



# Practical Guide Spending Public Money

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### Introduction

The Department's [Chief Executive's Instructions](#) (CEIs) cover the principles that apply to how the Department's corporate governance arrangements are implemented. The CEIs are issued under the provisions of the [Financial Management and Accountability \(FMA\) Act section 52](#), and [Financial Management and Accountability Regulation 6](#). This Guide sets out how to put these principles into practical effect in relation to the Spending of Public Money.

Spending public money is the action taken to spend money appropriated to the department for producing agreed outputs planned for in the department's budget.

Staff undertaking purchasing and payment activities must follow the *Chief Executive Instruction: Procurement*.

Staff should also be familiar with the Department's Fraud Control Plan and principles ([Integrity Plan](#)).

### Objective

To ensure expenditure proposals are consistent with the purpose for which money was appropriated and represent value for money.

### Principles

- Sound financial management and accountability.
- Focus on performance and results, while balancing the need for probity and compliance.
- Efficient, Effective and Ethical use of Public Money.

### Who approves proposals to Spend Public Money?

The Secretary has delegated power to staff to approve proposals to spend public money. Staff **should** refer to the Chief Executive's financial delegations and any instruction issued by Group/State Managers to identify the financial limitations of their delegation (refer [Chief Executive's Financial Delegations and Authorisations](#), 'Spending Public Money' tab).

#### **Approval of future spending proposals**

A "future spending proposal" is one in which the expenditure under the spending proposal extends past the current financial year (i.e. 30 June 2005). This requires the further approval of a [Regulation 10](#) Delegate. Refer to the [Regulation 10](#) intranet site and [Chief Executive's Financial Delegations and Authorisations](#), 'Reg 10' tab.

<b>Spending Public Money Overview</b>
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**Who can procure goods and services?**

All staff can initiate a procurement action and in doing so they **must**:

- ensure efficient, effective and ethical processes are applied in accordance with the FMA Act;
- apply the principles of purchasing;
- determine the method of procurement in accordance with the *Chief Executive Instruction: Procurement*; and
- develop a proposal to provide to an Approver with the appropriate delegation (the requestor **must** be different from the Approver, with the exception of SES officers who can approve their own proposals if they are less than or equal to \$2,000).

**Deciding to spend – Developing a proposal**

<b>1.</b>	Are you complying with your delegation limit?	<ul style="list-style-type: none"> <li>• If over your limit, seek approval from an officer who holds the appropriate delegation limit.</li> </ul>
<b>2.</b>	Are you satisfied that the proposal reflects an effective, efficient and ethical use of Commonwealth resources?	
<b>3.</b>	Are there sufficient funds to cover the expenditure?	
<b>4.</b>	Is the proposal consistent with policies specified in the Commonwealth Procurement Guidelines? ( <i>FMA Regulation 7</i> ) and the <i>Chief Executive Instruction: Procurement</i> ?	
<b>5.</b>	Is there a need to consult with other areas of the Department? (e.g. in relation to IT Procurement Requirements and Practices)	
<b>6.</b>	Does the proposal comply with Government Pricing Policy and Guidelines?	<ul style="list-style-type: none"> <li>• The current price and proposed price should be made available to the delegate.</li> </ul>

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### Checklist:

<b>Step 1.</b>	Put the proposal together – Document the proposal	
<b>Step 2.</b>	* Implement the action plan for the expenditure	<ul style="list-style-type: none"><li>• Make the purchasing decision</li><li>• Implement the approved spending decision</li></ul>

\* Note: Documentation generated during this process is required to be retained on file (*FMA Regulation 12*) as it provides evidence of approval, accountability and probity.

### Elements of a documented proposal

#### *Information gathered during the development of the proposal*

- Specification of the goods/services to be acquired
- Quotations from potential suppliers or reasons why not feasible to obtain quotes
- Costing
- Cost/benefit or evaluation of options

#### *Information gathered during consultation*

- Meeting notes
- Risk assessment
- Looking at other options (lease, outsourcing, engaging consultants etc)

#### *Final report on proposal*

- Recommendation
- Decision to spend, not to spend
- Future action/s

### Good Practice

- Be aware of your delegation/authorisation limitation.
- Consider the documentation level required for the type of expenditure proposal (higher value and higher risk equals more detailed documentation).
- Where existing department-wide contracts are utilised, documentation requirements are also significantly reduced.

### Purchasing and Payment Policy

- Departmental payment policy is in line with the Commonwealth payment policy of using maximum payment terms “not exceeding 30 days” from the date of receipt of specified goods and services and a correctly rendered invoice. (Applicable to all departmental payments, particularly to small businesses where invoices have a value of up to \$5 million.) If shorter payment terms (eg. 7, 14, 21 days) are requested by small businesses they should be accepted. *Note:* these shorter payment terms apply from the date of receipt of specified goods and services and a correctly rendered (tax) invoice into the Department. This should be communicated to the supplier.
- The Department encourages the use of Australian Government Credit Cards (AGCCs) for purchasing, particularly for small value items. The ‘[Request to make a payment using a Purchasing Credit Card](#)’ form must be completed **before** you make a purchase. AGCC must not be used to purchase “Assets”. Credit card statements must be paid on time to avoid unnecessary interest charges and late payment fees.
- Invoice processing in BIS is to be performed by the Financial Services Unit (FSU) in the Financial Management Group (FMG) for non-IT purchases, and IT Services Group (ITSG) for IT purchases.
- All payments should be made by direct credit (EFT) and remittance advices issued via e-mail wherever possible (BIS automatically aggregates multiple payments to the one supplier).
- Invoices should be date stamped with the date they are received into the Department and processed in BIS as soon as possible.
- Procedures must comply with *A New Tax System* (NTS) requirements. Refer to [Appendix A – A New Tax System \(ANTS\)](#) and [Practical Guide - New Tax System](#).
- Staff undertaking purchasing and payment activities are required to comply with the *Chief Executive Instruction: Procurement* and the [Charter of the United Nations \(Anti-terrorism Measures\) Regulations 2001](#).
- **Groups and States must ensure that there is a separation of duties between purchasing requests and purchasing approvals** (with the exception of SES officers who can approve their own proposals if they are less than or equal to \$2,000).
- Staff are responsible for submitting approved Departmental [purchase requests](#) to the appropriate processing area (either FSU or ITSG) in a timely manner, and advising that area of [good/service receipts](#) in a timely manner. If an invoice is received directly by officers in Groups/States rather than the appropriate processing area, the invoice **must** be forwarded immediately to the appropriate processing area to ensure that the invoice is paid on time. Refer also to [Appendix B – Timeliness of Vendor Payments Q&A](#).
- Group/State Managers will be required to complete a checklist at the end of each financial year certifying (amongst other things) that the operations of their Group/State have been undertaken in accordance with this Practical Guide.
- Refer [Process Charts](#) for further details of Purchasing and Payments Cycle.

### Corporate Responsibilities

- Provide advice and assistance regarding procurement and purchasing policy.
- Establish and maintain corporate contracts.
- Maintain the Contracts and Indemnities Register (CIR).
- Provide advice and assistance regarding the CIR.
- Coordinate gazettal of purchases of \$2,000 or more in line with statutory requirements ([FMA Regulation 8](#)).
- Conduct training on procurement policy.

### Financial Management Group Responsibilities

- Ensure Government policy is reflected in Chief Executive Instructions and Practical Guides.
- Maintain and update [financial delegation schedules](#) in line with policy guides.
- Monitor accuracy and timeliness of payment of accounts. Refer also to [Appendix B – Timeliness of Vendor Payments Q&A](#) and [Appendix C – Duplicate payment checks in BIS](#).
- Conduct relevant BIS training.
- At vendor creation stage ensure compliance with the *Charter of the United Nations (Anti-terrorism Measures) Regulations 2001*.
- Process non-IT Departmental purchase requests in BIS in an accurate and timely manner.
- Pay (process accurately) non-IT Departmental invoices received by the due date.

### IT Services Group Responsibilities

- Process IT purchase requests in BIS in an accurate and timely manner.
- Pay (process accurately) invoices related to IT purchases by the due date.

### Good Practice

- Ensure purchasing staff have the appropriate procurement and BIS training.
- Comply with financial delegation limits as per [Chief Executive's Financial Delegations and Authorisations](#).
- Issue BIS purchase order (PO) to supplier so that the PO number can be quoted to DEWR on supplier's invoice (this is to facilitate prompt payment, as the invoice can be easily matched to an approved purchase order).
- Supplier is advised to send invoice directly to relevant accounts processing area (for Departmental transactions either FSU or ITSG).
- Supervisors to review travel cardholder's statements. (Refer [Travel Card payment – process chart](#)).
- Cardholder's manager to query transactions on purchasing card statements that do not match to approved request for credit card purchase. (Refer [Purchasing Card payment – process chart](#)).
- Commitments and expenditure are entered in BIS as soon as possible to ensure integrity of accrual management reports (eg. by notification of goods/services receipt to accounts processing area).
- Invoices should be date stamped with the date that they are received into the Department.

### Drawing Rights

A drawing right is the authority under Section 27(1) of the *Financial Management and Accountability Act 1997* to, for example:

- make a cash payment to staff, (e.g. A petty cash officer is required to hold a drawing right), and
- process payment runs through BIS and send payment files to the bank.

The Secretary has delegated power to issue drawing rights to certain officers in the Financial Management Group.

The Financial Management Group is responsible for:

- issuing drawing rights to staff who perform the above functions;
- maintaining documentation of drawing rights issued; and
- reviewing existing drawing rights annually.

The form to be used when issuing a drawing right is the '[Issue of a Drawing Right](#)' form which is on the intranet.

### Act of Grace Payments

The act of grace power is a unique discretion given to the Minister for Finance and Administration to make payments to persons who may have been unintentionally disadvantaged by the effects of Commonwealth Government legislation, actions or omissions, and have no other viable means of redress. The authority for act of grace payments is provided by section 33 of the Financial Management and Accountability Act 1997, under which the Finance Minister, or the Minister's Parliamentary Secretary, may authorise a payment if he or she considers it appropriate to do so because of 'special circumstances'. Although 'special circumstances' are not defined and may vary considerably, they will broadly arise where the decision-maker considers there is a moral, rather than a legal obligation to provide redress.

Act of grace payments are not specifically sanctioned by Parliament in an Appropriation Act. For this reason, the act of grace power should not be seen as an alternative to other viable avenues of redress but rather as a remedy that may only be applied in special circumstances to ensure consistency and equity in the impact of Government activities. An act of grace payment made at DEWR's request would be funded and reported under the appropriate appropriation and outcome of DEWR to which the act of grace payment case relates.

For further information about act of grace payments see [section 33 Financial Management and Accountability Act 1997](#), [Finance Circular: 2001/01](#), and Finance publication [Discretionary Payments](#).

As a preliminary step to requesting authorisation for an act of grace payment you may wish to seek legal advice from Corporate Legal as to whether the act of grace payment(s) would otherwise be authorised by law or required to meet a legal liability, and whether the claimant has any other viable means of redress.

To request authorisation for an act of grace payment the following information must be forwarded to the DEWR Chief Financial Officer for approval:

- brief to DEWR Minister outlining the details of the proposed payment;
- draft letter from DEWR Minister to the Parliamentary Secretary to the Minister for Finance and Administration, outlining details of the proposed payment and seeking authorisation (please see [Finance Circular: 2001/01](#) for the information that must be included).

Management Board, through the CFO, must be advised of all proposed act of grace payments.



### **Other Practical Guides**

Other Practical Guides have been developed to specifically address areas and functions of spending public money. Refer to these guides where necessary.

- CEI: Procurement
- [Asset Management](#) (asset purchasing)
- [Commonwealth Guarantees, Indemnities and Letters of Comfort](#)
- [New Tax System](#)
- [Contracts and Indemnities Register – Quick Guides](#)
- [Risk Management](#)
- [Travel](#)
- [Credit Cards incorporating Petrol Cards, Cabcharge Cards and Vouchers](#)
- [Official Hospitality](#)
- [Petty Cash](#)
- [Integrity Plan](#)

## PRACTICAL GUIDE - SPENDING PUBLIC MONEY

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References
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<b>BIS On-line Help</b>	DEWR	
<a href="#"><u>Commonwealth Procurement Guidelines</u></a>	Department of Finance and Administration	February 2002

***Financial Management and Accountability Regulations 1997:***

[Part 4 – Commitments to Spend Public Money](#)

[Regulation 7 - Commonwealth Procurement Guidelines](#)

[Regulation 8 - Officials to have regard to Guidelines](#)

[Regulation 9 – Approval of Spending Proposals – Principles](#)

[Regulation 10 - Approval of future spending proposals](#)

[Regulation 11 – Approval of Spending Proposals - Officials](#)

[Regulation 12 – Approval to be recorded](#)

[Regulation 13 – Entering into Contracts etc](#)

***Financial Management and Accountability Act 1997:***

[s14 -Misapplication or improper use of public money](#)

[s33 -Finance Minister may approve act of grace payments](#)

[s44 - Promoting efficient, effective and ethical use of Commonwealth resources](#)

**Chief Executive Instructions:**

Procurement

Financial Management

Risk Management

Fraud Control

[Public Service Act 1999 – s13 The APS Code of Conduct](#)

**Appendix A - A New Tax System (ANTS) – timing issues**

**1. Tax invoices issued by the Department**

It is best to issue tax invoices early in the month. This may enable receipt of payment from the customer prior to the payment of GST to the ATO by the 21<sup>st</sup> of the next month, assisting with the Department's cash flow.

**2. Tax invoices received by the Department**

It is important that when we receive a tax invoice and goods/services, the invoice is entered onto our accounting system ASAP - especially if payment terms mean that payment will not fall due until the next month. This is because input credits can be received from the Australian Tax Office (ATO) prior to payment being made to the supplier, assisting with the Department's cash flow.

**3. Credit Card Purchases**

- *Credit Card purchases containing GST must not be entered into BIS until appropriate supporting documentation (see below) has been obtained from the supplier. As soon as a purchase is entered into BIS, the GST input tax credit will be included in the next Business Activity Statement (BAS) and will be claimed from the ATO. GST input tax credits cannot be claimed without appropriate supporting documentation.*

***Supporting Documentation***

- a) For GST-inclusive purchases over \$55: A valid tax invoice must be obtained from the supplier.*
- b) For GST-inclusive purchases equal to or under \$55: An invoice/receipt that shows the supplier is registered for GST and charged GST must be obtained from the supplier.*

**NOTE:** There is a ruling from the ATO (GSTR 2000/26) that deems the monthly credit card statement for some corporate card vendors (e.g. Diners - not VISA) to be appropriate documentation to substantiate a claim for GST input tax credits.

- *Where GST has not been charged, either because the item is not a taxable supply or because the supplier is not registered for GST, the Credit Card purchases must be entered into BIS immediately.*

**\*Note: The above scenario does not include the process that needs to take place when a supplier has not provided an ABN. Refer to ['No ABN' withholding - a reference guide](#).**

**Appendix B1 - Timeliness of Vendor Payments Q&A  
(Groups/States)**

**Q1. What is the Department's payment policy?**

A. The Department's payment policy is that the payment of an invoice to a supplier **must not** exceed 30 days from receipt of goods and services and a valid tax invoice. This mandatory payment policy applies to non-administered payments, particularly to small businesses where invoices have a value of up to and including \$5 million. If a supplier requests shorter payment terms (e.g. 7, 14, 21 days), these should be accepted if they are reasonable and within 30 days. It should be emphasised to the supplier that these shorter terms will apply from the date of date of receipt of specified goods and services and a correctly rendered (tax) invoice into the Department.

**Q2. What are the Department's standard payment terms?**

A. When entering into written contractual arrangements, the Department's standard payment terms are 30 days from receipt of goods and services and a valid tax invoice. These terms are incorporated into standard contract clauses.

**Q3. What is the 'date of receipt' of a valid tax invoice?**

A. This date is the date that the invoice was first received by (an employee of) the Department, and not the date that it was received by the accounts processing area. If the invoice is date stamped when it arrives in the Department then the date in question is clearly that date.

**Q4. How can I ensure that a departmental (non-administered) payment is made to a supplier on time?**

A. By ensuring that:

- You have requested a purchase order before you contact a supplier to order goods or services;
- The supplier can quote the purchase order number on their invoice;
- The supplier knows that the invoice for departmental non-IT purchases should be addressed to the FSU, GC63, GPO Box 9879, Canberra ACT 2601;
- When you receive non-IT goods or services, you immediately notify the FSU using a Goods Receipt form;
- Any invoice you receive is date stamped as soon as it arrives in the Department; and
- You pass all departmental non-IT invoices immediately to the Financial Services Unit (GC63).

**Q5. Do I need to see the invoice before I notify the FSU that the goods/services have been received?**

A. No. The goods/services will usually be received before the invoice is received. It is important that the goods/services receipt is advised to the FSU in a timely manner so that the expense can be recorded in BIS according to accrual accounting principles. (The expense is to be recorded when the goods/services are received, not when the invoice is received).

**Q6. If I receive a non-IT invoice, should I wait until I have identified the correct cost centre that the charge belongs to before sending the invoice to the FSU?**

A. No. The invoice should be sent to the FSU immediately. The cost centre should have been identified on the purchase order raised prior to the goods/services being ordered. It is important that the supplier is paid on time, even if it means subsequently reallocating the charge to the correct cost centre if it cannot be identified before payment is to be made.

**Appendix B2 - Timeliness of Vendor Payments Q&A (Invoice processing area)**

**Q1. How can I ensure that a payment is made to a supplier on time?**

A. By entering invoice details into BIS correctly and promptly.

*Note: Invoice processing in BIS is performed by the FSU for non-IT purchases, and IT Services Group for IT purchases. These processing areas should receive the invoice directly from the supplier to ensure prompt processing.*

The timing of when a payment to a supplier is generated from BIS is dependent on the details entered into two key fields in BIS during Invoice data entry, which are the:

- Baseline Date; and
- Payment Terms.

Baseline Date is defined as the date from which the vendor payment terms apply, which is the latter of:

- date of receipt of goods/services from the supplier, and
- date of receipt of a valid tax invoice into the Department (or invoice date if receipt date is not known).

Payment Terms default from the vendor master record in BIS, but can be overridden during Invoice data entry.

*Note: the Invoice Date field should contain the invoice date. The Baseline Date field defaults from the Invoice Date field and should be changed to reflect the definition of Baseline Date (above).*

**Q2. What action should be taken if you have received an invoice later than the date that the invoice is due to be paid?**

A. If you have received an invoice later than the date that the invoice is due to be paid (i.e. Baseline Date + Payment Terms) then it would be prudent for you to investigate the reason for why this has occurred. For example, the invoice may have been sitting with a staff member while further communications were carried out with the vendor, and perhaps a new payment date has been agreed.

If a new payment date has been agreed with the vendor, this should be fully documented and details entered into BIS should be such that the payment will be made by the new due date. If the above example was not the situation, then the invoice should be paid promptly. Note: there is no need to shorten payment terms recorded in BIS in such a situation.

**Q3. How does the supplier match the DEWR payment to their invoice?**

A. By the identification on the DEWR remittance advice. To facilitate this identification, the 'Text' field on the BIS invoice screen must incorporate the supplier's invoice number.

**Q4. How can I run the Timeliness of Payments to Vendors report in BIS?**

A. Refer [Timeliness of Payments to Vendors Report in BIS](#).

### Appendix C - Duplicate payment checks in BIS

BIS uses standard SAP functionality to check for duplicate payments. This is done by checking the:

- Vendor number;
- Invoice date;
- Reference/invoice number; and
- Payment amount.

These fields need to be identical in order for BIS to flag a duplicate payment.

Refer to the [BIS Accounts Payable Data Entry Course](#) for further details.  
Appendix D – Tax Invoices

Refer to the '[GST requirements for invoices received - a reference guide](#)'

document for guidance in relation to checking invoices received to ensure compliance with the documentation requirements as prescribed by the Goods and Services Tax (GST) legislation and subsequent Australian Taxation Office (ATO) advice.

### Appendix D – Tax Invoices

Refer to the '[GST requirements for invoices received - a reference guide](#)'

document for guidance in relation to checking invoices received to ensure compliance with the documentation requirements as prescribed by the Goods and Services Tax (GST) legislation and subsequent Australian Taxation Office (ATO) advice.

### Appendix E – Adjustment Notes

Refer to the '[GST requirements for adjustment notes received - a reference guide](#)'

document for guidance in relation to checking adjustment notes received to ensure compliance with the documentation requirements as prescribed by the GST legislation and subsequent ATO advice.



**Appendix F – BIS Tax Codes**

BIS Tax Code selections are required for the processing of direct invoices, credit card payments, travel, receipts, customer invoices, and general ledger journals. The [Tax Code BIS Reference Card](#) provides examples of transactions for which a particular Tax Code will typically be used.

Account Assignment selections are required to be made to select a tax code for processing purchase orders. The [Account Assignment BIS Reference Card](#) provides examples of transactions for which a particular Account Assignment will typically be used.

**Appendix G – 'No ABN' withholding**

Refer to the ['No ABN' withholding - a reference guide'](#) document for guidance in relation to the 'no ABN' withholding requirements as prescribed by the Pay As You Go (PAYG) legislation and subsequent ATO advice.