) within 7 working days from date of receipt of invoices in respect of goods/services delivered by Small and Medium Enterprises (SMEs); or
 - (b) within 30 days from the receipt of invoices from other suppliers.
3. Payment systems in Departments should provide for the following core processes to be completed on time to meet payment deadlines:
 - (a) invoice is stamped and dated on receipt;
 - (b) the invoice is certified correct (the goods have been duly received, services rendered or works performed as the case may be);
 - (c) payment is authorised by the Accounting Officer; and
 - (d) payment is effected to the supplier.

Non-Self Accounting Departments should allow reasonable time (2 working days) for the Treasury to make necessary transfers of funds.

4. Accounting Officers should set up appropriate systems within their Departments-
 - (a) to facilitate the smooth flow of invoices;
 - (b) to identify and eliminate any bottlenecks and delays in the payment process; and
 - (c) to enable the Financial Operations unit to capture the precise dates on which the claims/ Invoices/ Goods Forms were received in the Department for input into TAS.
5. In regard to SMEs, Accounting Officers should set up a Fast Track Payment System (FTPS) to facilitate implementation of the required payment deadlines. The FTPS should also enable proper identification of SMEs.
6. The dates invoices are received in the Department should be recorded in TAS and a Payment Tracking Report should be generated on a monthly basis to show the number of days:
 - (a) from the date the invoice is received at the Department to the date of payment is effected to the supplier;
 - (b) taken for processing a claim by the Department (which represents the difference between the date the claim is received at the Department and the date the invoice is input in TAS); and

- (c) from input in TAS to date of payment (which represents the difference between the date the claim is input in TAS and the date payment is effected to the Supplier).

Any variations from established targets should be fully investigated to identify any processes that may be the cause of delay in the payment process and corrective actions should be initiated to make the payment process more efficient.

7. Suppliers should promptly be informed of any dispute arising from a claim, and the reason thereof. Efforts should be made to resolve such disputes as soon as possible. Once a dispute is settled and the related invoice is duly certified, payment should be made as per paragraph 2 above. A register of all disputes arising on claims should be kept for records and audit purposes.
8. Any payment not processed within the required timeframe, or any case of surcharge or penalty, should be fully investigated and corrective action taken to prevent recurrence thereof. Any officer held responsible for an unjustified delay resulting in the payment of a surcharge or penalty may be held liable to refund such surcharge or penalty to Government.