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PUBLIC FINANCE AND ECONOMIC MANAGEMENT ACT NO. 6 OF 1998

- FINANCIAL REGULATIONS ORDER NO. 27 OF 2000

FINANCIAL REGULATIONS

OF THE

REPUBLIC OF VANUATU

Issued under the authority of the Public Finance and Economic Management Act No. 6 of 1998

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REPUBLIC OF VANUATU

PUBLIC FINANCE AND ECONOMIC MANAGEMENT ACT NO. 6 OF 1998

FINANCIAL REGULATIONS ORDER NO.27 OF 2000

ARRANGEMENT OF SECTIONS

IN EXERCISE of the powers contained in section 70 of the Public Finance and Economic Management Act No. 6 of 1998, **I, STEVEN MOKING IATIKA**, Minister of Finance and Economic Management make the following order:

PART 1 PURPOSE, APPLICATION AND INTERPRETATION

Regulation 1.1. PURPOSE

The purpose of the regulations is to provide the rules, methods and procedures to be followed to give full effect to the provisions of the Public Finance and Economic Management Act No. 6 of 1998. The regulations aim to ensure effective economic, fiscal and financial management responsibility by the Government in the following areas:

(a) financial duties and responsibilities;

(b) financial delegations;

(c) financial management information systems;

(d) approval and payment for goods and services;

(e) operation of imprest accounts;

(f) payment and management of salaries and wages;

(g) collection and receipt of revenue;

(h) management of fixed assets;

(i) journal entries and adjustments to accounts;

(j) development and aid expenditure;

(k) planning and budgeting;

(l) financial reporting

Regulation 1.2. APPLICATION

These regulations apply to:

(a) public resources and public money; and

(b) ministers, ministerial offices and ministries; and

(c) any other person who is responsible for or involved with the management or processing of any public resources or public money.

Regulation 1.3. **INTERPRETATION**

In this Order, unless the context otherwise requires:

"budget package" includes the Estimates, the Appropriation Bill, the fiscal strategy report and updates set out in item 2 of the table in regulation 12.1;

"centralised financial management information system" means the computerised accounting system operated by MFEM on behalf of all Ministries to capture and record the financial transactions of the Government;

"Director General of MFEM" means the Director General of the Ministry of Finance and Economic Management appointed under section 3 of the Public Finance and Economic Management Act No. 6 of 1998;

"Director of Economic and Social Development" means the Director of the Department of Economic and Social Development within the Ministry of Finance and Economic Management;

"Director of Finance" means the Director of the Department of Finance within the Ministry of Finance and Economic Management;

"financial delegation" means authority to approve purchases and expenditure within any monetary limits set and for specific purposes;

"fixed assets" means physical items that will be used over a period of more than 1 year such as motor vehicles, computer systems, land and buildings and the roading network.;

"Head of Ministry" means the person appointed as the Director General of a Ministry under the Public Service Act 1998;

"imprest holder" means a person who has been issued with an amount of money for a special or standing imprest;

"imprest" is a sum of money advanced to a Ministry or an officer for the purpose of meeting expenditure at a later date;

"MFEM" means the Ministry of Finance and Economic Management;

"Minister of Finance" means the Minister from time to time responsible for finance;

"Ministry" means a ministry of Government and includes the following:

(a) a department within a ministry;

(b) a State appointed office whether established by the Constitution or any other Act, that has money appropriated to it by Parliament for the purpose of its expenditure;

"officer" means a person employed in the Public Service whether on the permanent staff or temporarily or on probation or as a casual employee or daily rated worker, whether by way of written contract or otherwise;

"payment voucher" is a voucher that is used to record the details and approval of a payment and includes a general payment voucher (GPV) and a local purchase order (LPO);

"PFEM Act" means the Public Finance and Economic Management Act No. 6 of 1998;

"Public Fund" means the bank account or accounts operated in accordance with section 43 of the PFEM Act;

"purchase order form" is a form that is used for ordering and approving the purchase of goods and services and includes a local purchase order (LPO);

"revenue collector" means any person authorised in writing by the Director of Finance to accept money on behalf of the Government of Vanuatu;

"revenue" means all currency, cheques, bank drafts, money orders, postal orders and other negotiable instruments;

"salaries and wages" means all salaries, wages, overtime, allowances and other payments made in respect of personal services.

Regulation 1.4. **CITING OF REGULATIONS**

These Regulations may be cited as the Financial Regulations.

Regulation 1.5. **COMMENCEMENT PROVISION**

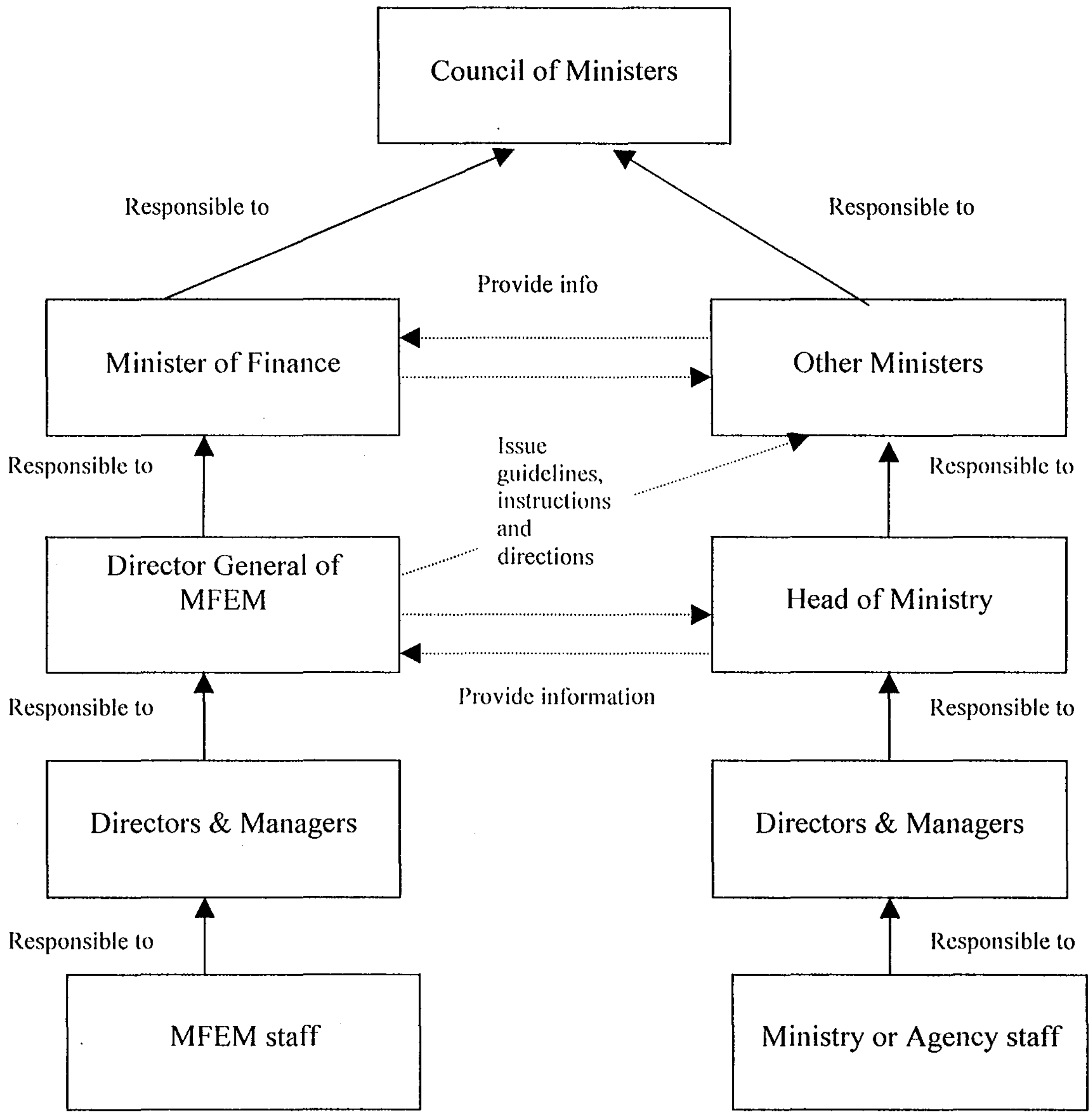
These Regulations come into force on the day on which they are published in the Gazette.

PART 2 FINANCIAL DUTIES AND RESPONSIBILITIES

Regulation 2.1. **THE FLOW OF FINANCIAL RESPONSIBILITY**

The diagram below indicates the financial responsibilities outlined in the PFEM Act and this Part of the regulations.

THE FLOW OF FINANCIAL RESPONSIBILITY



Regulation 2.2. **RESPONSIBILITIES OF THE DIRECTOR GENERAL OF MFEM**

(1) The Director General of MFEM must ensure that adequate procedures, systems and resources are in place within MFEM to ensure that his or her requirements under these regulations can be met.

(2) The Director General of MFEM must report any non-compliance with the PFEM Act by any Ministry to the Expenditure Review Committee.

(3) The Director General of MFEM must provide an annual report on or before 28 February of each year assessing the financial management of each Ministry for the previous year to the Public Service Commission and to the Expenditure Review Committee. The report must outline the following for each Ministry:

(a) how well Ministries have met their responsibilities under the PFEM Act and the Financial Regulations;

(b) any non-compliance with the PFEM Act or the Financial Regulations;

(c) whether deadlines have been met, and listing any deadlines that were not met by each Ministry;

(d) the quality of reporting and budget submissions;

(e) any imprests that have not been reimbursed or accounted for on time;

(f) any financial management issues that should be reviewed.

Regulation 2.3. **RESPONSIBILITIES OF HEADS OF MINISTRY'S**

Each Head of Ministry must ensure that adequate procedures, systems and resources are in place within his or her Ministry to ensure that the requirements for the Ministry under these regulations can be met.

PART 3 FINANCIAL DELEGATIONS

Regulation 3.1. INCURRING EXPENDITURE

(1) The Head of Ministry has the financial authority to approve all expenditure for his or her Ministry within limits as follows:

(a) at the levels passed in any Appropriation Acts for the relevant financial year; and

(b) any other amounts authorised by the Minister of Finance by a warrant under his hand.

(2) All expenditure that is approved for payment must be within:

(a) the program or output budgets specified and voted in any Appropriation Acts or warrants; or

(b) a Ministry's program budgets after any transfers made under section 34 of the PFEM Act;

(c) and must be spent for the purposes intended in the budget to achieve the program, activity or output objectives.

(3) The Director General of MFEM must report any circumstances of a Head of Ministry exceeding his or her appropriation or approved expenditure limits to the Public Service Commission. This may be considered in the performance review of the Head of Ministry.

Regulation 3.2. SIGNING AND APPROVING PURCHASES AND PAYMENTS

(1) All purchases and expenditure of public funds must be approved and signed off by a person with appropriate financial authority or a financial delegation to authorise the purchase or expenditure. The Head of Ministry automatically has this authority for his or her Ministry only.

(2) All purchases of or under 5,000,000 vatu must follow the regulations set out in Part 5 (Purchasing, approval and payment for goods and services).

(3) All purchases over 5,000,000 vatu must follow the Tenders Regulations.

(4) The Head of Ministry is responsible for ensuring that there are adequate controls over the release and use of funds for the Ministry.

(5) The Head of Ministry may delegate his or her financial authority to other senior employees of the Ministry so that they can approve expenditure for any sections or projects they are responsible for.

(6) The Head of Ministry must ensure that each person with a financial delegation under subsection (5) is informed of the budget for his or her delegation, and that the person does not exceed that budget. This includes any monthly limits that may be put in place to comply with cashflow limits.

(7) The Head of Ministry is to decide the delegations for his or her Ministry, however the following guidelines must be considered when delegating his or her financial authority:

(a) the Head of Ministry should approve payments over 100,000 vatu;

(b) financial delegations should only be made to senior employees such as directors, managers and finance officers;

(c) specific delegations may be excluded at the Head of Ministry's discretion, and could include such things as:

(i) directors and managers should only have a delegation to approve payments for his or her own sections or projects;

(ii) computer purchases should be approved by the information technology section (if there is one);

(iii) the Head of Ministry should approve entertainment expenses;

(iv) the Head of Ministry should approve international travel.

(8) Where MFEM processes payments for any Ministry it must check the approving signature on the payment voucher (see regulation 5.2). However, the Head of Ministry is responsible for ensuring that delegation limits are followed.

Regulation 3.3. **NOTIFYING MFEM OF FINANCIAL DELEGATIONS**

(1) The Head of Ministry must notify the Director of Finance in writing (using a form authorised by the Director of Finance) of all new financial delegations for the Ministry that are issued including:

(a) the name of the person; and

(b) a sample signature; and

(c) delegation limits; and

(d) the Head of Ministry's signature.

(2) The Head of Ministry must notify the Director of Finance in writing of all financial delegations that are withdrawn or changed.

(3) The Director of Finance must ensure that a suitable record of all financial delegation information received is kept in MFEM.

PART 4 FINANCIAL MANAGEMENT INFORMATION SYSTEMS

Regulation 4.1. **PROCESSING OF TRANSACTIONS**

All payments, receipts and other accounting transactions must be entered and processed into a financial management information system approved by the Director General of MFEM.

Regulation 4.2. **FINANCIAL MANAGEMENT INFORMATION SYSTEMS**

(1) The MFEM must operate a centralised financial management information system on behalf of all Ministries, and co-ordinate the operation and processing of data for the system.

(2) The Director of Finance must ensure that sufficient controls are in place to avoid unauthorised access to the centralised financial management information system including restricting access by use of a password.

(3) Any person that is given access to the centralised financial management information system must not let any other person know his or her password for the system and must change the password immediately if he or she suspects that another person is aware of it.

(4) The Director of Finance may delegate the data entry function into the centralised financial management information system to authorised officers within other Ministries as long as the Director is satisfied that:

(a) the officer has been adequately trained in the use of the system; and

(b) sufficient internal controls exist to ensure that these regulations and other instructions issued by MFEM will be followed.

(5) The Director of Finance is responsible for ensuring that adequate documentation of the centralised financial management information system exists and that any officers using the system have been provided with sufficient training.

(6) The Director General of MFEM may approve a Ministry operating its own financial management information system (other than the centralised one) if the Director General is satisfied that:

(a) the Ministry has staff who are adequately trained to maintain and operate the system; and

(b) sufficient internal controls exist within the Ministry to ensure that these regulations and other instructions issued by MFEM will be followed; and

(c) the current financial management performance of the Ministry is satisfactory; and

(d) the new system is capable of capturing and reporting all information required under these regulations or any other MFEM instructions; and

(e) the Ministry can guarantee the production of reports to a standard and within a timeframe determined by the Director of Finance.

PART 5 PURCHASING, APPROVAL AND PAYMENT FOR GOODS AND SERVICES

DIVISION 1 PURCHASING OF GOODS AND SERVICES

Regulation 5.1. PLACING AN ORDER FOR GOODS AND SERVICES

(1) A purchase order form or payment voucher approved by the Director of Finance must be completed for all purchases of goods or services.

(2) The Director of Finance may issue further instructions that must be followed for the purchase of goods and services.

(3) The procedures set out in the Table must be carried out depending on the value of goods or services being purchased:

Table

Item	Amount	Procedure
1.	Less than 100,000 vatu	An officer with an appropriate financial delegation must approve the purchase order form for the goods or services, and he or she must ensure that the cost is reasonable.
2.	At least 100,000 vatu, but not more than 1 million vatu	An officer with appropriate financial delegation must approve the purchase order form for the goods or services, and 2 quotations must be obtained wherever possible.
3.	More than 1 million vatu, but not more than 5 million vatu	The purchase order form for the goods or services must be approved by the Head of Ministry (or his or her delegate), and 3 written quotations must be obtained wherever possible.
4.	Greater than 5 million vatu	The Government Contracts and Tenders Act 1998 and the procedures set out in the Tenders Regulations must be followed.

(4) The Ministry concerned must keep all quotations obtained on file until its annual audit is completed.

(5) Purchases of goods and services must not be divided up in order to fit within a lower category outlined in subsection 3.

Regulation 5.2. **DISTRIBUTION OF COPIES OF PURCHASE ORDER FORMS**

(1) Purchase order forms must be issued in sets of four, an original and three duplicate copies, unless the Director of Finance directs otherwise.

(2) Copies of purchase order forms must be clearly endorsed with the word "COPY" and no disbursement of public moneys can be made against any copy.

(3) Purchase order forms are to be distributed is as follows:

(a) 2 copies (including the original) are sent to the supplier;

(b) 1 copy is left in the payment voucher book;

(c) 1 copy is kept by the purchasing Ministry;

(4) The Director of Finance may issue instructions as to the distribution of each copy of a purchase order form.

(5) A supplier must be advised to send the original payment voucher to the Department of Finance or to the purchasing Ministry along with the supplier's invoice for payment.

DIVISION 2 APPROVAL OF PAYMENTS

Regulation 5.3. **COMPLETION OF VOUCHERS**

(1) A payment voucher must be filled out for any purchase or payment from public funds. The payment voucher may be filled out by any officers but must be approved and signed only by a person with appropriate delegated financial authority.

(2) A payment voucher must be in a form approved by the Director of Finance. [This includes General Payment Vouchers (GPVs) and Local Purchase Orders (LPOs)].

(3) A payment voucher must be computer generated, typed or completed with a ball point pen.

(4) Officers completing payment vouchers must ensure that every copy is legible and complete, and issued in numerical order. If any copy is found to be illegible or incomplete, all copies must be cancelled and a new set issued.

(5) Entries on a payment voucher must not be erased or altered in any way by the use of correcting fluid or any other substance.

(6) Any minor incorrect entry on a payment voucher must be ruled through neatly, and the correct entry inserted and the correction initialled by the authorised signatory.

(7) If extensive alteration to a payment voucher is necessary, it must be marked cancelled and a new set issued.

(8) A payment voucher must clearly indicate the correct accounting code to which the payment is to be charged.

(9) All payment vouchers must be completed in such a manner that full particulars of the goods or services supplied can be easily identified.

(10) Any supporting documentation must be firmly stapled to the relevant payment voucher. This must include the invoice of the supplier.

(11) Payment vouchers must be made payable to the person, persons or organisation to whom the money is due.

(12) Payment vouchers must not be made payable to the officer who certifies and/or signs the voucher. A payment voucher for a public officer must be approved by a person other than the public officer concerned, and that person must also have appropriate financial delegation.

Regulation 5.4. **AUTHORISATION OF VOUCHERS**

(1) A payment voucher must be authorised and signed by a person who has been delegated financial authority for the expenditure concerned (see Part 3 - Financial Delegations)

(2) Any person who signs a payment voucher must ensure that:

(a) he or she has appropriate financial delegation for the expenditure incurred; and

(b) the goods or services have been satisfactorily received; and

(c) the expenditure is for a purpose approved by Parliament in an Appropriation Act or other law; and

(d) all expenditure is incurred for the purposes detailed in the Estimates of Revenue, Grants and Expenditure and can be justified as necessary to deliver the programs, activities or outputs specified; and

(e) the expenditure is an acceptable use of public funds in accordance with all laws and these Regulations; and

(f) sufficient uncommitted budget exists for the expenditure; and

(g) any expenditure incurred is within any monthly or quarterly cashflow limits agreed with the Director General of MFEM; and

(h) the expenditure is coded and charged to the correct account code (department, section, program, activity, output, expense account etc); and

(i) the payment voucher is stamped with the approved department stamp.

(3) When a person signs any payment voucher he or she is deemed to have confirmed that the conditions in subsection (2) have been met.

(4) Any payment voucher that is not properly signed or stamped must not be paid.

Regulation 5.5. **PAYMENTS FROM THE OFFICIAL ENTERTAINMENT FUND**

(1) Officers may not authorise purchases of alcoholic beverages or tobacco except from the Official Entertainment Fund or any other such fund approved by the Director General of MFEM.

(2) Opening ceremonies and leaving ceremonies may only be financed from the Official Entertainment Fund.

Regulation 5.6. **SIGNING OF ACCOUNTING DOCUMENTS**

(1) Under no circumstances whatsoever may an authorised signatory certify or sign any blank or incomplete payment voucher, purchase order form or other accounting document.

(2) Any person who signs any payment voucher, purchase order form or other accounting document without official authority or knowing that funds are not available is personally and financially responsible for whatever expenditure he or she has authorised.

DIVISION 3 PROCESSING OF PAYMENTS

Regulation 5.7. **PROCESSING OF PAYMENTS BY DATA ENTRY STAFF**

(1) Only a data entry officer approved by the Director of Finance may enter payment vouchers into the centralised financial management information system.

(2) Data entry officers must check a payment voucher before entry and ensure the following:

(a) the voucher is completed correctly so as to meet the requirements of these Regulations and any other instructions issued by MFEM;

(b) the voucher has been signed by a person with appropriate financial delegation as follows:

(i) the signature(s) are in full on the original voucher (not just initials); and

(ii) the signing officer's name and title are placed on the voucher; and

(iii) the signature matches a specimen signature held on file

(3) If any errors are found in the voucher, the data entry officer must return it to the approving officer for correction. However, it is the responsibility of the approving officer to ensure that all details on the voucher are correct.

Regulation 5.8. **DATE OF CHARGING EXPENDITURE TO GOVERNMENT ACCOUNTS**

(1) Expenditure must be charged to Government accounts according to generally accepted accounting principles.

(2) The date for recording a payment against the Government accounts is as follows:

(a) until accrual accounting is implemented (as announced by the Director General of MFEM) - the date of actual <u>payment</u> is the date on which the transaction is entered against the Government accounts;

(b) when accrual accounting has been implemented (as announced by the Director General of MFEM) - the date that goods or services are <u>received</u> is the date on which the transaction is entered against the Government accounts.

(3) The Director of Finance may issue instructions for accrual entries to be made to adjust the accounts for goods and services received but not yet paid for at the end of the financial year or at the end of each month.

Regulation 5.9. **CREDIT ENTRIES ON EXPENDITURE ACCOUNTS**

Credit entries may only be made against expenditure items if such entries are in respect of:

(a) a previous overpayment; or

(b) a payment that has been charged to the wrong code in the current financial year; or

(c) for the reversal of an accrual of expenditure; or

(d) in any other circumstance specifically authorised in writing by the Director of Finance.

Regulation 5.10. **ACCELERATED EXPENDITURE**

(1) Under no circumstances may a budget surplus be transferred to a deposit or suspense account or in any other manner adjusted in order to use such surplus for the payment of future anticipated expenditure.

(2) Stores or other items may not be deliberately purchased in advance of normal requirements in order to use up the remaining budget for the year.

Regulation 5.11. **SECURITY OF CHEQUES**

(1) The Director of Finance must ensure that all blank cheques are secure and kept in a strong room, safe or strong lockable box until required for use.

(2) The Director of Finance must keep a register of all blank cheques and conduct regular inspections to ensure that no cheques have been stolen, lost or mis-used.

(3) If a Ministry issues its own cheques, the Head of Ministry must ensure that subsections (1) and (2) are complied with for any cheques under his or her control.

(4) An officer responsible for the security of blank cheques must immediately report the loss of any blank cheques under his or her control to the Director General of MFEM.

Regulation 5.12. **LOSS OR CANCELLATION OF ISSUED CHEQUES**

(1) A cheque that is completed incorrectly or is cancelled must be clearly marked CANCELLED in ink and attached to the cheque book or cheque register that it came from.

(2) If a cheque that has been cancelled under subsection (1) has been entered into the financial management information system, a reversal entry must be generated and approved by the officer responsible for payments and entered into the financial management information system.

(3) The officer responsible for payments must ensure that the following procedures are followed for a cheque that has been issued but then subsequently lost by the payee or any other person:

(a) the bank that the cheque is issued from must be advised that the cheque has been lost and the cheque must be cancelled; and

(b) a reversal entry must be generated and approved by the officer responsible for payments and entered into the financial management information system; and

(c) a new cheque must be issued to the payee for the same amount except where the loss of the cheque is the fault of the payee in which case any bank charges incurred for the cancellation of the cheque must be deducted from the amount payable.

DIVISION 4 MAKING PAYMENT TO SUPPLIERS

Regulation 5.13. **DATE WHEN PAYMENTS WILL BE MADE TO SUPPLIERS**

(1) Payment vouchers must be forwarded to the Department of Finance or to the relevant Ministry data entry officer as soon as possible after completion and signing.

(2) Payments for goods and services must not be paid before the supplier's due date unless:

(a) a discount is offered; and

(b) the discount exceeds any interest that may have been earned or that is payable because of the early payment from the Public Fund.

(3) Payments must not be made before the due date for the sole purpose of using up an anticipated budget surplus.

(4) For urgent payments a General Payment Voucher (GPV) must be completed and sent to the Department of Finance for processing. The GPV must be clearly marked URGENT.

(5) The Department of Finance must be given a minimum period of forty eight hours to allow for the checking and verification of any urgent GPV before payment can be expected.

(6) It is the responsibility of the relevant approving officer within the relevant Ministry to ensure that payees are informed as to when payment might be expected to avoid wasted journeys.

(7) Local Purchase Orders (LPOs) and non urgent General Payment Vouchers (GPVs) must be paid through the fortnightly cheque run or any other period approved by the Director of Finance.

Regulation 5.14. **DEDUCTIONS FROM, AND WITHHOLDING OF, PAYMENTS**

(1) The Director of Finance may withhold payment of any payment voucher if the Director considers it in the public interest to do so.

(2) The Director of Finance may deduct amounts from a payment to recover outstanding debts from a payee if agreed with the officer in charge of the Revenue section that this action is appropriate.

(3) If the outstanding debt to be recovered, as mentioned in subsection (2), is greater than the payment to be made, the Director of Finance may withhold successive payment vouchers until the recovery has been fully offset.

(4) Details of any deduction made from an original gross amount due must be shown clearly on a payment voucher.

(5) Any deduction in respect of a cash discount or rebate must be made from the original gross amount and only the net figure coded to the expenditure account.

(6) For any deduction in respect of the recovery of any advance, counter claim or similar recoverable sum:

(a) the deduction must be made from the original gross amount due; and

(b) the gross amount must be shown as a payment on the payment voucher; and

(c) the deduction must be shown as a "credit" item on the voucher and must be coded as a receipt direct to the required advance or similar account.

Regulation 5.15. **ALL PAYMENTS TO BE MADE BY CHEQUE OR DIRECT CREDIT**

(1) Wherever possible payments for all vouchers must be made by cheque or direct credit to a bank account. However, payments under 1,000 vatu may be made in cash from the standing imprest.

(2) A cash cheque is to be issued only in exceptional circumstances or if the payee has no bank account and cannot be persuaded to open a bank account.

(3) If a payment is made by cash cheque, the payee is to be asked to sign a cheque register to show that the payee has received the cheque, and every effort must be made to ensure that the cheque is given to the correct person. If a person is illiterate, his or her mark must be witnessed by an officer other than the paying officer or by a literate person known to the paying officer.

(4) A cash cheque must not be for more than 20,000 vatu unless approved by the Director of Finance.

(5) Payment by direct credit to a bank must specify the name, account number and purpose of the payment.

Regulation 5.16. **OVERSEAS PAYMENTS**

(1) Payments in overseas currency must be processed in the same way as payments in Vatu, except for the following procedures:

(a) enter the foreign currency amount on the voucher (along with all other details required under these regulations) and send it to the Department of Finance for processing;

(b) note on the voucher whether the payment is to be by bank draft or telegraphic transfer;

(c) include the full bank details for the payee when payment is to be by telegraphic transfer.

(2) The Department of Finance must arrange for the bank draft or telegraphic transfer, unless otherwise agreed by the Director of Finance.

(3) The voucher must be processed into the accounting system at the Vatu rate as converted by the bank. The Department of Finance must advise the paying Department as to the Vatu amount of the transaction.

Regulation 5.17. **PAYMENT AGAINST COPY INVOICE OR CLAIM**

(1) Subject to subsection (2), payment must be made against original invoices or documents.

(2) If the original invoice or document is lost, the following procedures must be followed for payment to be made on a copy invoice:

(a) a thorough search must be made of all accounting records to ensure that previous payment has not been made;

(b) the new payment voucher must then be signed by the authorising officer and the Exchequer Service Manager to state that payment has not already been made;

(3) The voucher must then be processed in accordance with these regulations.

Regulation 5.18. **OBLIGATION TO REFUSE PAYMENT**

The Director General of MFEM may refuse the payment of any voucher if he or she becomes aware that it contravenes any Financial Regulation or any other regulation or instruction issued in respect of the control of public moneys.

PART 6 IMPRESTS

Regulation 6.1. **TYPES OF IMPREST**

(1) The Head of Ministry and the officer responsible for an imprest must ensure that adequate financial controls are in place for the imprest and must account for the imprest on a regular basis.

(2) Imprests are of two classes:

(a) a standing imprest which is to be used for petty cash purposes for purchases of a small amount which may be replenished from time to time as required; and

(b) a special imprest which is to be advanced for a specific purpose and must be accounted for in full within a fixed period, and includes advances for:

(i) overseas travel; and

(ii) local travel; and

(iii) special projects approved by the Director of Finance.

Regulation 6.2. **APPLICATION FOR AN IMPREST**

(1) An application for a standing or special imprest must be made to the Exchequer Services Manager.

(2) The application:

(a) must be on a form prescribed by the Director of Finance;

(b) must be signed by the officer to whom the imprest will be issued;

(c) must contain full details of the purpose for which the imprest is required,

(d) must include the required date of issue and the date on which the imprest will be accounted for or retired (the time period for the imprest must be as short as is reasonably convenient);

(e) must specify the amount of the imprest which must be appropriate for the purpose of the imprest (for example, a special imprest for a travel advance must not exceed the estimated expenditure on travel and accommodation for the trip concerned);

(3) The applicant must sign the application which will permit a deduction to be made from their salary in the event of non-retirement of the imprest.

(4) If the officer or other person requesting an imprest has an outstanding imprest that has not been fully accounted for and/or repaid the Exchequer Services Manager must not issue them with a new imprest.

(5) An application for a special imprest exceeding 500,000 vatu must also be approved by the Director of Finance.

(6) A special imprest must be issued only to the officer or other person who is going to use it. It must not be issued or passed on to another person and must not be issued to a group of officers or persons.

(7) A special imprest when issued belongs to the officer or other person to whom it is issued and he or she is responsible for any losses.

Regulation 6.3. **REGISTER OF IMPRESTS**

(1) The Department of Finance must maintain a suitable register to record the full details of all imprests issued. This must be checked at least once a week, by an officer appointed by the Director of Finance, to identify any outstanding imprests.

(2) The Department of Finance officer maintaining the register must send a written reminder to the officers concerned if a special imprest is not retired on the due date.

(3) If, after having sent one reminder, the imprest is not retired, then the Director of Finance may authorise any action he or she deems appropriate for recovery, including deduction from an officer's salary

(4) The Director General of MFEM must include a list of any officers or other persons who have failed to retire their imprest on time in the annual performance review of the financial management of each Ministry.

Regulation 6.4. **RESPONSIBILITIES OF THE IMPREST HOLDER**

(1) An imprest holder must observe these Regulations and any other instructions or regulations issued with regard to the control of expenditure and the disbursement of public moneys.

(2) An imprest holder must ensure that the imprest is used only for the purpose for which it was issued.

(3) An imprest holder must, wherever possible, obtain receipts, invoices or similar documents to support all expenditure from the imprest. This may include a note signed by the supplier to verify the goods or services provided and the amount charged.

(4) If it is not possible to obtain a receipt, invoice or similar document, the imprest holder must personally certify the purpose for which the money was expended and why he or she could not obtain a receipt, invoice or similar document.

Regulation 6.5. **ACCOUNTING FOR IMPRESTS**

(1) When a standing imprest is issued it must be coded to an advance account belonging to the responsible Ministry.

(2) When a special imprest is issued and the items of expenditure that the imprest is to be used for it can be identified, it must be coded directly to those expense accounts. Otherwise, it must be coded to an advance account belonging to the responsible Ministry.

(3) A special imprest must be retired and accounted for within 10 days after being used for the purposes for which it was obtained.

(4) When an officer or other person replenishes or retires an imprest, he or she must account for the expenditure incurred on a form approved by the Director of Finance.

(5) The expenditure claimed against an imprest must be coded to the account code (department, output, program, activity etc) that it relates to.

Regulation 6.6. **SAFE CUSTODY OF IMPRESTS**

(1) Imprest holders must take all due precaution against the loss or theft of cash held on imprest and are personally responsible for any loss.

(2) For special imprests it is recommended that any amounts over 50,000 vatu be held in travellers cheques or bank drafts.

Regulation 6.7. **TRANSFER OF IMPRESTS**

(1) Under no circumstances is an imprest to be transferred or lent from one officer or person to another officer or any other person.

(2) If an officer or other person holding an imprest is no longer in a position to use it, he or she must retire the imprest and return it immediately to the Department of Finance. If another officer is taking over the task, he or she must apply for a new imprest.

PART 7 SALARIES AND WAGES

Regulation 7.1. PAYMENT OF SALARIES AND WAGES

(1) The Department of Finance must operate a centralised payroll system for the regular periodic payment of salaries and wages for all Ministries.

(2) The Department of Finance must not pay a salary or wage to any person until the Public Service Commission, Police Service Commission, Teaching Service Commission, Judicial Services Commission or other Commission with the authority to approve employment completes the salary authority for that person.

(3) The Director of Finance may issue instructions for the payment of salaries and wages, including a timetable to be followed to ensure payments are processed on time.

(4) The Department of Finance must provide to each Head of Ministry or to an officer appointed by the Head of Ministry a list of all payments to employees of that Ministry in each payroll run.

(5) The Head of Ministry is responsible for ensuring that all payments that are made are valid and must report any discrepancies or errors immediately to the Director of Finance.

Regulation 7.2. DEDUCTIONS FROM SALARIES AND WAGES

(1) The Department of Finance may make deductions from salaries as approved in the Public Service Manual and must give written notice of the amounts being deducted. This includes deductions for Vanuatu National Provident Fund contributions and rentals for Government houses.

(2) The Department of Finance may make deductions from a person's salaries and wages of any sum recoverable in respect of any advance or other reimbursement due to Government from that person, and must give the person written notice of the deduction.

(3) The Department of Finance may make payments to multiple bank accounts on behalf of an employee at the written request of the employee. For example, this applies to payments such as loan payments and transfers to separate bank accounts.

(4) If a multiple payment is made under subsection (3), the Department of Finance may charge the employee a reasonable amount determined by the Director of Finance to recover the costs of processing and making the payment.

(5) The Department of Finance may charge an employee any bank fees charged to the Department of Finance for depositing payments to the employee's bank account.

PART 8 REVENUE COLLECTION AND RECEIPT

DIVISION 1 RECEIPT OF REVENUE

Regulation 8.1. **LEGAL TENDER**

(1) The legal tender of the Republic of Vanuatu is the Vatu.

(2) A revenue collector must not accept defaced or mutilated notes or coins.

(3) In addition to notes and coins, a revenue collector may accept personal cheques, bank cheques, certified bank drafts, bank to bank transfers, direct debits and other negotiable instruments, subject to conditions determined by the Director of Finance.

Regulation 8.2. **ISSUE OF RECEIPT FOR REVENUE RECEIVED**

(1) A revenue collector must immediately issue an official receipt for each sum of revenue paid to him or her for the account of the Government.

(2) The Director General of MFEM must approve the form of all receipts to be issued, and these may include receipt books and computer generated receipts.

Regulation 8.3. **ISSUE OF RECEIPTS FOR CHEQUES**

(1) Cheques received for the credit of a Government account must be made payable to "Government of Vanuatu" or any Ministry or Department accepting revenue.

(2) Before issuing a receipt for any cheque, a revenue collector must examine the cheque and ensure that:

(a) the cheque has been signed by the drawer; and

(b) the cheque is correctly dated; and

(c) if there is no date on the cheque the revenue collector must insert the current date; and

(d) the amount written in words on the cheque agrees with the amount written in figures; and

(e) any alteration to the cheque has been initialled by the drawer; and

(f) the cheque is crossed or, if the cheque is not crossed, the revenue collector must cross it immediately.

(3) Any cheque received which contains an error or defect must be returned to the drawer to correct. A receipt must not be issued until the error or defect has been corrected.

(4) Change must not be given on a cheque under any circumstances.

(5) A post dated cheque must not be accepted unless it is for specific reasons approved by the Director of Finance or the Director of Customs and Inland Revenue.

(6) Any revenue collector failing to undertake the checks outlined in subsection (2) is personally liable if the cheque is dishonoured and cannot be recovered.

Regulation 8.4. **REGISTER OF REVENUE RECEIVED BY POST**

(1) An official revenue register must be kept wherever official mail is received.

(2) All revenue received through the post or otherwise than personally by a revenue collector, must be entered in the register by the person opening the mail.

Regulation 8.5. **RECEIPT OF REVENUE BY OFFICER OTHER THAN A REVENUE COLLECTOR**

An officer who is not a designated revenue collector:

(a) must not, under any circumstances, accept Government revenue from any person for any reason; and

(b) must direct any person attempting to give them revenue to the Department of Finance or to the nearest appropriate revenue collector.

Regulation 8.6. **DUPLICATE RECEIPTS**

If an official receipt has been lost by the payer, the payer may make application to the Ministry that issued the receipt or from the Department of Finance for:

(a) a copy of the receipt; or

(b) a letter of acknowledgement of payment from the Department of Finance or from a revenue collector who has authorisation to issue the acknowledgement.

Regulation 8.7. **IMPROPER USE OF COLLECTED REVENUE**

(1) Collected revenue or public money must not be used for any private purpose whatsoever.

(2) A revenue collector must not lend or advance, for any purpose, collected revenue or other public money for which he or she is accountable to the Government.

(3) Revenue collected must not be used to pay directly for Government expenditure. However, at remote locations, with approval in writing from the Director of Finance, revenue collected may be used to reimburse payment imprests. Otherwise, all revenue collected must be banked complete and intact.

DIVISION 2 ISSUE AND COLLECTION OF INVOICES

Regulation 8.8. **ISSUE OF INVOICES**

(1) It is the responsibility of the Head of Ministry to ensure that revenue is collected when due and to take all necessary steps to avoid revenue falling into arrears.

(2) Wherever possible, revenue must be collected at the time that the good or service is supplied and a receipt issued.

(3) An invoice may be issued for purposes approved by the Director of Finance where payment is not to be made at the time that the good or service is supplied.

(4) An invoice must contain full details so as to enable a recipient to easily identify the goods or services supplied and when the payment is due.

(5) An invoice must be completed with full details of the recipient to allow collection procedures to take place. The Director of Finance may issue instructions on the minimum recipient details to be included in an invoice.

(6) Interest and penalties may be imposed on any outstanding invoices or debt in accordance with the principal legislation providing for the interest and penalties.

(7) A person approved by the Department of Finance may issue a credit note against an invoice if the credit note is:

(b) within pre-determined levels; and

(c) in accordance with any guidelines issued by the Director of Finance; and

(d) in accordance with any relevant legislation for the revenue concerned.

(8) A revenue collector may not issue a credit note for revenue that he or she has collected.

Regulation 8.9. **COLLECTION OF OUTSTANDING INVOICES**

(1) The Head of Ministry is responsible for ensuring that revenue is collected by the due date for invoices issued by the Ministry.

(2) Ministries must check their outstanding invoices at least monthly in order to check those invoices which are still unpaid and to ensure that appropriate follow up action is being taken.

(3) Ministries must follow revenue collection procedures as issued by the Director of Finance

Regulation 8.10. **OUTSTANDING INVOICES MORE THAN SIX MONTHS OLD**

(1) If an item of revenue is overdue for more than 6 months for any reason whatsoever, the relevant Head of Ministry must submit a detailed written report on the matter to the Director of Finance.

(2) The report must be in a format approved by the Director of Finance.

Regulation 8.11. **WRITE-OFFS**

(1) Any write-offs of outstanding debts must be approved by the Director General of MFEM acting with the approval of the Minister of Finance.

(2) All reasonable efforts must be taken to collect outstanding debts before they may be written off.

(3) Any legal process set out in the relevant legislation for writing off the revenue concerned must be followed.

DIVISION 3 SAFE CUSTODY OF CASH & OTHER ITEMS OF PUBLIC MONEY

Regulation 8.12. MISUSE OF CASH

(1) An officer with cash under his or her control must not under any circumstances:

(a) use such cash for any personal purpose, no matter how temporary; or

(b) loan or draw such cash against any IOU or other similar document; or

(c) exchange such cash for a personal cheque, including his or her own cheque, except with the prior written authority of the Director of Finance.

Regulation 8.13. RESPONSIBILITY FOR REVENUE HOLDINGS

(1) A revenue collector is responsible for safeguarding and balancing any revenue received by him or her.

(2) A revenue collector must have sole access to his or her revenue holding.

(3) Any revenue stored overnight must be secured in a suitable safe storage facility.

Regulation 8.14. PROVISION OF SAFE CUSTODY FACILITIES

(1) It is the responsibility of the Head of Ministry to ensure that adequate safe custody facilities are provided to officers under his or her control who, through the course of their duties, are accountable for any cash.

(2) It is the responsibility of the Head of Ministry to ensure that all due precautions are taken to prevent the loss or theft of such cash.

Regulation 8.15. SAFE GUARDING OF KEYS

(1) A revenue collector in possession of a key to a strong room, safe or cash box must take all reasonable precautions against loss or theft of the key at all times.

(2) Under no circumstances, except officially handing over to a replacement officer or under the orders of the Director General of MFEM, may a revenue collector hand a key to a strong room, safe or cash box to any other person.

(3) A revenue collector is personally liable, and may be held financially responsible, for the loss of cash or other Government property occurring through the loss of a key to any safe custody facility under his or her control.

Regulation 8.16. **SECURITY OF RECEIPT BOOKS, INVOICES AND DEBIT NOTES**

(1) The Director of Finance must ensure that all bulk stocks of receipts, invoices and debit notes are secure and kept in a strong room, safe or strong lockable box until required for use.

(2) The Director of Finance must keep a register of all stocks of receipts, invoices and debit notes and conduct regular inspections to ensure that no receipts, invoices or debit notes have been stolen, lost or misused.

(3) Revenue Collectors must ensure that all receipts, invoices and debit notes under their control are kept in a strong room, safe or strong lockable box when not in use.

(4) The loss of any receipts, invoices and debit notes must be reported immediately to the Director General of MFEM by the officer responsible for their custody.

DIVISION 4 BANKING OF REVENUE

Regulation 8.17. **RECONCILIATION OF REVENUE COLLECTED**

(1) Deposits to a bank for the credit of a Government banking account must be reconciled with the receipts for revenue to which the banking relates.

(2) The reconciliation must exclude any float amount in the cash box and the float amount must remain in the cash box and not be included in the banking.

Regulation 8.18. **DEPOSITS TO GOVERNMENT BANK ACCOUNTS**

(1) Deposits to a bank for the credit of a Government banking account (except for bank to bank transfers and direct debits) must only be made by an officer approved by the Director of Finance.

(2) Deposits to a bank for the credit of a Government banking account must:

(a) be made on deposit slips approved by the Director of Finance; and

(b) show a detailed analysis of the amount paid in as to currency notes, coins, cheques, bank drafts and other instruments.

(3) The officer making the deposit at the bank must ensure that all duplicate bank deposits slips or stubs are correctly stamped and initialled by an official of the bank.

(4) The revenue collector must ensure that all revenue received is paid into the bank on a daily basis.

(5) Float amounts for cash holdings must be issued by standing imprest.

(6) The Director of Finance or Director of Customs and Inland Revenue may allow payers to deposit revenue to the Public Fund by bank to bank transfer or direct debit if:

(a) the payer has been advised of procedures to ensure that the deposit can be identified from the bank details; and

(b) procedures to record the deposit against the appropriate account code and to credit the payers account are in place.

Regulation 8.19. **PAYMENT OF COLLECTED REVENUE DIRECT TO BANK FOR OUTER ISLANDS**

(1) The Director of Finance may, if he or she considers it to be necessary, authorise a revenue collector to deposit his or her collected revenue direct to a bank or bank agency for credit of a prescribed Government bank account.

(2) Where such written authority is issued, the collecting officer must forward a copy of each bank deposit slip, stamped by the bank or bank agency, to the Department of Finance.

Regulation 8.20. **FOREIGN CHEQUES AND DRAFTS**

(1) Cheques, drafts and other instruments drawn in overseas currency on banks outside Vanuatu must be accepted and paid into a Government account if such items are in respect of revenue due to the Government.

(2) A foreign cheque or draft must be brought into account in the usual manner described in these Regulations, but must be converted into vatu at the time of banking.

(3) A separate bank deposit slip must be used for each foreign cheque, draft, or other instrument and must show clearly the vatu amount to be credited to the bank account as well as noting the foreign currency as drawn.

Regulation 8.21. **ENCASHMENT OF PERSONAL CHEQUES**

A person must not under any circumstances cash any cheque using public money.

Regulation 8.22. **DISHONOURED CHEQUES**

(1) If a cheque or other negotiable instrument has been dishonoured by a bank, the revenue collector must contact the drawer as soon as possible and must be requested to reimburse the Government for the amount of the dishonoured item plus any other cost incurred including bank charges.

(2) If a cheque or other negotiable instrument has been dishonoured for a technical reason to do with cheque preparation, the drawer must be requested to correct and countersign the error or to issue a fresh cheque in replacement.

(3) If a cheque or other negotiable instrument has been dishonoured with the words "Refer to Drawer", "Lack of Funds", "No Account" or anything similar endorsed on it, the drawer must be asked to make reimbursement in cash only. The drawer must also be asked to pay an amount equal to the amount charged by the bank for returning the cheque.

DIVISION 5 LOSSES OF PUBLIC MONEY

Regulation 8.23. REPORTING THE LOSS OF PUBLIC MONEY

(1) It is the duty of a revenue collector to report, without delay, to his or her senior officer, an incident of loss, shortage, theft or other irregularity in any cash holding under his or her control. The only exception is if the shortage is less than 2,000 vatu and it has been caused by negligence and has been repaid by the revenue collector.

(2) It is the duty of every officer to immediately bring to the attention of his or her senior officer any circumstances which cause him or her to believe that there is a suspected loss, shortage, irregularity, fraud or theft of any public money.

(3) The revenue collector's supervisor must prepare a detailed report to the Head of the collecting Ministry and send a copy of the report to the Director of Finance. The report must:

(a) contain a full description of the incident and the amount involved; and

(b) contain the supervisor's opinion as to whether the loss has arisen due to the negligence of the revenue collector; and

(c) be marked "Private and Confidential".

(4) Upon receipt of the report from the supervising officer, the Head of the collecting Ministry may, after due consideration of the facts and consultation with the Director of Finance, take the following action:

(a) issue instructions for any necessary action;

(b) correct any weakness in the accounting procedures that have been revealed by the loss;

(c) make recommendations to the Minister of Finance on how to recover the money;

(d) ensure that any recommendations for recovery or write-off follow any guidelines issued by the Director of Finance or if there is no chance of recovery, explain why and make recommendations to write it off; and

(e) make any recommendations for criminal charges to be laid; and

(f) if the loss exceeds 1 million vatu or the Director of Finance considers it necessary, report the incident to the Expenditure Review Committee.

PART 9 FIXED ASSETS

Regulation 9.1. **IDENTIFICATION AND RECORD OF FIXED ASSETS**

(1) The Director of Finance must issue instructions to Heads of Ministries on the identification of assets before 31 December 1999. This must include the following:

(a) the process to be followed in identifying and valuing assets;

(b) classes of assets to be identified;

(c) accounting policies for fixed assets including recommended depreciation rates or useful lives and valuation policies;

(d) a policy outlining the minimum values at which items identified as assets must be included on a fixed asset register of a Ministry.

Regulation 9.2. **MAINTENANCE OF FIXED ASSETS**

(1) The Head of Ministry must ensure that all assets under his or her management are adequately maintained and cared for.

(2) The Head of Ministry is responsible for ensuring that assets of the Ministry are used properly, for the purposes intended and are not mis-used or intentionally damaged.

(3) If an asset is intentionally damaged, the person that damaged the asset may be charged with any repair or replacement costs.

(4) The Head of Ministry must ensure that any budget submission includes a sufficient amount to maintain all fixed assets, or that an explanation is included in the submission to state why assets are not being maintained.

Regulation 9.3. **PURCHASE OF FIXED ASSETS**

(1) Purchases of fixed assets must follow Part 5 (Purchasing, approval and payment for goods and services) of these Regulations. However, if the purchase is greater than 5,000,000 vatu, the Tenders Regulations must be followed.

(2) The Head of Ministry must ensure that any new fixed assets purchased have the following details recorded in the Ministry's fixed asset register:

(a) description of the asset;

(b) purchase price or cost;

(c) any serial numbers or other identification;

(d) the section or department responsible for the asset

(3) A fixed asset register may be kept on a spreadsheet or list, and must be incorporated into any new financial management information system implemented by the Department of Finance or the relevant Ministry.

Regulation 9.4. **SALE AND DISPOSAL OF FIXED ASSETS**

(1) The Head of Ministry must keep a record of any assets sold or otherwise disposed of by the Ministry.

(2) All sales of assets must be by tender or auction to the highest bidder and must follow any instructions or procedures issued by the Director of Finance. A trade-in price offered for purchasing a replacement asset may be considered to be a bid for tendering or auctioning purposes.

(3) If an asset is traded in to purchase a replacement asset, both the sale and purchase transactions must be recorded in the accounts of the relevant Ministry. The new asset must be recorded at the gross price, and the difference must be shown as sale of assets.

(4) Notice of an invitation to tender or auction for the sale of assets must appear in the print media.

(5) Any person interested in purchasing any asset for sale must be given access to the asset for the purposes of reviewing its condition and assessing its worth.

(6) The Head of Ministry is responsible for ensuring that the best price is obtained for assets being sold and that any assets being sold are no longer needed by the Ministry.

(7) The proceeds of any sale of assets must be deposited directly into the Public Fund, except where the asset has been traded in towards a replacement asset.

(8) A Ministry may use the proceeds from the sale of assets to assist in the funding of the purchase of replacement assets only if approved in writing by the Director General of MFEM.

Regulation 9.5. **STOCK TAKE OF FIXED ASSETS**

(1) The Head of Ministry must conduct a stock-take of all assets of the Ministry at least every 6 months and check that the assets listed on the Ministry's fixed asset register are still in their respective location and in workable condition.

(2) The Head of Ministry must report any loss of fixed assets to the Director General of MFEM as soon as he or she is aware of the loss.

PART 10 JOURNAL ENTRIES AND ADJUSTMENTS TO ACCOUNTS

Regulation 10.1. JOURNAL VOUCHERS AND ENTRIES

(1) Adjustments to Government accounts not involving the actual transfer of cash must be made using journal vouchers approved by the Director of Finance.

(2) A journal voucher may include a computer generated report produced by a financial management information system.

(3) Examples of transactions requiring the use of journal vouchers include the following:

(a) correction of previous posting errors;

(b) accrual of expenditure or revenue at the end of each month;

(c) allocations of administration costs to the programs, activities or outputs they relate to;

(d) adjustments or amendments to the accounts;

(e) allocation of any rents, dues or fees payable by one Government department to another and the consequent revenue item.

(4) A journal entry must not be used if the only purpose is to make transfers between programs, activities or outputs to allow actual expenditure to fit within budget limits.

Regulation 10.2. COMPLETION OF JOURNAL VOUCHERS

(1) A journal voucher must be signed and approved by an officer with appropriate financial delegation for the account codes being adjusted.

(2) If a journal entry affects account codes that belong to different Ministries, officers with appropriate financial delegations from each Ministry must sign and approve the journal voucher.

(3) The officer signing a journal voucher is responsible for ensuring the accuracy, validity and correct coding of the voucher.

(4) If a journal voucher is adjusting a previous transaction, the officer that approved the previous transaction must not sign or approve the journal voucher.

(5) The Department of Finance may prepare and approve journal vouchers for any Ministry, but must advise the relevant Ministry of the journal adjustment that has been made.

(6) A journal voucher prepared by the Department of Finance must be signed and approved by a person authorised by the Director of Finance.

(7) A journal voucher must be completed legibly in ink or by computer printout and in such detail as to easily identify the reasons for the adjustment or transfer and the accounts affected by such adjustments or transfers.

(8) A journal voucher must include a full description of the reasons for the adjustment being made, including any cross reference to other related accounting documents.

(9) Any relevant documents to help explain a journal voucher must be stapled to the voucher. This may include work-papers or copies of relevant payment vouchers, invoices or other documents.

(10) Journal adjustments may not be made to prior accounting periods unless approved by a person authorised by the Director of Finance.

Regulation 10.3. **ENTRY OF JOURNAL VOUCHERS**

(1) Journal vouchers may only be entered to the centralised financial management information system by an officer authorised to do so by the Director of Finance.

(2) If a Ministry does not have a person authorised to enter journal vouchers, it must forward them to the Department of Finance for entry.

(3) Ministries using their own financial management information system must ensure they have adequate procedures in place to check that all journal adjustments are valid and meet the requirements of these Regulations.

(4) The original journal voucher must be retained by the Ministry that entered it, and filed for easy reference.

PART 11 DEVELOPMENT AND AID EXPENDITURE

Regulation 11.1. **MANAGEMENT OF THE DEVELOPMENT FUND**

(1) All monies received for development or aid expenditure must be kept in a separate bank account and the signatories to that account must be prescribed by the Director General of MFEM.

(2) Receipt and expenditure of development and aid monies must be made in accordance with these Regulations and any other instructions issued by MFEM or the Minister of Finance.

(3) A person must not make a direct formal approach to any potential donor for development funds unless approved by the Director General of MFEM. However, this does not preclude an officer from having general discussions with aid donors concerning the possibility of funding for specific projects.

Regulation 11.2. **APPROVAL OF PROJECTS**

(1) Development and aid projects must be listed in a Government Investment Program maintained by the Department of Economic and Social Development.

(2) The Head of Ministry must submit any proposals for inclusion in the Government Investment Program to the Director of Economic and Social Development. The Director of Economic and Social Development must define the format and set a deadline for these submissions.

(3) The Director General of MFEM must submit a proposed Government Investment Program to the Minister of Finance that:

- (a) lists proposed development and aid projects for the next 3 budget years;
- (b) contains information submitted by Ministries explaining each project and the benefits of each project;
- (c) details the proposed aid funded and Vanuatu Government funded portions of each project;
- (d) is in a format agreed by the Minister of Finance and Ministerial Budget Committee;
- (e) is submitted before any deadline set by the Minister of Finance and . Ministerial Budget Committee

(4) The Minister of Finance must submit the proposed Government Investment Program to the Ministerial Budget Committee for its review and approval.

Regulation 11.3. EXPENDITURE FROM THE DEVELOPMENT FUNDS

(1) Development or aid projects must be approved by the Director of Economic and Social Development and the Minister of Finance before expenditure can be incurred.

(2) All requests to expend development or aid funds must be in a form approved by and in accordance with instructions issued by the Director of Finance and the Director of Economic and Social Development.

(3) All development or aid projects must be accounted for separately by MFEM and the Ministry concerned using the project number assigned by the Department of Economic and Social Development.

(4) MFEM must make journal entries to the accounts for aid in kind projects if a donor has funded a project directly without it going through any development fund bank account.

Regulation 11.4. COMPLETION OF DEVELOPMENT PROJECTS

(1) The Head of Ministry must submit a project completion report to the Department of Economic and Social Development as soon as a development or aid project is completed. The report must be in a form approved by the Director of Economic and Social Development.

(2) The Department of Economic and Social Development must review the project completion report and submit a copy to the funding agency for its information.

(3) At regular intervals, the Department of Finance must identify projects for which no expenditure has been incurred within the previous 2 years. It must send a list of these projects to the departments concerned and to the Department of Economic and Social Development and request that consideration be given to declaring these projects to be completed or defunct.

(4) Unexpended funds of completed projects must be refunded to, or reallocated by, the funding agency and the Department of Economic and Social Development acting together.

PART 12 PLANNING AND BUDGETING

DIVISION 1 GENERAL BUDGETING REQUIREMENTS

Regulation 12.1. BUDGET REPORTS PUBLISHED BY MFEM

(1) The budget reports set out in the Table must be published by MFEM in accordance with the dates set out in the table:

Table

Item	Date	Reports
1.	Before 30 September of each year	Budget Policy Statement package which includes: (i) Budget Policy Statement; (ii) Statement of economic and financial policy.
2.	Before 31 January of each year	Budget package which includes: (i) Estimates of revenue, grants and expenditure; (ii) Appropriation Bill; (iii) Fiscal strategy report; (iv) Economic and fiscal update. (v) Current year fiscal update;
3.	Between 1 and 30 June of each year	Half year economic and fiscal update.
4.	Not later than 14 days after appointment of polling day for a general election	Pre-Election economic and fiscal update.

(2) These reports must be made available to the public for inspection free of cost at the offices of MFEM. They may be sold by MFEM at a reasonable cost that recovers the cost of printing and the physical preparation of the reports.

(3) MFEM must decide the actual dates for these reports to be finalised and published and must publish all of these reports before the due date.

(4) The Minister must arrange for each report for the publication in the gazette and a local newspaper of a notice stating the following:

(a) the report has been published;

(b) where the report can be inspected free;

(c) where the report can be purchased;

(d) the price of the report.

(5) Each report must be accompanied by a statement of responsibility signed by the Minister of Finance and Director General of MFEM that warrants:

(a) the integrity of the disclosures; and

(b) the consistency with the requirements of the PFEM Act.

(6) If the reports are published as a package, one statement of responsibility may cover the entire package of reports published.

(7) The diagram on the following page outlines the budget reporting requirements over the cycle of a financial year as detailed in subsection (1).

Budget Reporting Requirements of the Vanuatu Government

By 30 September | **Budget Policy Statement Package**

Sets the budget direction and strategies

- Budget Policy Statement
- Statement of Economic and Financial Policy

By 31 January | **Budget Package**

The detailed budget documentation and economic and fiscal summaries

- Appropriation Bill
- Estimates of Revenue, Grants & Expenditure
- Fiscal Strategy Report
- Current Year Fiscal Update
- Economic & Fiscal Update

Between 1 June and 30 June | **Half Year Economic and Fiscal Update**

An update of the economic and fiscal summaries

- Economic & Fiscal Update

Not later than 14 days after appointment of polling day for a general election | **Pre-Election Economic and Fiscal Update**

An update of the economic and fiscal summaries

- Economic & Fiscal Update

Regulation 12.2. **RESPONSIBILITIES FOR BUDGET FORECASTS**

(1) The Director General of MFEM must issue one or more budget circulars with instructions for the budget process for each financial year. The circular must set out the deadlines by which budget submissions must be completed and list the information required.

(2) The Head of Ministry is responsible for ensuring that an accurate and complete budget is prepared each financial year and that the following financial management responsibilities are met:

(a) forecasts are as accurate as possible;

(b) forecasts take account of all relevant information available at the time they are prepared;

(c) forecasts are free from methodological and arithmetic error;

(d) forecasts are subjected to appropriate internal and external quality assurance with respect to methodology and timeliness;

(e) requirements are met with respect to timeliness, completeness, accuracy and format.

Regulation 12.3. **BUDGET FORECASTS**

(1) A budget forecast must provide a breakdown of expected revenue and expenditure for the year in question and for the 2 following years in respect of each proposed item of appropriation.

(2) A budget forecast must include descriptions of planned programs, activities or outputs in a format outlined in the budget circular.

(3) A Ministry must provide MFEM with a forecast of the monthly cashflow for all expenditure and revenue items included in its budget. The Director General of MFEM must set the deadline for this information to be provided in the budget circular.

(4) A budget forecast (including consolidated Government budgets and individual Ministry budgets) must include the following financial statements prepared under generally accepted accounting principles:

(a) statement of financial position (effective from 1 July 2001);

(b) statement of financial performance;

(c) statement of cashflows;

(d) statement of borrowings (to beprepared by MFEM);

(e) statement of commitments;

(f) statement of specific fiscal risks;

(g) other statements for consistency with generally accepted accounting principles;

(h) statement of accounting policies (to be prepared by MFEM).

(5) MFEM must advise Ministries of the format the statements listed above should be presented in. For further clarification, they are explained in more detail in these Regulations under Part 13 (Financial Reporting).

(6) All Government budget forecasts must include economic forecasts prepared by MFEM of the following:

(a) gross domestic product broken down by major components;

(b) consumer prices;

(c) employment levels;

(d) balance of payments;

(e) any other information determined necessary by the Minister of Finance or Director General of MFEM;

and must include a statement of all significant assumptions used in formulating the forecasts.

Regulation 12.4. **BUDGET TIMETABLE**

The Director General of MFEM is to decide the budget timetable for each financial year. However the following Table is a guideline for that timetable (all dates refer to the previous financial year):

Table

Item	Date	Description
1.	By mid May	Changes in revenue and expenditure forecasts for the current year due from Ministries and agencies for inclusion in the Half Year Economic and Fiscal Update;
2.	By end May	New project submissions and Government Investment Program submissions for the budget year due;
3.	By mid June	Half Year Economic and Fiscal Update for the current year to be published by MFEM;

Item	Date	Description
4.	By end of June	Budget Policy Statement to be published by MFEM; and Director General of MFEM to issue budget instructions to Ministries;
5.	By mid August	Budget returns due from Ministries; Budget reviews to start;
6.	By end of September	Budget reviews to be completed; Adjustments to be made to budgets from review; Draft budget to be printed and forwarded to the Council of Ministers (COM) for review;
7.	By mid October	Amendments from COM review to be made; Budget books to be printed and forwarded to Members of Parliament;
8.	November to December	Session of Parliament to debate the Appropriation Bill to begin;
9.	By early December	Ministries and agencies to provide monthly cash-flow forecasts of their revenue and expenditure requirements.

Regulation 12.5. **PROGRAM, ACTIVITY AND OUTPUT BUDGET REQUIREMENTS**

(1) MFEM must assist Ministries to implement program, activity or output budgeting and issue instructions on the format and information required for this.

(2) The Head of Ministry is responsible for providing information to MFEM in the format specified and incorporating all of the required information.

(3) The Head of Ministry must ensure that they provide an indication of all of the services and products being provided by their Ministry when developing program, activity or output budgets.

(4) The Head of Ministry may incorporate the following terms set out in the Table when developing their Program, Activity or Output budgets. The description of these terms may be expanded upon by MFEM when issuing instructions for the budget process.

Table

Item	Term	Description
1.	Program	The medium to long term over-arching objectives or goals of Ministries (e.g. secondary school expansion program).
2.	Activity	The immediate projects planned to achieve the program objectives or goals (e.g. teacher upgrading, curriculum development).
3.	Output	The goods and services provided by a Ministry or agency to the public or other Ministries or agencies (e.g. provision of primary schooling, law enforcement services).
4.	Input	The resources used to produce a good or service (e.g. salaries or telephone costs).
5.	Outcome	The impact on the community from the outputs provided by a Ministry or agency (e.g. a better educated society).
6.	Performance measure	Indicators to show the planned quantity, quality timeliness, and other similar standards to be achieved in programs, activities or outputs.

DIVISION 2 BUDGET POLICY STATEMENT

Regulation 12.6. BUDGET POLICY STATEMENT REQUIREMENTS

(1) The Budget Policy Statement must outline the strategic economic and fiscal direction of the Government. It must cover the next 3 financial years and include the following information:

(a) a statement of the Government's long term objectives of fiscal policy providing for the setting and achievement of economic and fiscal targets;

(b) specification of the broad strategic priorities which are to guide the next budget process, including:

(i) identification of strategic goals, objectives, result areas or any other priorities;

(ii) identification of priority areas of expenditure;

(iii) indications of anticipated changes to previous budget allocations;

(iv) setting of fiscal limits for expenditure on ministries, agencies and Government projects;

(v) policies and initiatives anticipated to ensure responsible fiscal management;

(c) economic forecasts, using ranges and ratios setting out the information required under subregulation 12.3(6);

(d) fiscal forecasts, using ranges and ratios setting out the statements required under subregulation 12.3(4) including details of:

(i) the current year;

(ii) the next 3 financial years;

(iii) comparative budget and actual figures for the previous financial year.

(2) The Budget Policy Statement must also assess the following for the economic and financial information presented:

(a) the extent to which principles of responsible fiscal management are being followed including:

(i) reduction and management of State debt;

(ii) expenditure less than total overall receipts;

(iii) achieving and maintaining adequate levels of net worth;

(iv) prudent management of fiscal risks;

(v) consistent and predictable policies;

(vi) reasonable predictability about the level and stability of tax rates;

(b) an assessment of the consistency with the previous budget policy statement and justification for any differences.

(3) The Budget Policy Statement fiscal forecasts may be presented in a more summarised format than would be expected in the actual financial statements of the Government.

(4) Any member of the public may make a submission in writing to the Chairperson of the Expenditure Review Committee about any issue he or she would like to raise regarding the Budget Policy Statement. The submission must be made within 14 days after the notice of the Budget Policy Statement has been published.

DIVISION 3 — ESTIMATES OF REVENUE, GRANTS AND EXPENDITURE AND FIRST APPROPRIATION BILL

Regulation 12.7. ESTIMATES OF REVENUE, GRANTS AND EXPENDITURE

(1) The estimates of revenue, grants and expenditure must provide a detailed breakdown of all items included in the budget package. The breakdown must be at least the same level of detail as in the Appropriation Bill.

(2) The estimates must also include details for program, activity or output budgets, descriptions and performance measures to a level of detail as specified by the Director General of MFEM.

(3) The statement of the estimates of revenue, grants and expenditure must be tabled in Parliament for each financial year. The statement must accompany the Appropriation Bill and must include:

(a) details of any changes to the estimates for the budget year and the following year compared with the statement of the previous financial year; and

(b) any associated changes in Government program policy, objectives or outputs.

Regulation 12.8. FIRST APPROPRIATION BILL

(1) Program, activity or outputs in an Appropriation Bill may be broken down into the following categories or in any other way instructed by MFEM:

(a) salaries and wages;

(b) salary allowances;

(c) current charges;

(d) grants and transfers;

(e) equipment and capital purchases;

(g) donor grants / aid in kind.

(2) The Director General of MFEM may ask for any other breakdown and level of detail to assist the review of budget submissions and ensure that an adequate analysis of these requests is undertaken.

(3) MFEM must consolidate information to be presented to the Council of Ministers for its review of an Appropriation Bill, including:

(a) estimated revenue and expenditure and debt management information required under section 23 of the PFEM Act; and

(b) each Minister's assessment of their compliance with the Budget Policy Statement as required under section 4(7) of the PFEM Act; and

(c) an analysis by MFEM of each Ministry's budget return giving MFEM's opinion each Ministry's compliance with the Budget Policy Statement.

(4) However, a Minister may present additional information to the Council of Ministers where he or she considers this is needed to provide a full picture to the Council.

DIVISION 4 CHANGES TO APPROPRIATIONS

Regulation 12.9. TRANSFERS OF BUDGETS

(1) The Head of Ministry must notify the Minister of Finance and the Director General of MFEM in writing of any proposed transfers between program, activity, output or category budgets within the Ministry.

(2) The notification of transfers must include sufficient detail to:

(a) explain the reasons for the transfer;

(b) show how the transfer does not conflict with the Budget Policy Statement;

(c) show that the total appropriation for the Ministry is unaltered.

(3) The Director General of MFEM must review the explanation for a transfer and reject any transfer that conflicts with budget policy or seek further explanation.

(4) The Director General of MFEM must include any transfers that he or she has been advised of in the next Appropriation Bill.

DIVISION 5 FISCAL STRATEGY REPORT

Regulation 12.10. **FISCAL STRATEGY REPORT REQUIREMENTS**

(1) The fiscal strategy report must be published and tabled in Parliament before or on the same day as the first Appropriation Bill of the financial year.

(2) The report must form part of the budget package and may be included in any part of the budget documentation.

(3) The fiscal strategy report must provide an overview of the fiscal strategy represented in the budget package and must include the following:

(a) a projection of trends for the forecasts included in the economic and fiscal update portion of the budget package.

(b) a comparison of the budget package with the most recently published budget policy statement including the following:

DIVISION 6 ECONOMIC AND FISCAL UPDATES

Regulation 12.11. **ECONOMIC & FISCAL UPDATE REQUIREMENTS**

(1) The Economic and Fiscal Updates must provide updated information on the economy and fiscal situation of the Government of Vanuatu.

(2) The following Economic and Fiscal Updates must be prepared:

(a) an Update with the budget package for the financial year to which the package relates;

(b) an Update of the current year with the budget package;

(c) an Update in June of each year as a half year update;

(d) if applicable, an Update before a general election as a pre-election update.

(3) Forecasts for the Economic and Fiscal Updates must state the date on which the forecasts were finalised and must include updated information required under subregulation 12.3 (4) and (6).

(4) The level of detail presented in the Economic and Fiscal Updates must be no less than that presented in the Budget Policy Statement.

(5) Economic and Fiscal Updates must incorporate all Government decisions that may have a material effect on the forecasts in the Updates. If the fiscal implications of a decision cannot be quantified they must be included in the statement of specific fiscal risks.

Regulation 12.12. **BUDGET PACKAGE ECONOMIC AND FISCAL UPDATE**

(1) The Economic and Fiscal Update prepared with the budget package must include the economic and fiscal information referred to in subregulation 12.3 (7) and (9) for the following financial years:

(a) actual figures for the 2 years before the budget year;

(b) comparative budgeted and estimated actual figures for the year before the budget year;

(c) forecast figures for the budget year;

(d) forecast projections for the 2 years after the budget year.

(2) The table below provides an example of the financial years to be included in the Economic and Fiscal Update for the 2000 financial year.

Table of financial years					
1998 Actual	**1999 Budget**	**1999 Estimated Actual**	**2000 Budget**	**2001 Forecast**	**2002 Forecast**

(3) The Current Year Fiscal Update may be incorporated into the Economic and Fiscal Update through the inclusion of the current year budget and estimated actual columns. Separate tables for the Current Year Fiscal Update are not required to be produced as part of the budget package.

(4) The Economic and Fiscal Update must also include a statement of all significant assumptions underlying the Current Year Fiscal Update, including the date of the latest actual figures used in formulating the estimated actual and forecast information.

Regulation 12.13. **HALF-YEAR ECONOMIC AND FISCAL UPDATE**

(1) A Half-Year Economic and Fiscal Update must be prepared in June of each financial year. It is to be a revision of the forecast information presented in the Economic and Fiscal Update with the budget package.

(2) The Half-Year Update must incorporate all new information since the budget was finalised including the following:

(a) revisions to expenditure and revenue forecasts based on actual results to date;

(b) incorporation of changes in economic conditions;

(c) new policy, expenditure or revenue decisions not included in the budget;

(3) The Half-Year Update must also explain the reasons for significant differences from the forecasts in the budget package.

Regulation 12.14. **PRE-ELECTION ECONOMIC AND FISCAL UPDATE**

(1) The purpose of the Pre-Election Economic and Fiscal Update is to provide updated information to voters and other political parties on the economic and fiscal situation before a general election.

(2) The Pre-Election Update must be produced no later than 14 days after the appointment of the polling day and incorporate all information available up to the date of the appointment of the polling day.

(3) The Director General of MFEM must make copies of the pre-election update available at the Offices of the Finance Minister and MFEM as soon as it is prepared.

(4) A summary of the Pre-Election Update must be made available to the publishers of any newspaper circulating in Vanuatu.

(5) The Pre-Election Economic and Fiscal Update must contain the same information and have a similar format to the Half-Year Economic and Fiscal Update.

PART 13 FINANCIAL REPORTING

Regulation 13.1. RESPONSIBILITIES OF DIRECTOR GENERAL OF MFEM

(1) The Director General of MFEM has the following responsibilities for reporting on the actual results of the Government:

(a) to prepare and present to the Auditor-General a set of consolidated financial statements of the Government of Vanuatu for the previous year before 31 March of each year including all of the statements and matters listed in section 24 of the PFEM Act;

(b) to prepare and present to the Minister of Finance a summary of the financial statements of the Government of Vanuatu by the 15th working day of each month or any other date set by the Director of Finance covering the period up to the end of the previous month;

(c) to prepare any other financial reports requested by the Minister of Finance.

(2) The Director of Finance must ensure that there are adequate reports available on the financial management information system for Ministries to be able to run and produce their own financial statements.

(3) If a Ministry does not have access to the financial management information system, the Director of Finance must provide a set of financial reports to the Ministry by the 5th working day of each month or any other date set by the Director of Finance. These reports must provide enough information to allow a Ministry to produce any financial statements to be provided to MFEM or the Minister of Finance.

Regulation 13.2. RESPONSIBILITIES OF HEAD'S OF MINISTRY

Each Head of Ministry has the following responsibilities for reporting of the actual results of his or her Ministry:

(a) prepare and present to MFEM before the 10th working day of each month or any other date set by the Director of Finance a summary of the financial statements of the Ministry up to the previous month in a format specified by the Director of Finance, and containing the following information:

(i) a comparison of actual and budgeted revenue and expenditure (for both recurrent and development programs and activities);

(ii) an explanation of variances to budget;

(iii) a forecast of revenue and expenditure for the next month and the remainder of the financial year;

(iv) a forecast of cashflow requirements for the next month and the remainder of the financial year.

(b) Prepare and present to MFEM before the end of each quarter a more detailed report to update the report in subsection (a) that includes all of the relevant statements and matters listed in section 24 of the PFEM Act, presented in a format specified by the Director of Finance.

(c) prepare and present to the Director General of MFEM by 28 February of each year, or any other date set by the Director General of MFEM, an annual report for the previous year in a format specified by the Director of Finance that includes all of the statements and matters listed in section 24 of the PFEM Act.

Regulation 13.3. **REPORTING REQUIREMENTS**

(1) All financial statements and reports must be prepared in accordance with generally accepted accounting principles and practice. This means they must either:

(a) comply with standards issued by the International Federation of Accountants; or

(b) if no relevant standard exists, have authoritative support of the accounting profession.

(2) Authoritative support of the accounting profession for the treatment of an accounting transaction must only be taken from countries that prepare similar financial statements to the Government of Vanuatu.

(3) A financial statements must include the following information set out in the Table (where relevant):

Table		
Item	**Statement**	**Description**
1.	Statement of financial position (effective from 1 July 2001 or any earlier date set by the Minister of Finance)	This statement shows assets, liabilities and net worth at the beginning and end of the relevant periods. It may be produced at a summarised level with further detail in the notes to the accounts.
2.	Statement of financial performance	This statement shows recognised revenue, expenses and the surplus or deficit for the relevant period. It may be produced at a summarised level with further detail in the notes to the accounts.
3.	Statement of cashflows	This statement shows the cash receipts and cash payments for the relevant period.
4.	Statement of borrowings	This statement shows total outstanding debt and also net public debt which offsets any financial assets held. (Most Ministries will not need to produce this report).

Item	Statement	Description
5.	Statement of commitments	This statement shows any liabilities that will arise in later years from existing contracts for the future delivery of goods or services, including things such as leases or contracts for future capital works.
6.	Statement of specific fiscal risks	This statement shows any fiscal risks that the Government is aware of. It includes contingent liabilities such as unresolved legal claims, uncalled capital, guarantees and indemnities, and where possible an indication of the potential cost.
7.	Other statements for consistency with GAAP	These statements will include any other statements or notes to the accounts that may be needed. Notes to the accounts can be used to provide a more detailed breakdown of the main statements. Other reports may include unappropriated expenditure, statement of trust monies etc.
8.	Statement of accounting policies	The Director of Finance will distribute a statement of accounting policies that must be followed for all financial statements and this must be included with all published sets of financial statements.

(4) All monthly and quarterly financial statements and reports must include a comparison of budget and actual amounts for the year to date and a forecast for the end of the year.

(5) All end of year financial statements and reports must include a comparison of budget and actual amounts for the year and also a comparison of actual results for the previous year.

PART 14 OFFENCES AND SANCTIONS

Regulation 14.1. **OFFENCES AND SANCTIONS**

(1) Any person who, without a reasonable excuse, fails to carry out any duty or obligation imposed on that person under these Regulations commits an offence against these Regulations.

(2) Any person who commits an offence under subsection (1) is liable on conviction to a fine not exceeding 100,000 vatu. (For clarification, where the offence is included in Section 64 of the PFEM Act, the more stringent penalties of that Act must apply).

(3) Any person who commits an offence under subsection (1) may be subject to a disciplinary action by the Head of Ministry or Public Service Commission

Made at Port Vila on this 22nd day of November 2000

MINISTER OF FINANCE & ECONOMIC MANAGEMENT

Morking Steven Iatika
Honorable Minister of Finance and Economic Management