



Government of Tonga

THE MINISTRY OF FINANCE

THE GOVERNMENT OF THE KINGDOM OF TONGA

# Public Finance Management Act (Treasury Instructions) 2020.

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## ARRANGEMENTS OF PARTS

### 1. Citation

This Treasury Instructions (TIs) may be cited as the Public Finance Management Act (Treasury Instructions) 2020.

### 2. Commencement

These Instructions come into force on 2<sup>nd</sup> October, 2020 and apply as from that date.

### 3. Repeals and Savings

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

### 4. Treasury Instructions and Treasury Circulars Compared

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

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

## PART I: INTRODUCTION TO TREASURY INSTRUCTIONS

### 5. Objectives of the Instructions

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

These Treasury Instructions specific purposes are twofold:-

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

### 6. Interpretations

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

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

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

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

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

“Chief Executive Officer” means the CEO for Finance.

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

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



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

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

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

“Inventories” means Assets:-

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

“Instructions” means these Treasury Instructions

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

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

“Minister” means the Minister of Finance unless otherwise indicated.

“Ministry” means the Ministry of Finance.

“Ministries, Departments and Agencies (MDAs)” means all government entities that benefit or claim vote in the central budget appropriation.

“Official travel” means a travel on official duty to overseas destinations which involves a temporary absence from work. This include attending meetings, seminars, training programs, workshops, representing the Government as delegate or any business-related engagement approved by Government.

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

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



## PART II: RESPONSIBILITY FOR FINANCIAL MANAGEMENT

### 7. Responsibility of the Minister

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

### 8. Powers of the Minister

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

## PART III: BUDGETING AND APPROPRIATIONS

### 9. Corporate Plan and Budget

- (1) All MDAs shall prepare their Corporate Plans and Budget using the approved Budget tools.
- (2) All MDAs shall submit a copy of their respective Corporate and Annual Management Plans to the MINISTRY to ensure the alignment of budget estimates.
- (3) The Corporate Plan and the Annual Management Plan shall be developed having regard for the relevant outcomes in the Tonga Strategic Development Framework (TSDF II). These shall clearly specify the MDAs' responsibilities and contributions to the TSDF II.
- (4) The Corporate Plan shall contain the following information:-
  - (a) the mandate, role and responsibilities of the MDA;
  - (b) the list of targeted stakeholders;
  - (c) the MDAs organizational and budget structure;
  - (d) the policy objectives of the National Government that the MDA shall contribute to;
  - (e) the specific outcomes that the ministry aims to achieve;
  - (f) the outputs contributing to these outcomes;
  - (g) outcome indicators and targets;
  - (h) output measures and targets;
  - (i) any major reforms to implement Government priorities;
  - (j) any other relevant information; and
  - (k) Ministry's results map.

10. Revision of Corporate and Management Plans

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

11. Budget Process

- (1) All MDAs shall adhere to the Budget Circular processes, procedures and timeliness issued by the Minister and the accompanying Explanatory Notes.
- (2) All MDAs shall ensure that their budget submissions:-
  - (a) clearly link to the policy objectives and outputs outlined in their Annual Corporate Plans and Commitment with TSDF II or current National Framework
  - (b) clearly show operating and capital expenditures;
  - (c) clearly specify projects and expenditures to be externally funded.
  - (d) anticipated revenues;
  - (e) include any other specific requirements instructed by the Budget Circulars or from MINISTRY Budget Team; and
  - (f) According to the budget templates and format issued by the Budget Division.

12. Projects

All projects requiring government funding including aid assistance shall be formally endorsed by the CEO.

PART IV: EXPENDITURE

Section 1 – Authority for Expenditure

13. Expenditure Appropriations

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

14. Authorities to Transfer of Funds

- (1) Where the Accountable Officer considers that amounts specified in the Appropriation Act are insufficient to meet the purpose of the appropriation, a request for additional funds or for the transfer of funds between programs shall be forwarded to the MINISTRY by the MDAs authorizing officer.
- (2) Transfer of appropriations between programs under the same MDA is granted only if:-
  - (a) the transfer amount does not exceed 10% of the receiving program;
  - (b) the implementation of the program from which the funds are appropriated remains unaffected.
- (3) MDAs shall file a copy of all the related transfers made and approved during the financial year, and record the budget variations in its own vote due to the transfers.

15. Contingency Fund

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

Section 2 – Procurement

16. Procurement Authorities

- (1) All government procurements with values up to \$20,000 shall be carried out by MDA's under this TI or the Central Procurement Unit for values more than \$20,000 under the Public Procurement Regulations 2015 and amendments, except for any donor funded procurements that had been agreed to follow the specific donor procurement guidelines, ministries shall follow such related procurement guideline.
- (2) MDAs shall ensure that all procurement of goods, works and/or services by the MDA shall comply with the established government

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procurement policies at all times.

- (3) The MDA must obtain the required competitive quotations of the same documented requirements for any procurement of goods, services valued under TOP\$20,000 in accordance with Table 1 below.

**Table 1 – Threshold for Procurement of Goods, Services or Works valued under TOP\$20,000**

Amount	Type	Requirement	Source Document	Responsibility
Less than TOP 12,000	Goods/Services/ Works	-Discretionary Shopping	An Invoice or Receipt	MDA's procurement entity
TOP 12,000 to TOP20,000	Goods/Services/ Works	A minimum of two (2) quotations must be obtained.	Treasury Checklist signed by CEO plus Invoice or Contract	MDA's procurement entity

- (4) Accountable officers shall ensure that quotations are from valid licensed suppliers and vendors.
- (5) Accountable officers shall ensure to follow the due process in registering new licensed suppliers and vendors in the Government's Accounting System.
- (6) All CEOs must ensure that all goods under a Framework Agreement executed by the Ministry of Finance on behalf of Government must be procured under that agreement.
- (7) All government procurements with value less than TOP\$20,000 including Government General Fund (GGF) projects and any centralized project funds shall be carried out by responsible MDA's according to this Treasury Instruction, except for any donor funded procurements that had been agreed to follow the specific donor procurement guidelines, ministries shall follow such related procurement guidelines.

#### 17. Hire of Goods, Works or Services

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



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the approval of Cabinet for the propose rate to be used.

- (4) All hire of goods, works or services with values exceeding the \$20,000 shall be in accordance with the government procurement policies.

### Section 3 – Accounting for Expenditure

#### 18. Recording of Commitments

- (1) All purchase orders, and other commitments of funds shall be recorded in the SunSystem or a vote book (commitment ledger) immediately after they have been approved.
- (2) MDAs shall prepare a complete list of commitments and submit to MINISTRY within two (2) weeks before the end of the financial year. Format for the report can be requested from the MINISTRY.
- (3) MINISTRY may require MDAs to prepare and submit a more regular commitments report to assist in monitoring of cash-flows. All MDAs shall comply with the MINISTRY request accordingly.
- (4) MDAs shall reconcile their commitment records with the MINISTRY team on a monthly basis to ensure the accuracy of data is being recorded.

#### 19. Payments for Approved Expenditure

- (1) Accountable Officers for MDAs shall ensure compliance with the established rules, policies and procedures regarding the disbursements of the public fund.
- (2) Details of each invoice or other source document for a payment shall be properly and accurately recorded in the payment voucher including, but not limited to:-
  - (a) the name of the supplier or payee;
  - (b) the invoice or statement number, the purchase order or orders it/they relate(s) to, the due date and, where applicable, payment terms; and
  - (c) the chargeable code vote account,.
  - (d) Tax Payers Identification Number (TIN).
  - (e) Consumption Tax (CT).
- (3) All payment vouchers shall be certified correct by a certifying officer before being processed for approval and signing by the Accountable Officer or delegated authority.

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- (4) Accountable Officers for MDAs shall ensure that any vouchers being processed for payments comply with related governing rules, regulations, policies and procedures before being approved for payments.
- (5) Wherever possible, MDAs shall process and pay accounts by the due date so that :-
  - (a) discounts for prompt payment are not lost;
  - (b) interest charges for late payment are not incurred;
  - (c) suppliers do not quote higher prices to MDAs to compensate for late payments.
- (6) Subject to provision 19(2)(b), where no due date is specified, vouchers shall be processed by MDAs to MINISTRY for payments, within three (3) working days from receiving the invoice from suppliers.
- (7) Accountable Officers for MDAs shall ensure that invoices from suppliers are processed and submitted to MINISTRY for payment within three (3) working days from receiving such invoice. Valid reasons shall be provided in writing for any late submissions of related vouchers with values exceeding \$5,000 subject to CEO approval. Any late submissions below the threshold will be process accordingly depending on funds available.
- (8) MDAs shall have system in place to ensure that invoices or statements are not paid twice and that fraudulent claims are not paid.
- (9) All official payments shall be made by cheque except, at Treasury and Sub-Treasury cashiers who may make payment by cash and, where payable by direct transfer or in case of overseas missions' payment using corporate card.
- (10) All cheques shall be signed by at least two (2) officers appointed/approved for that purpose by the CEO.
- (11) All Accountable Officers shall ensure that complete copies of vouchers and supporting documents be completely filed and maintained at all times.

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

- (1) Accountable Officers for MDAs shall ensure that goods, works, or services are guaranteed and definite to deliver and/or received or performed before processing and approving any related vouchers for payments.
- (2) Accountable Officers for MDAs shall assign an appropriate Senior

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Officer in the MDA to check any goods, works, or services procured and delivered to the MDA against the related purchase order, treasury procurement checklist or contractor agreement to ensure that goods, works, or services are correctly and completely delivered and received. The assigned Senior Officer shall be independent from the staff responsible for placing the order or signing the contract.

- (3) Accountable Officers for MDAs shall ensure that the appropriate records of the independent checking in 20(2) above are properly and completely kept by the MDA at all times.

## 21. Benefits or Rewards from Purchasing Goods, Works, or Services

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

## 22. MDA's Use of Private Assets

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

## 23. Private Use of a MDA's Suppliers

All MDAs shall have guidelines regarding employees' use of preferential purchasing. Accountable Officers for MDAs shall ensure that the selection of suppliers is in the MDA's interest, and is not affected by the



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availability or possibility of purchasing privileges to employees and their immediate relatives.

#### 24. Recording of Expenditure

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

#### 25. Reconciliation of Expenditure Records

- (1) MDAs whether having access to SunSystems or not, shall reconcile their expenditure records or vote records with the MINISTRY Treasury division's vote records and SunSystem on a monthly basis

#### 26. Regular Review of the Expenditure Record

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

### Section 4 – Emergency Expenditure

#### 27. Interim Emergency Instructions

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

### Section 5 – Government Grants

#### 28. Administering of Government Grants

- (1) Accountable Officers shall ensure that procedures for administering and monitoring grants are well adhered to by relevant parties.
- (2) The MDA administering a grant shall enter into a grant agreement with any organization or person who either receives a one-off grant or ongoing grant assistance.



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- (3) The Accountable Officer of the MDA administering the grant shall ensure that each grant agreement is adequate and legally binding, and shall satisfy the requirement of section 28(2) above.
- (4) A grant agreement shall provide for the organization receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon request by the administering MDA, the CEO, or the Auditor-General.
- (5) Grants shall only be paid in accordance with the terms and conditions in the grant agreement. Variations can be made in writing if agreed by both parties.
- (6) Administering MDAs shall review each grant scheme each year to determine whether it is achieving its specified outcomes as efficiently and effectively as possible and, where it is not, shall take action necessary to improve its efficiency and effectiveness.
- (7) Unless otherwise approved by the CEO or Minister, all grants over TOP\$5,000 shall be paid in monthly or quarterly installments, or other period considered suitable by the CEO to ensure that:-
  - (a) there is an incentive for the organization to comply with the conditions of the grant; and
  - (b) government financing costs are minimized.
- (8) The administering MDAs shall include in the agreement for the organization a requirement to prepare an Acquittal Reports monthly or any other time agreed upon, and forward to the MINISTRY and/or to other delegated authority.
- (9) The administering MDA upon receiving the endorsed Acquittal Report from MINISTRY or other MDA shall also send a copy of that Acquittal Report to the Office of the Auditor General in due course.
- (10) The administering MDA shall forward the draft agreement to the MINISTRY to verify any financial implications associated with the grant.
- (11) Upon receiving the verification from the MINISTRY, and only if the amount exceeds \$100,000 the administering MDA shall forward the agreement to the Attorney General Office for vetting to ensure that there's no overlapping with other legislations or regulations.
- (12) The administering MDA shall ensure that each grant has been used only for the purposes for which it was intended.

## Section 6 – Utility Bills, Salaries and Wages

### 29. Public Utility Bills Payment Timing

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

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

### 30. Salaries and Wages Procedures

- (1) All salaries and wages shall be disbursed in accordance to the instructions and time schedule prepared and issued by the CEO prior to the beginning of every financial year.
- (2) Salary advices shall be submitted promptly to the MINISTRY where there is any change to personnel emoluments or deductions such as appointments, promotions, transfers, acting allowances, dismissals and resignations, income tax allowances, housing deductions, or other charges or deductions.
- (3) All approved performance rewards of MDAs shall be sent to MINISTRY within three (3) working days and shall be settled within one (1) month.

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- (4) A deduction from the salary or wage of an employee, other than a deduction made in accordance with a statutory requirement, may be made only upon approval by the CEO and on the signed authority of that employee.
- (5) Salary and wage input forms shall be checked and signed by an officer independent of the officer preparing it.
- (6) The Accountable Officers shall advise MINISTRY at the earliest opportunity any staff entitlements; leave with or without pay or any absence from duty to avoid any possible overpayments of the public fund.
- (7) Salary and wage payments shall be made by direct credit to the employee's bank account, except for those in special circumstances approved by the CEO for their salaries and wages to be paid by other mode of payments.
- (8) The MINISTRY will not accept any change to the staff bank account to which his/her salary is being paid without the endorsement by that related bank, stamped and signed.
- (9) Payments of arrears of salaries and wages, acting allowances, overtime, and any other related allowances shall be made on the next pay date together with the scheduled normal salary pay date. Monthly allowances (if any) will be paid in advance at the beginning of the month.
- (10) In the event that exception is made under 30(7), any payments of salaries and wages in cash shall be signed for by the employee in person and witnessed (if needed) in writing by two (2) officers.
- (11) Any unclaimed salaries or wages shall be kept in a secure place pending payment, for a maximum period of 48 hours. On the next working day, the unclaimed salaries and wages shall be paid to Treasury/Sub-Treasury cashier who shall bank/store and:-
  - (a) credit to the relevant expenditure account if they relate to the current year; or
  - (b) credit to sundry revenue if they relate to the preceding year.
- (12) The Accountable Officers shall ensure that MDA's Salary and Wages registers are reconciled to Treasury salary and wages registers on a monthly basis.

31. Maintaining of Salaries and Wages Records

MDAs shall keep a complete and updated Salary and Wages Registers



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containing the relevant details regarding the employee's salary and wage details.

### 32. Regular Review of the Salaries and Wages Records

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

### 33. Staff Overtime

- (1) Staff overtime shall be paid in accordance with the requirements of the Public Service Commission Policy Manual. And any specific instructions issued via Treasury Instructions and/or Circulars.
- (2) All MDAs shall prepare a work-plan of any overtime work to be undertaken by any employee of the MDA, signed by the supervisor of such overtime work, and submit to the Accountable Officer or delegated authority for consideration and approval prior to the overtime work being carried out.
- (3) The work-plan shall be post-checked and signed for by the Accountable Officers or an officer delegated by the Accountable Officer to do the checking, to indicate that the work performed were those stated in the work-plan, and that overtime work was genuine and satisfactorily carried out.
- (4) The original signed and post-checked work-plan shall be sent to the MINISTRY together with the related overtime claim voucher for checking and payment. The MDA shall also file the copy of work-plan and also file copies of all overtime records.
- (5) All staffs that have been approved to work after hours shall correctly record and sign their beginning and ending working time in the MDA's Attendance Register at the beginning and end of each related work after hours' day.
- (6) The timesheets for overtime shall be prepared from the MDA's Attendance Register and submit to the Accountable Officers for approval. The Ministry may request from MDAs copies of Attendance Register at any time, when necessary and MDAs must provide accordingly.
- (7) The Accountable Officer shall ensure that sufficient funds are available in the respective overtime vote before any employee are approved and

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committed to work after official hours.

- (8) Overtime can be paid in time-off in lieu and/or cash, but the MINISTRY or Independent Authorities shall be duly informed of that arrangement prior the processing of any overtime payment.
- (9) All staff overtime shall be settled within one (1) month if paid by cash, or leave shall be taken within twelve (12) months if time off in lieu.
- (10) All staff overtime shall be paid together with salaries on a monthly basis and MDAs shall submit their staff overtime within one (1) month from end of month, in which overtime was taken.
- (11) Staff overtime shall not be accumulated for a period of more than one (1) month.
- (12) No overtime payments are allowed to be made after the period of payment stated in 33(9) and (10) above.

#### Section 7 - Travel

##### 34. Local and Overseas Travel Procedures

- (1) MDAs shall comply with all the established government policies (Cabinet decisions, PSC Policy Manual, PSC decisions etc) governing the conditions for both local and overseas travel of staff.
- (2) Accountable Officers shall ensure that there are sufficient funds in the MDAs related travel vote to fund and before approving the travel.
- (3) All travel costs such as per diem, airfares, and other costs shall be submitted to the MINISTRY two (2) working days prior to the day of the travel. Payments shall only be made on the working day prior to the day of travel, unless a special circumstance requires an earlier payment subject to CEO's approval.
- (4) Expenditure vouchers for travel related costs shall be prepared and submitted to the MINISTRY together with the following documents:-
  - (a) approval of the travel by the appropriate authority (preferably copy of the appropriate travel form or cabinet decision as necessary); and
    - i. All official travels of staff shall require the prior approval of the CEO and endorsed by the Minister.
    - ii. All official travels of CEOs shall require the prior approval of the Minister.

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- iii. All official travels of Ministers shall require the prior approval of the Cabinet.
- (b) adequate supporting documents of the travel, such as:-
  - (i) letter of invitations;
  - (ii) document explaining reason for the travel and its duration, and travel funding arrangements;
  - (iii) travel itinerary; and
  - (iv) other travel related supporting documents.
- (5) All travel arrangements shall follow these criteria:
  - (i) All bookings must be made immediately upon receiving approval for the travel.
  - (ii) The travel itinerary should be the lowest cost and most direct route available. This include arriving at least one day prior and leaving one day after the official business has concluded.
  - (iii) The maximum stop over permitted shall be 3 days for direct travel to Europe. Extensions for the purpose of obtaining visas shall be permitted subject to approval of visa. Officers may take extra days during travel at their own expense.
  - (iv) In the event whereby officials change their itinerary without the CEO's prior approval, they are to pay the cost and seek retrospective approval and reimburse any excess per diem within 5 working days of resuming duty. This also applies to changes in the official business program where it finishes earlier than planned, and the official has made their own arrangements to return earlier than originally planned.
  - (v) Accommodation may be booked and paid for prior to travel by MDAs or using the Ministry of Finance credit card (upon application). Flights may be booked on the internet to minimize costs and maximize the traveller's flexibility should travel arrangements need to change. The traveller may elect to arrange their own accommodation and be paid the full per-diem rate.
- (6) All employees who had been approved and paid with hotel top-up amount shall, within three (3) working days of returning to Tonga from that overseas trip, submit to MINISTRY a copy of his/her paid hotel accommodation bill for verification and record, and shall also keep a copy at the MDA for audit purpose.
- (7) For any employee who further request hotel top-up due to extension of stay overseas, he/she shall send (by fax, email or other mean) to his/her MDA a copy of his/her hotel accommodation bill, and such copy shall



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be submitted together with the MDA's written request for further hotel top-up to the Minister before any further hotel top-up is considered and approved.

- (8) All employees who have yet to submit acquittal of hotel top-up amount shall not be entitled to further travel related costs.
- (9) Travel fares shall only be paid to the travel agent that issued the related travel invoice and not to any employee or individual unless evidences are submitted which confirmed that employee did pay for his/her fare.
- (10) Employees who travel on official duty that are fully funded by government or the government paid for air fares and en route travel expenses shall not change their initial travel itinerary without the approval of the CEO.
- (11) Accountable Officers shall submit a request in writing to the CEO to approve any change in travel plan and provide the reasons for the change, and details of any further costs to government.
- (12) Any employee who failed to observe the requirements in 34(10) & (11) above shall be responsible for any additional costs and shall return to MINISTRY any excess travel per-diem or allowances that had been paid.
- (13) All travel allowances and per diems shall be calculated and paid in accordance with the approved rate issued by the Cabinet and/or by the CEO, and shall always in accordance with the related travel itinerary.
- (14) For Government funded travel and donor funded travel where no per diem for early check-in and/or check out is provided, the officer travelling shall be entitled to 50% of the full per diem.
- (15) There shall be no per diem paid for: -
  - (a) time spent on air during long flights;
  - (b) overseas travelers who do not check-in to a hotel, motel etc; and/or
  - (c) return flight from overseas destination direct to Tonga with no stop over.
- (16) For Government funded travel and donor funded travel where no transit allowance is provided, an in-transit allowance will be paid for each transit point as follows:
  - (a) For donor funded travel whereby donor provides for transit allowance covering meals and incidentals, No PER DIEM will apply;
  - (b) For each transit point up to 6 hours, 25% of PER DIEM will apply;
  - (c) For each transit point greater than 6 hours and up to 12 hours, 50%

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of PER DIEM will apply;

- (d) For each transit point greater than 12 hours, full PER DIEM will apply.
- (17) The entitled class for air travels shall be as follows:
- (a) Prime Minister shall travel by first class at all times to all destinations;
  - (b) Ministers, Governors, Chief Justice and the Chief Secretary to Cabinet shall travel by business class at all times to all destinations;
  - (c) CEOs shall travel by economy class, provided that if the journey comprises non-stop travel exceeding 5 hours, they may apply for business class travel;
  - (d) All other officers shall travel by economy class, provided that if the journey comprises non-stop travel exceeding 8 hours, they may apply for travel by higher grade seats.
  - (e) All travel will be by the most direct route available.
- (18) All government officials including Ministers, required to travel on official duty may hold a valid passport and any required visa. Unless you already have a passport, the costs associated with the obtaining or renewing a passport or acquiring a visa may be borne by the Government.
- (19) Only HM the Queen and spouse of the Hon. Prime Minister shall be permitted to attend overseas meetings financed from public funds in accordance with the following criteria:
- HM the Queen and spouse of the Hon. Prime Minister shall be eligible to receive public funds to meet the following expense:
- (i) The cost of airfare comparable class to HM the King and Hon. Prime Minister respectively.
  - (ii) The cost of meals and incidentals at level of HM the King and Hon. Prime Minister respectively.
- (20) Local traveling allowances shall be paid in advance the full amount for the duration of visiting the outer islands.
- (21) Local travel allowances shall cover for accommodation in the outer islands given the change in location of work for the employee plus meals and transports.
- (22) When an employee travels by sea, meals may be paid subject to corresponding meal hours during total leg(s) of travel. The departure and arrival schedule of the transporting vessel will be the basis for payment of meals allowance during travels by sea. There shall be no accommodation and transport paid during travels by sea.
- (23) For employees who choose not to claim local travel allowances the government shall meet the accommodation and meals expenses with the following conditions:
- (a) submit travel details on accommodation and travel costs to the

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- CEO two (2) days for checking and approval prior to the travel;
- (b) the accommodation is cost-effective, taking into account the geographic location of the accommodation relative to where staff are working, the standard of accommodation, and safety and security issues;
  - (c) at most, three (3) meals per day per employee - one each for breakfast, lunch, and dinner;
  - (d) provide the CEO with guidance on the drink and whether the MDAs will pay for alcohol, and, if so, include the limits on what will be paid for;
  - (e) no claims for separate meal expenses if a meal is provided as part of another package paid for by the MDAs;
  - (f) prohibit any payment for mini-bar expenses;
  - (g) any other charges to the room shall be personally liable and to be paid for by the employee;
  - (h) no communication costs shall be paid by the MDAs unless it is for official purposes but shall provide the full supporting documents to MINISTRY together with the related payment voucher; and
  - (i) no other travel costs will be paid unless approved by the CEO.
- (24) For all reimbursements to the public fund of all or portion of travel costs:-
- (a) MDAs shall advise MINISTRY with full details of reimbursements;
  - (b) it shall be paid within 5 working days upon return to Tonga or to their respective posts in the case of overseas missions and outer islands; and/or
  - (c) direct credit to relevant government bank account if reimburse directly from overseas agency, at earliest opportunity.
- (25) Officers shall be required to repay excess per diems within 5 working days upon their return to their posts. In the event that the officer is unable to do so, the Ministry of Finance shall impose an automatic salary deduction schedule to recover the public funds so that the funds are fully repaid within the same financial year.
- (26) All official travel forms overseas shall be duly registered with MDAs Corporate Service Division and forward to the Public Service Commission to ensure proper records are kept for insurance purposes.
- (27) In the event the Government requires consultants to accompany on government official matters assistance, the travel entitlement of All Other Officials shall be applied.
- (28) Any claim for refund or reimbursements of any travel related or other costs incurred overseas and considered to be official expenses shall be



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submitted in writing to the MINISTRY within five (5) working days from the date of arrival back in Tonga or overseas mission posts. And shall be submitted together with complete original documents to support, and explanations to justify the claim.

### 35. Per diem Rates

- (1) The Government monthly per diem rates shall align to the United Nation Daily Subsistence Allowance (UN PER DIEM) rates disseminated by the International Civil Service Commission intended to account for accommodation, meals, gratuities and other incidental expenses.
- (2) The MINISTRY shall issue an UN PER DIEM rates to all MDAs on a quarterly basis for calculation of per diem allowances.
- (3) All per diem rates on a quarterly basis plus relevant loading allowance shall be converted using the relevant exchange rate issued by the MINISTRY.

### 36. Travel Advances

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

## Section 8 - Corporate Card Use Policy

### 37. Card Use Procedures

- (1) Corporate cards are held in the holder's name. The holder shall be responsible to the MINISTRY for any charges made to the card that the Minister or Cabinet did not subsequently approve.
- (2) Corporate cards are principally restricted to the use of payment for

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expenses incurred while traveling overseas on official business. The corporate cards shall not be used for non-travel related expenditures unless authorized by the Minister.

- (3) Corporate cards shall not be charged with expenses that has already been paid by the Treasury to the cardholder for the purpose of overseas travel, such as those covered by the per diem or other related travel expenses. If those expenses are again being charged to the card, they shall be reimbursed by the cardholder to Treasury immediately.
- (4) The card may be returned to the CEO, upon demand, between overseas travel trips.
- (5) No cash advances shall be obtained from corporate cards.
- (6) No private purchases are allowed using the corporate card. Any private purchase charged shall be reimbursed immediately to public fund upon arrival in the country.
- (7) Loss of the card should be reported immediately to the bank and the CEO.
- (8) Each month, a copy of statements is sent out by the Corporate Card Agent to the designated officers at MINISTRY. A copy will then be sent by the MINISTRY to the Cardholder.
- (9) Cardholders, upon receipt of their copy:-
  - (a) Review their statements and ensure that all entries are correct. It is the cardholder's responsibility to contact the responsible Bank regarding any incorrect/invalid entries and to follow up to ensure the Bank has taken the required corrective action.
  - (b) Attach Corporate Card slips, full invoices and complete supporting documents for those items appearing on the statement.
  - (c) Complete the Corporate Card's form in the order that the charges appear on the statement. This form should be available from the responsible Bank. Add any comments that would be considered assisting the MINISTRY staff when processing the Corporate Card statement.
  - (d) Sign the statement to indicate personal approval for payment.
  - (e) Send corporate card form, statement and attached documentation to the CEO within three (3) working days of receipt.
  - (f) All expenses incurred and charged to the corporate card shall be charged to related vote of the cardholder's MDA. The related MDA shall ensure that sufficient funds are in vote to charge the

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expenses that had been incurred and charged to the card.

- (g) MDA shall advise MINISTRY of the relevant vote to which the card expenses shall be charged.
  - (f) Cardholders should be prepared to answer any questions that may be asked regarding their corporate card statement by the MINISTRY. It may be appropriate to take a photocopy of the approved and coded statement before sending it to the CEO.
  - (g) The statement balance is paid in accordance with the terms of payment agreed with the bank; therefore, the card may have up to few weeks of transactions before it is paid.
- (10) Card limits shall be periodically reviewed. Temporary increases for the card limit may be obtained for approved overseas travel. Please allow three (3) working days for this to take effect.
- (11) The Minister reserves the right to remove the corporate card at his discretion.

## Section 9 – Entertainment and Hospitality Expenditure

### 38. Guidance and Procedures

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



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with appropriate documents to support the expenses incurred.

- (6) Accountable Officer shall ensure that any hospitality or entertainment host by the MDA is properly controlled. Any stock remaining shall be accounted for and recorded and shall be kept by the MDA in a safe place.

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

#### 39. Guidance

- (1) In terms of the Appropriation Act all recurrent expenditure allocations shall lapse at the end of the financial year. Any vote that is not spent at the end of the financial year, the amount remaining cannot be carried forwards to the next financial year.
- (2) Accountable Officers shall ensure that all transactions relating to a financial year are processed in that financial year.
- (3) Accountable Officers shall ensure that their MDAs do not put through unnecessary expenditure vouchers at the end of the financial year with the purpose of using up the remaining vote allocation. Those vouchers will be under close scrutiny by the Treasury whether they are essential expenses or not; otherwise they will be returned to the MDAs.

### PART V: REVENUE

#### Section 1 – Collection of Revenue

#### 40. Appointment of Revenue Collectors

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

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

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the designated revenue collector(s).

- (5) The responsibility of the Accountable Officer for the efficient and effective collection of revenue is not diminished when duties and responsibilities are delegated to other officers.

#### 41. Issue of Revenue Records

- (1) All official receipt books to be used by MDAs in collecting public money shall be issued only from the MINISTRY except for approved system generated official receipts.
- (2) MDAs shall obtain their official receipt books from MINISTRY and sign the Treasury Pass Book except for approved system generated official receipts.
- (3) Accountable Officer shall maintain the MDA's Pass Book recording all receipt books and other revenue recording forms issued to revenue collectors of that MDA.
- (4) Receipt books and other revenue recording forms shall not be transferred between revenue collectors within MDA unless prior approval has been given by the Accountable Officer.
- (5) Accountable Officer shall notify the CEO of any losses or damages to receipt books and other revenue recording forms so that they can be recorded and written off from Treasury Register.
- (6) The Accountable Officer shall ensure that all official receipt books, used and unused, are completely accounted for and are kept and stored in a safeplace.

#### 42. Receipt of Revenue

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

- (1) Revenue can be received in any of the following instruments: -
  - (a) cash;
  - (b) bank cheques prior clearance by the issuing banks;
  - (c) bank drafts;
  - (d) electronic funds transfer at point of sale (EFTPOS); and/or
  - (e) direct credit.
- (2) Immediately upon receipt, all cheques and other negotiable instruments

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shall be stamped “not negotiable”. All bank cheques, foreign cheque and travelers’ cheques, or other negotiable instruments shall be immediately stamped on receipt with the departmental stamp and are also to be stamped “Not Negotiable”.

- (3) All mail containing cash, cheques or bank drafts shall be entered into a Cheque Register.
- (4) An official government receipt shall be issued for all monies received immediately at the time of receiving the money.
- (5) No person other than the Revenue Collector shall receive, collect, take possession of, or issue receipts for payment of any money.
- (6) Every designated revenue collector who receives public money, other money or trust money shall record the details in a cashbook, or in the SunSystem in their appropriate columns.
- (7) All money received by a MDA shall be banked on the day of receipt, or as early as practicable on the next banking day, by an officer who, wherever possible, is independent of the revenue collector.
- (8) Public money shall not be used in any way whatsoever between the time of receiving the money and the time of depositing it to the bank.
- (9) Accountable Officers shall assign in writing to an independent senior officer with the responsibility to perform the independent checking of cash and cash records before and after every banking.
- (10) The senior officer assigned with the duty of performing the independent checking shall sign the cash book and all the related cash records and deposit slips as evidence of the checking being done.

#### 43. Cheque Received as Payment for Government Services

- (1) Accountable Officers shall ensure that every cheque received for payment of public money is closely examined to ensure details are accurate and valid.
- (2) All local banks in Tonga cheques, foreign cheques, travelers cheques, or other negotiable instruments shall be immediately stamped on receipt with the MDA’s stamp and are also to be stamped “Not Negotiable”
- (3) Every cheque received shall be closely examined and scrutinized to ensure the following:-



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- (a) that it is correctly dated, i.e. not postdated or more than six months old;
  - (b) the words and figures agree;
  - (c) that it appears to be properly signed;
  - (d) that it is correctly endorsed, if required; and
  - (e) any alterations are correctly signed.
- (4) Where incorrect cheque is received over the counter the person presenting the cheque shall be requested to have the cheque corrected before a receipt could be issued.
- (5) Postdated cheques are not to be accepted by the revenue collectors.
- (6) Cheques are not to be cashed by the revenue collectors.
- (7) Where cheques received as public money does not have the correct amount, the payer shall write out a new cheque for the correct amount and changes shall not be given.
- (8) All public money received by cheque with values exceeding \$1,000 shall provide a bank cheque in order to ensure that the payer has sufficient funds in the Bank to honor the cheque.
- (9) In the case of the outlying branches prior approval of the officer-in-charge in the branch shall be obtained in order to ensure that the payer has sufficient funds in the Bank to honor the cheque.
- (10) Accountable Officers shall not advise nor encourage MDA officials to open, operate, or deposit public money into, another bank account other than the bank account authorized by the Minister for that public money. This is a legal requirement and shall be complied with at all times.
- (11) Any cheque payable to MDA as public money shall be receipted as public money and deposited to the authorized bank account for that particular fund.
- (12) MDAs' officials shall not attempt to deposit any cheque payable to Government or to a MDA as public money to any private bank account or to cash it for any purposes. Such practice is strictly prohibited.

44. Issue of Receipts

- (1) Revenue collectors shall issue a receipt for all money paid to the Public or other Government accounts. Those receipts shall be on the officially printed form or approved system generated form.

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- (2) Revenue Collectors shall ensure that Notices in English and Tongan are displayed in each cash office stating that a receipt on an official printed form or approved system generated form shall be obtained by every person paying money to the Government.
- (3) The receipts shall be issued at the time the money is collected. In no circumstances may the issue of the receipt be delayed or a temporary (unofficial) receipt given.
- (4) The Revenue Collector should ensure that legible and complete carbon copies are retained in the receipts book or properly filed in the system.

45. Preparation of Receipts

- (1) Ball-pointed pens shall be used for writing receipts.
- (2) Writing shall be clear and neat, and all copies shall be readable. No blank spaces shall be left in the space provided for the amount.
- (3) All approved official system generated receipts shall use clear and legible fonts in black ink and shall be printed on white printing paper only.

46. Receipts Not to be Altered

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

47. Preparation of Receipts for Banking

- (1) All public money received shall be banked with the designated approved Government bank account, to the credit of the public account.
- (2) MDAs shall not bring in their receipts for banking to Treasury except in reasonable circumstances.
- (3) MDAs shall conduct the banking of public money at least once a week. Banking shall be done on a daily basis if the average collection is greater than TOPS100 per day in the week.
- (4) Deposits shall be prepared on the relevant bank's deposit slip booklet.
- (5) A "Revenue Deposits Details" form (T9) shall be completed, in duplicate, at the same time as the deposit form.

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- (6) Deposit forms and revenue deposit detail forms shall be checked by the/a designated officer but independent from the officer doing the banking, before and after banking, to ensure that the banking is complete and correct.
- (7) Deposit forms and revenue deposit details forms shall be filed in accurately and clearly in ball-point pen.

48. Banking of Receipts

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

49. Cashiers Receipts Book

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

50. Revenue Collectors Cashbook

- (1) Every Revenue Collectors shall keep a cashbook in a form approved by



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the Minister or CEO.

- (2) All Revenue Collectors who receive Public Funds are required to enter all receipts into the revenue collector's cashbook.
- (3) The Revenue Collector shall enter complete details such as: the date, amount of money received, the receipt number, and any other particulars i.e. name of payee, and invoice number.
- (4) When the banking is being prepared the Revenue Collector shall add up the cashbook entries since the last banking. The cashbook total should equal the cash and cheque to be banked. The total of the banking shall be entered in the cashbook and initialed by the Revenue Collector.
- (5) The Revenue Collectors cashbook shall be taken to the bank along with the bank deposit slip and the receipt to be banked.
- (6) The Accountable Officer shall designate a senior officer to verify before banking that the cash/cheque on hand, receipts, deposit and cash book are agreed and to confirm after the banking that funds receipted were paid intact, and both the cashbook and deposit slip have been stamped by the Bank and the Treasury and Sub-Treasury.
- (7) The supervisor shall initial the cashbook, the last receipt of the receipt book, and copies of the banking documents as evidence of having completed the checking requirement as stated in paragraph 50(6) foregoing.

51. Dishonored Cheque

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

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from the drawer within the penalty period of six (6) months.

- (5) In the event where the total payment per day owed to Government is above \$3,000, the drawer may use EFTPOS or bank cheques as form of payment.

## 52. Accounting for Revenue

- (1) Accountable Officer shall ensure that proper system is in place to ensure complete and accurate accounting of revenue by the MDA.
- (2) Each Accounting Head shall ensure that:-
  - (a) revenue is recorded against the correct revenue head;
  - (b) the recording of revenue is reconciled monthly with the MINISTRY;
  - (c) revenue collected is paid into the correct bank account;
  - (d) revenue collected is paid into the bank in accordance to the pay-in policy and that no late banking charges are incurred;
  - (e) the MINISTRY is duly advised of any errors or discrepancies within (2) two working days after the end of each month; and
  - (f) consumption tax is correctly accounted for and remitted as required.
- (2) Each Accountable Officer shall maintain a Revenue Collectors Chart to monitor payment of revenues by the revenue collectors.
- (3) MDAs shall maintain a register of revenue collected, if applicable, and shall be updated and accurately recorded to ensure public money is duly accounted for.
- (4) Accountable Officers shall review the revenue status report of the MDA on a regular basis (daily, weekly, monthly) and shall also determine any arrears of revenue for monitoring and appropriate action.

## 53. Refunds of Revenue

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

54. Transactions Strictly on Cash Basis

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

Section 2 – Custody of Public funds

55. Revenue Collectors Not to Control Non-Public Funds

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

56. Mixing of Public Money With Private Money

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

57. Security of Public Funds

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

58. Conveyance of Cash Outside Office Premises

Where cash is conveyed outside premises, such as to or from the bank, delivery to staff or other conveyance, it shall be under the control of



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two (2) officers. Where appropriate, an MDA vehicle shall be used by the officers conveying the cash.

#### 59. Balancing of Cash

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

### Section 3 – Miscellaneous

#### 60. Official Gifts

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

#### 61. Division of Duties

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

#### Delegation of Authorities Instrument

All CEOs shall submit to the MINISTRY a delegation instrument at the beginning of every financial year and any revised during the year.

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Details of submissions:

Position Title;

Delegation Purposes;

Relevant Act/Regulations/Sections;

Head of each program responsible for signing of MDAs Purchase Order requests;

Level of delegation shall only be at Principal Level and above; and

In the case of the outer islands where delegation is at Junior Level, it shall be default to the head of relevant Sub-treasurer.

## PART VI: GOVERNMENT ASSETS

### Section 1 – Cash Management

#### 62. Cash on Hand

- (1) Accountable Officer shall ensure that proper system is in place to ensure safe custody of cash at all times.
- (2) All money shall be kept in a safe or other secure place. No public money shall be kept in a drawer, unlock or unsecure place.
- (3) MDAs shall be responsible to obtain their own safes and strongboxes and shall not be transferred from one MDA to another.
- (4) No safe keys shall be duplicated without the prior approval of each respective CEOs.
- (5) Cash collections shall be taken to the bank with a level of security appropriate for the amount and composition of the banking. Banking shall be done by two (2) accountable officers, unless otherwise specified in the Treasury Instructions.
- (6) The Minister may appoint a Board of Survey to conduct a physical stock-take of all cash on hand and other stocks held in safes of MDAs at least once a year, including those in the outer islands.
- (7) Any discrepancies shall be accounted for and brought to the attention of the Accountable Officer through the Board of Survey Report. A copy shall also be sent to the CEO and the Auditor General.

#### 63. Bank Accounts

- (1) MDA which maintain or operate a bank account shall ensure that proper controls are in place accordingly.
- (2) A bank account for public money, other money or trust money

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including trust money operated under a development funded programs. shall only be established with the approval of the Minister, who shall inform the bank of the MDA's officers authorized to operate it.

- (3) Trust money and where required by the donor, aid money shall be kept in a separate bank account.
- (4) Upon completion of any development funded programs, any remaining funds including trust money (such as the Climate Change Trust Fund: CCTF that was funded by ADB) shall be regulated under the PFMA using Operational Manuals or similar documents as a guideline. The responsibility for the regulation rests with the Ministry of Finance.
- (5) All MDA bank accounts shall be kept in the name of the MDA or the official title of a unit within the MDA, as approved by the Minister.
- (6) Officers operating official bank accounts shall not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.
- (7) All bank accounts shall be reconciled monthly. The bank reconciliations shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.
- (8) The Accountable Officer shall review the monthly bank reconciliations, and then signed and dated.
- (9) Any MDA that has been approved to maintain a separate bank account due to special request from donor or any other organization to open and operate such bank account for particular purpose, but constitute public funds shall provide MINISTRY with monthly financial report on the funds receipts and payments and bank balances.

#### 64. Cash Flow Forecasting

- (1) Accountable Officer shall ensure that cash flow forecasts are accurately and completely prepared and sign-off by responsible CEOs before sending to the MINISTRY.
- (2) Cash flow information shall be provided to the MINISTRY, as follows –
  - (a) to Budget Division:
    - (i) an annual forecast of expenditure (by line item) and of revenue, for each month – ten working days after the budget approval by Parliament and uploaded into the system; and
    - (ii) a monthly update of forecast expenditure (by line item)



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and of revenue for each remaining month – one (1) week before start of each month.

(b) To Treasury Division:

- (i) a rolling forecast of total daily expenditure and total daily revenue for the next four weeks period – two working days before the start of each week; and
- (ii) updated forecasts of variations in the timing of cash flows of TOP\$1,000 or more – on the day the variation becomes known.

- (3) The Accountable Officer shall ensure that the forecast information provided is reliable and does not lead to unnecessary borrowing costs to government.

## Section 2 – Public Stores and Inventories

### 65. Inventory Ordering

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

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

### 66. Inventory Recording

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

### 67. Inventory Physical Count or Stock Taking

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

### 68. Inventory Valuation

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

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year using one of the following costing methods:

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

### Section 3 – Arrears of Revenue

#### 69. Revenue Recording and Recovery

- (1) Each MDA shall maintain an Arrears of Revenue Register or an accounts receivable ledger for licenses, debts, court fees and other government or MDA revenues receivable.
- (2) Accounts which are overdue shall promptly be followed-up in accordance with the debt recovery procedures as stated in (70) below of these Treasury Instructions.

#### 70. Revenue Arrears Write-Offs

- (1) Debts shall be written-off in accordance with Part VIII after failure all practical and cost-effective efforts have been taken to recover them.
- (2) A debt may only be written off if approved in accordance to section 41(2) of the PFMA, 2002 by: -
  - (a) the CEO, where the debt owed is equal to or less than TOP\$5,000;
  - (b) the Minister where the amount exceeds TOP\$5,000 and up to and equal to TOP\$10,000; and/or
  - (c) the Cabinet where the debt is more than TOP\$10,000.

#### 71. Revenue Arrears Reporting

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

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Section 4 – Loans and Advances

72. Loans and Advances to Civil Servants

There shall be no loans and advances from public fund to any civil servants by any MDA except the Ministry of Finance

Section 5 – Property, Plant and Equipment

73. Public Stores Recording

- (1) The Accountable Officer shall ensure that proper system is in place to record and account for any government physical assets held by the MDA and under their care.
- (2) All property, plant or equipment with a value in excess of TOPS5,000 or more shall be recorded in the MDA's asset register.
- (3) All MDAs shall maintain a Fixed Asset Register. Details to be recorded in the asset register should include, at a minimum: -
  - (a) description
  - (b) cost or fair value
  - (c) date of acquisition, where known
  - (d) make, model and identification number, where applicable
  - (e) location.
  - (f) depreciation
- (4) Accountable Officer s shall be responsible to:
  - (a) ensure that the MDA's Asset Register is established, and accurately and completely updated at all times.
  - (b) review the register on a quarterly basis, and sign and dated.
  - (c) perform the physical asset count at end of each financial year as stated in 75 below.
- (5) Assets whose value is between TOPS100 and TOPS5,000 may also be recorded by the MDA for control and monitoring purposes.

74. Property, Plant and Equipment Valuation

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

75. Use of Assets

Assets shall only be used for official purposes, unless otherwise



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approved in writing by the Accountable Officer or permitted under an officer's terms of employment.

#### 76. Property, Plant and Equipment Stock-taking

- (1) Accountable Officer shall be responsible for the overall supervision of the assets' stock-take and ensure that proper system is in place to carry out the stocktaking in an efficient and effective manner.
- (2) A stock-take shall be undertaken at the end of each financial year to verify the existence and condition of assets recorded on the asset register. However, for MDAs that have a large base asset, the Finance Manual may provide for stock-takes to be undertaken on a cyclical basis so that all assets are checked at least once every three years.
- (3) Stock-takes shall be undertaken by 2 officers who are independent of the officer responsible for the custody of the assets. A written record shall be kept of each stock-take and must be signed and dated by the officers undertaking it.
- (4) All assets which are not accounted for in the stock-take shall be investigated to determine the appropriate recovery or written-off action and report immediately to CEO and copy to Auditor General.

#### 77. Depreciation of Property, Plant and Equipment

All depreciable assets recorded in the assets register shall be depreciated using the "straight line method" over their estimated useful lives. The estimated useful lives shall be -

- (a) appropriate for the type, sub-class, use and location of the assets;
- (b) determined by the respective MDA with consultation and agreement with the MINISTRY and the Audit Office; and
- (c) within the following ranges:-

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Proposed Asset Sub-Class	Proposed Asset Sub-Class	Proposed Useful Life
Building and structures	Non-residential buildings	20-60 years
	Other Structures	20-100 years
Machinery and equipment	Transport equipment	5-15 years
	Other transport equipment	5-15 years
	Information, Computer and Telecommunications equipment	3-5 years
Furniture and Fittings	Office equipment	3 - 10 years
	Furniture	3 - 10 years
	Fixtures and fittings	7 - 10 years
	Library reference Material (incl. books)	3-5 years
Cultivated Biological Resources	Animal resources yielding repeat products	5 - 15 years
	Tree, crop, and plant resources yielding products	5 -15 years
Intellectual property products	Computer Software and databases	3-5 years
	Other intellectual property products	3-5 years
Land		Unlimited
Heritage Assets		Unlimited
Military Assets		5-20 years
Other plants and equipment		5-20 years
Other intangible assets		3-20 years

## 78. Disposals of Property, Plant and Equipment

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

<sup>1</sup> Also known as Standing Board of Survey

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

79. Unused Serviceable Government Assets

- (1) Unused serviceable Government assets shall not be sold to any person. In special circumstances, and only prior to Board of Survey report and approval of the GADC, unused serviceable Government assets may be sold.
- (2) Any Accountable Officers who seeks the GADC approval under Instruction 83 (1) above shall certify that the sale of such unused serviceable Government assets will not result in any cost being incurred by the Government in excess of the sale price in purchasing replacement for such assets.
- (3) Unused serviceable Government assets which are surplus to the



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requirements of the Government, or which have become obsolete, underperforming, or unserviceable shall be sold by direct sale to a tendered after tenders have been called for by public advertisement.

80. Proceeds From Sales of Government Assets

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

81. Trade-in of Government Assets

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

82. Inter-Departmental Transfer of Public Assets

- (1) Any Accountable Officers may, by agreement in writing with another Accountable Officers, transfer assets under the control of the first MDA to the control of the second MDA.
- (2) Any transfer of Government assets between MDAs may only take place with the approval of the GADC in writing.
- (3) In the case of any transfer referred to in Instruction 82(1) above, the Asset Register of the two MDAs concerned shall be adjusted accordingly.

83. Write-off of Government Assets

- (1) Upon recommendation from the Accountable Officers, any assets may be written-off subject to written approval from the GADC.
- (2) All assets that are written-off shall be properly recorded and such record shall contain:-

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- (a) detail description and value of the asset written-off; and
- (b) the estimated replacement value of that particular asset.

84. Project Assets (donor funded)

- (1) All assets purchased and being utilized during the duration of the project shall be handover or returned to Government at the conclusion of the projects.

Section 6 – Government Vehicles

85. Vehicle Operations

- (1) Accountable Officers shall be responsible for taking care of all government vehicles under the MDA and ensure that the related requirements of Policy 2F of the Public Service Commission (PSC) Policy Manual are duly adhered to by all Accountable Officers.
- (2) Drivers of government vehicles shall only be those stated in Policy 2F.4 of the PSC Policy Manual and shall comply with the related requirements of such policy. All drivers shall have a current driver's license of the relevant class or type of vehicle.
- (3) All CEOs, Ministers and driver's license for those stated in Policy 2F.4 and 2F.7 shall be renewed every calendar year and may be borne by respective ministries.
- (4) Accountable Officers shall keep the complete and updated records of staff and the approval granted to them to drive government vehicles as per Policy 2F4(b).
- (5) Government Vehicles shall only be used for official purposes, except for those with Transport Privileges as per PSC Policy Manual policies 2F.7 & 2F.8.
- (6) Any staff authorized to drive government vehicles shall keep a record of each and every official runs made by that government vehicle in a Vehicle Log Book for each government vehicle as per Policy 2F.5 of the PSC Policy. All authorized drivers shall have a valid driver's license of the relevant class or type of vehicle.
- (7) The Vehicle Log Book shall be reviewed by a senior officer independent of the officer's recording it on a regular basis and sign as evidence of the review.
- (8) Government vehicles shall be used and maintained so as to maximize their useful life and their value upon disposal.

86. Private Use of MDA's Assets

- (1) Accountable Officers shall ensure that proper system of control is established and clear guidance provided to identify what, if any, private use of entity assets is acceptable, the level of use (defined in terms of quantity), and the circumstances under which costs will be recovered. This includes the use of photocopiers, telephones, cell-phones, means of accessing the internet, and stationeries.
- (2) The MDA shall have an internal policy on the use of communication technology – cell-phones, telephones, e-mail and other access to the Internet – and Accountable Officers shall ensure that staffs are well informed of such policy. Such policy should consider the risk of abusing the use of such communication technology and the resulting cost to the government.
- (3) Any costs of private use of assets should be recovered, unless it is impractical or uneconomic to separately identify those costs, and where it is administratively possible and cost-effective require reimbursement of personal use of communications technology.
- (4) The use of the MDA's assets for any private business that any employee may operate is prohibited. Accountable Officers shall report any such abuses to the CEO and to the Auditor General.

PART VII: LIABILITIES

87. Commitments

- (1) MDAs shall ensure that all commitments and invoices are promptly and accurately recorded in the accounting system to meet management and external reporting needs.
- (2) Within seven (7) working days after the end of each month, MDAs shall prepare an Aging Commitment Report, and checked by the Accountable Officers.
- (3) Accountable Officers shall review such report on a regular basis, sign and date; then send to the CEO and the Auditor General by the 10th of the month following.
- (4) Information to be included in the Monthly Reports on Outstanding and Overdue Debts shall be in accordance to the format specified by the MINISTRY.



- (5) Accountable Officers shall be responsible to any commitments of the MDA and shall provide reasonable explanations to the CEO together with the report in 86(2) above as to the existence of any Commitments and plan to settle those debts in due course.

#### 88. Employee Entitlements

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

#### 89. Contingent Liabilities

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

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

### PART VIII: DEVELOPMENT FUND

#### 90. Fund receive from Development Partners

- (1) All cash received and cash payments on development project shall comply with the related requirements in these Treasury Instructions unless a specific requirement has been agreed upon by Donors and the Government;
- (2) MDAs shall submit to MOF (Treasury) the relevant project agreement;
- (3) Accountable Officers should inform Treasury Officers of any expected project fund receive, with relevant date of transfer from Donor and amount.

#### 91. Transfer Funds to Outer-Islands

- (1) For project activities to be carried out at the Outer-Islands, Accountable Officers shall submit to CEO the following documents to enable transfer:
  - (a) Savingram to request transfer;
  - (b) Transfer form (Tr.2);
  - (c) Budget allocation in detail;
  - (d) Any other relevant supporting documents.
- (2) The Accountable Officers shall ensure that sufficient funds are available in the respective vote before submission of transfer request;
- (3) Accountable Officers in Tongatapu should follow-up the conclusion of the

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activities to each of their MDA branches at the Outer-Islands and ensure that a vote reconciliation is conducted with the Sub-Treasury before return of any balance to Tongatapu within the financial year;

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

92. Vote Reconciliation

- (1) Vote reconciliation under each project shall be submitted to the MINISTRY on a quarterly basis, within 10 days after end of each quarter;
- (2) The reconciliation as at 30<sup>th</sup> June shall be submitted in order to carry forward the project balance between financial years.

93. Completion of Development Funded Programs

- (1) Conclusion of projects that needs return of unspent funds back to the Donor requires submission of the following documents to the MINISTRY, to enable return of project balance:
  - (a) Vote reconciliation as at project end date;
  - (b) Letter from Development Partner to return unspent funds (with relevant bank account details;
  - (c) Savingram to CEO requesting return of remaining balance.
- (2) Remaining funds from completed projects/programs other than (1) above, including donor funded trust money (such as Climate Change Trust Fund: CCTF – ADB funded) shall be regulated under the PFMA using Operational Manuals or similar documents as a guideline. The responsibility for the regulation rests with the Ministry of Finance.

94. Reporting on Development Fund

- (1) MDAs shall prepare and submit to the CEO the following information relating to all development projects, including those projects that are managed outside the government accounting system:-
  - (a) copy of the project document before the projects commenced;
  - (b) a copy of regular financial reports or acquittal statements of the projects activities;
  - (c) a copy of project's end of financial year report for each financial year;
  - (d) a copy of progress reports on the physical and financial status of the projects; and
  - (e) a copy of completion report at the end of the projects.
- (2) Accountable Officers and Project Managers shall ensure that any information requested by the MINISTRY for the complete recording of development projects are made available and provided on a timely basis and as requested.

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- (3) Any MDAs or organization who received and disbursed donor funds on behalf of and for government and operate a separate bank account to that effect as agreed with by the donor agency and channel outside government accounting system, shall provide a copy to MINISTRY of the same financial reports prepared and sent to donor organization on a regular basis and at end of the financial year.

## PART IX: LOSSES

### 95. Recording and Reporting Losses

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

### 96. Reporting and Recovering of Theft

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

### 97. Write-off of Losses

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

## PART X: TRUST MONEY



98. Accounting for Trust Money

- (1) Trust account can only be established in accordance with section 22 of the PFMA 2002.
- (2) MDAs shall record the receipt and payment of trust money in a separate cashbook or set of ledger accounts.
- (3) Each month, the trust money record shall be balanced and reconciled with the Treasury records and related trust bank account. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items should be investigated and resolved promptly.
- (4) Accountable Officers of MDAs that collect and disburse trust money shall ensure that updated and complete records are kept.
- (5) MDAs that collect trust money shall, in preparing the pay in of such money collected, also prepare the related expenditure voucher of the amount to which the claimant is entitled, and submit to MINISTRY on the same date that the money is being paid in.
- (6) Each payment of trust monies shall be supported by an expenditure voucher which contain details of:-
  - (a) the date;
  - (b) the payee;
  - (c) the amount; and
  - (d) the reason for the payment.
- (7) Each expenditure voucher for trust money shall be signed and dated by the authorizing officer, who shall be independent of the officer responsible for maintaining the trust account records.

99. Trust Money Reporting

- (1) The Accountable Officers who collect trust money shall prepare a statement of receipt and payment of trust money, collected and paid during the year and submit a copy of the report to the CEO and the Auditor General, no later than end of July.
- (2) The format of the report in 99(1) above shall be issued by the MINISTRY.

PART XI: DIPLOMATIC AND CONSULAR SERVICES OVERSEAS POSTS

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### 100. Application of These Instructions

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

### 101. Practical Application of Policies and Procedures

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

### 102. Overseas Staff Handover

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

## PART XII: INTERNAL CONTROLS

### 103. Objective of Internal Controls

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

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

104. Responsibility of the Accountable Officer

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

105. Defalcations<sup>2</sup>, Shortages, Failure to Account

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

106. MDA's Financial and Accounting Records and Forms

- (1) All financial and accounting books, records, documents, cards, to be used by MDA's for recording, accounting, or similar use shall be endorsed and approved by the MINISTRY.

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



Public Finance Management Act (Treasury Instructions) 2020.

- (2) MDA's accounting systems and records are at all times subjects to MINISTRY inspection as per PFMA, 2002. Accountable Officers shall ensure that financial records are available on request by MINISTRY staff for checking or other related accounting tasks.
- (3) Any proposed alterations to MDA's financial accounting systems shall be submitted to MINISTRY for checking and approval before they are implemented.

#### 107. Risk Assessment

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

#### 108. Documentation of Internal Controls

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

#### 109. MDA's Finance Manual

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

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

### PART XIII : SURCHARGES

#### 110. Authority to Impose Surcharges

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

#### 111. When a Surcharge May be Imposed

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

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

#### 112. Surcharge Action

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

Public Finance Management Act (Treasury Instructions) 2020.  
Table 2 Surcharge Action

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

### 113. Rate of Recovery

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

### 114. Recovery of Overpayment

- (1) In case of any overpayment, action to recover the full amount immediately from the person overpaid shall be under taken by the Accountable Officer.
- (2) Recovery of overpayment shall be demanded from the overpayment recipient accordance with the following:

- (a) that \$80 as minimum fortnightly payment amount for salary overpayment less than \$10,000;



Public Finance Management Act (Treasury Instructions) 2020.

- (b) that \$100 as minimum fortnightly payment amount for salary overpayment between \$10,000 and \$20,000;
- (c) that \$150 as minimum fortnightly payment amount for salary overpayment amount above \$20,000.

#### PART XIV: REPORTING

##### Management Reporting

##### 115. Reports to MDAs' Accountable Officer

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

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

##### 116. Annual Financial Statements

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

Dated this Friday, 11<sup>th</sup> December 2020

  
Hon. Tevita Lavemaau  
Minister for Finance

