Cash Management – Transaction Management
C3.2: Payments

Statement of Intent

This section identifies the government’s preferred payment methods, the need for administrative controls over payments, and strategies to maximise efficiency in the payment of accounts to improve government’s cash management.

| Main Features Section 38 of the Financial Management Act 1995 requires every Accountable Officer and every employee of an agency to comply with the Treasurer’s Directions.Payments* Payments are outflows of cash assets made by an agency for official purposes.

Methods of Payment * Agencies are to use a payment method that will maximise benefits and minimise costs to the Territory, while providing a high level of service to suppliers.

Payment Procedures and Controls* Payments are to be subject to appropriate management, accountability and control arrangements, including processes and procedures to allow undisputed invoices under $1 million to be paid within 20 days from the date of receipt of a valid invoice and 30 days for invoices over $1 million.
* Approval by the Accountable Officer or a duly delegated officer, is required prior to processing a payment.
* Payment prior to the receipt of goods and services is only to be made where it is a contractual requirement or there is an identifiable benefit to the Territory.
* Individual payments in excess of $1 million (with the exception of payments processed through the Government Accounting System (GAS)) are to be notified to Northern Territory Treasury Corporation at the earliest opportunity prior to making payment.
* In situations where a payee cannot be located, unclaimed payments are recognised and recorded in an Accountable Officer’s Trust Account.

For authoritative instruction and guidance, reference should be made to related Treasurer's Directions and associated commentary. |
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Authorities

Financial Management Act 1995

Procurement Act 1995

Public Sector Employment and Management Act 1993

References

Treasury Circular P01-04, Payment of accounts procedures

Treasury Circular P03-04, 30-day payment policy: Interest on late payments

Treasury Tax Circulars: GST series

Related Treasurer’s Directions:

F3.3 Framework – Legislative Structure: Delegations

A2.9 Accounting – Assets: Prepayments

A3.2 Accounting – Liabilities: Accounts payable and accrued expenses

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C1.1 Cash Management – Introduction: Overview

C3.3 Cash Management – Transaction Management: Corporate credit cards

A6.2 Expenses – Employee benefits

What are payments?

| C3.2.1Payments are outflows of cash assets made by an agency for official purposes.  |
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1. Agency payments typically relate to settlements of accounts payable and accrued expenses for amounts owing to creditors for the provision of goods, services and assets, but will also include:
	* cash transactions for the purchase of goods and services
	* salaries, wages and allowances
	* the provision of loans or advances and
	* distributions to government (for example dividends paid to government).
2. For the purpose of the Treasurer’s Directions, a reference to suppliers incorporates service providers, employees, individuals and other entities to which payments may be made.
3. Payments do not include the settlement of accounts payable or accrued expenses through the provision of services or by other non-cash means such as the transfer of inventory. Treasurer’s Directions A3.2 and A4.2 provide instruction and guidance in relation to accounts payable, accrued expenses and distributions to government.

Methods of Payment

| C3.2.2Agencies are to use a corporate credit card for all:* over-the-counter purchases and
* payments made over the internet and telephone.

C3.2.3 For other payments, agencies are to use a payment method that will maximise benefits and minimise costs to the Territory, while providing a high level of service to suppliers. |
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1. The government’s preferred payment methods are:
	* corporate credit card
	* ledger transfer (only applicable for paying Territory Government entities) and
	* electronic funds transfer (EFT).
2. The preferred payment methods utilise available technology, minimise manual processing and streamline approval processes, thereby achieving performance objectives of efficient and effective transaction processing.
3. From a government, agency or supplier’s perspective, there are significant benefits associated with use of the preferred payment methods. Where the payment does not fall under Treasurer’s Direction C3.2.2, the optimal method will depend largely on consideration of whole of transaction processing costs, the nature of the transaction, the requirements and capabilities of the supplier and the value of the transaction.
4. Payment by corporate credit card is not required where the payment falls into any one of the following categories:
	* employee payments
	* reimbursements to individuals
	* grants to organisations
	* businesses without credit card facilities or
	* other payments or types of payments that are unable to be made by corporate credit card (as advised by the Department of Corporate and Information Service (DCIS)).
5. Where an agency is uncertain as to whether a payment or type of payment should be made by corporate credit card, DCIS should be consulted in the first instance.
6. Further instruction and guidance in relation to payment by corporate credit card is provided in Treasurer’s Direction C3.3.
7. Ledger transfers are the most efficient and cost-effective payment method for inter-agency transactions, where both agencies use the same official bank account and utilise GAS. Transactions between agencies can usually be settled centrally through the transfer of funds from one agency to another through GAS.
8. EFT is a payment method whereby funds are transferred electronically from one bank account to another. This payment option may be used for payments to suppliers, external bodies and employees, and in rare situations where inter‑agency ledger transfers or payment by corporate credit card are not feasible.
9. Cheques and cash are more costly and less efficient payment methods. Cheque payments are only suitable where the above preferred payment methods are not appropriate or feasible. Cash payments are high risk and are actively discouraged. Such payments would only be appropriate for low value purchases where payment by corporate credit card is not possible, and for petty cash payments and reimbursements.

| C3.2.4Where an urgent same-day payment is required, a corporate credit card is to be used wherever possible. Alternatively, an online EFT or a manually prepared cheque may be utilised. |
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1. Urgent payments should be made by corporate credit card where possible, or by an online EFT payment. A manually prepared cheque may be prepared from the advance account but would be a last option and would be largely dependent on the level of urgency and the value of the transaction. Agencies should consult with DCIS where a payment is required urgently.

| C3.2.5Payments to overseas suppliers are to be made by corporate credit card wherever possible. Where overseas payment by corporate credit card is not possible, arrangements may be made to facilitate an online overseas EFT. |
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1. The use of a corporate credit card will generally be the most efficient method for the payment of amounts in foreign currencies. The amount to be recorded by an agency is to be in Australian dollars, calculated at the exchange rate applicable on the date of the transaction.
2. Payment may also be made via an online overseas EFT. Where such payment is required, agencies should consult with DCIS in the first instance.

Payment Procedures and Controls

| C3.2.6Payments are to be subject to appropriate management, accountability and control arrangements and are to be made in accordance with requirements of:* the **Financial Management Act 1995**
* the **Procurement Act 1995**
* the **Public Sector Employment and Management Act 1993** and relevant taxation law provisions in the case of employee benefit payments
* these and related Treasurer’s Directions and
* other applicable government policy.
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1. The Financial Management Act 1995 makes the Accountable Officer of an agency responsible for the financial management of the agency. In relation to payments, section 14 of the *Financial Management Act 1995* requires the approval of the Accountable Officer (or delegate) and that there are sufficient funds in the agency’s operating account prior to public money being committed for expenditure.
2. In addition, section 13 of the Financial Management Act 1995 requires an agency to implement procedures that will afford proper internal control over payments to ensure that risks are minimised. Among other things, these internal control methods and procedures should aim to:
	* promote an efficient, effective and economical payments process
	* deter and protect against fraud
	* maintain the accuracy and reliability of financial information and
	* ensure compliance with relevant legislative provisions.
3. Control objectives for payments include:
	* appropriate financial and procurement delegations are established and maintained
	* payment transactions are properly classified and recorded on a timely basis
	* recorded payments are for goods and services actually received
	* amounts claimed agree with liabilities recorded on supporting documents
	* payments are accurately processed and properly recorded to ensure overpayments and duplicate payments are not made
	* transactions are recorded in sufficient detail to provide adequate audit trails and allow the discharge of statutory compliance and
	* there is adequate segregation of duties.
4. While various payment controls will apply across a range of payment types, some controls will be specific to a certain payment type. Appendix A provides a summary of some of the specific payment controls that should be considered when making payments.
5. Employee benefit payments are explained fully in Treasurer’s Direction A6.2 and include:
	* salaries and wages
	* recreation leave and recreation leave loading
	* overtime and higher duties allowance (HDA) and
	* kilometre allowance, for the use of private vehicles for official purposes.
6. Payments to employees must be made in accordance with current legislation and system protocols. In addition, employee salaries will be paid to an account held with an authorised deposit-taking institution. In exceptional circumstances, an employee’s salary may be paid by cheque, where determined by the Accountable Officer.

| C3.2.7Agencies are to ensure that appropriate processes and procedures are in place to allow undisputed invoices to be paid within 20 days of receipt of a valid invoice for invoices under $1 million, and 30 days for invoices over $1 million.  |
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1. In order to comply with government policy, agencies are to ensure appropriate payment processes and procedures are in place to facilitate the payment of invoices within 20 days of receipt of a valid invoice for invoices under $1 million, or 30 days for invoices over $1 million. A valid invoice is a correct invoice, which is not disputed, that complies with GST legislation, for which goods and services have been received.
2. Use of a corporate credit card for payments will facilitate agencies to meet timeframes stipulated in C3.2.7 (i) above. Where payment by credit card is not appropriate, suppliers should be encouraged to send their invoice electronically to DCIS Accounts Payable to ensure timely processing.
3. Agencies are required to pay penalty interest on late payments in situations where suppliers make valid claims. Implementation of effective payment processes and procedures will assist in ensuring payments to suppliers are made on time and penalty interest payments by agencies are avoided.
4. The adoption of strategies that facilitate timely processing and prompt payment of accounts payable, including the use of available discounts, will assist and promote the efficient management of payments.
5. Additional instructions and guidance relating to the government’s payment policy may be found at https://nt.gov.au/industry/government/get-paid/payment-for-government-contracts.

| C3.2.8Approval by the Accountable Officer or a duly delegated officer, is required prior for all payments. |
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1. Approval of the Accountable Officer or duly delegated officer is required prior to committing expenditure and processing a payment. The payment must be supported by a valid claim for payment/invoice or other documentation that supports the payment. Examples of other documentation include grant arrangements and lease payments.
2. The Accountable Officer of an agency may delegate powers or functions provided under the Financial Management Act 1995 including the power to approve the commitment of expenditure and subsequent payment. Agency financial and procurement delegations and Treasurer’s Direction F3.3 provide instruction and guidance relating to delegations.
3. Where the payment will be supported by an approved purchase order or spend plan, a separate payment approval is not required providing the payment is supported by a valid invoice and confirmation that goods and services have been received or provided.

| C3.2.9Payment prior to the receipt of goods and services is only to be made where:* it is a requirement of the procurement process or
* there is an identifiable benefit to the Territory.
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1. As a general rule, payment will not be made in advance of the receipt of goods or services. However, payments in advance may occur in certain circumstances. Examples where prior payment may be required include documented contractual requirements, conference bookings, subscriptions and air travel bookings.
2. Where payments are made in advance, agencies should remain aware of requirements in relation to the recognition and recording of these prepayments. Treasurer’s Direction A2.9 provides instruction and guidance relating to prepayments.

| C3.2.10To facilitate effective whole of government cash management, individual payment transactions in excess of $1 million (with the exception of payments processed through GAS Accounts Payable) are to be notified to the Northern Territory Treasury Corporation at the earliest opportunity prior to the payment being made. |
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1. Information regarding anticipated cash outflows in excess of $1 million allows the government to plan borrowing requirements and investment schedules to ensure finances are available to support agency operations. Therefore, the Northern Territory Treasury Corporation is to be advised of payment transactions in excess of $1 million (with the exception of payments processed through GAS Accounts Payable) at the earliest opportunity prior to making the payment.
2. Accurate and timely cash flow forecasts promote the efficient use of cash and ensure funds are available to meet agency financial obligations when they fall due, as well as assisting in strategic long-term planning (for example, determination of total Territory borrowing requirements).
3. Treasurer’s Direction C1.1 provides instruction and guidance relating to effective cash management.

| C3.2.11Payments due to a deceased person are to be settled with that person's estate.C3.2.12Payments due to a ceased or modified entity are to be settled with the entity or person with legal responsibility for the entity. |
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1. The death of a creditor does not extinguish an agency’s liability for the debt and therefore any outstanding payments are to be processed through the executor of the deceased person’s estate.
2. Similarly, the cessation, winding up or change in an entity does not extinguish an agency’s liability for the debt. Any outstanding debts are to be paid to the entity or person that now has legal control of the entity or its receivable assets. Examples would include debts paid to a liquidator or receiver for companies in liquidation or receivership and debts paid to a new firm following a merger or takeover.

| C3.2.13Payments are to be made to the supplier, except where the supplier has nominated:* an authorised agent (and evidence of that authorisation has been obtained) or
* a third party through a formal Deed of Assignment.
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1. Payments will generally be made direct to a supplier. However, payments may be made to an agent or a third party of a supplier in certain circumstances.
2. Payment to an authorised agent should not occur until the supplier provides evidence of the authorisation. A written statement specifying the name of the agent and the nature of the payment, including a sample of the agent’s signature, verified by the claimant, is usually considered satisfactory evidence. The agent would also be required to provide proof of identification.
3. A third party may only receive a payment where the third party has a legal entitlement conferred on them by a Deed of Assignment. It would be appropriate for an agency to obtain legal advice in respect of a Deed of Assignment before a payment to the third party is made.

| C3.2.14In situations where a payee cannot be located, unclaimed payments are to be recognised and recorded in an Accountable Officer’s Trust Account (AOTA) within six months and are to be paid to the Central Holding Authority (CHA) after being held in the AOTA for a period of 24 months. |
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1. Payments may be returned unclaimed. For example, a cheque for services provided is returned unclaimed or is returned as unpresented by the Territory’s banking provider. In situations where a payment is unclaimed and a valid payee cannot be located, monies are to be recognised and recorded in an AOTA within six months rather than as credits to expenditure.
2. Unclaimed payments will be held in an AOTA for a period of 24 months before being paid to the CHA.

Appendix A: Payment Controls – Examples

General Payment Controls

* Clear procedures and processes have been established over payments processing, including those processes and procedures necessary to allow undisputed invoices to be promptly paid.
* Adequate segregation of functions exists, including separation of accounts payable and purchasing staff.
* Appropriate delegations have been established for purchasing and payments.
* Invoice complies with GST requirements and is appropriately coded for GST purposes.
* Matching of purchase order (if applicable), goods received and invoice details to ensure that payments made are only for goods or services received.
* Confirm that the account has not previously been paid and that the payment amount is accurate.
* Payment prior to the receipt of goods or services to occur in certain circumstances only, and be approved by persons holding properly delegated authority.
* Accurate coding of payments into the general ledger and subsidiary systems.
* Strict controls exist over access to supplier and vendor files, including controls over modifications to supplier/vendor files and the creation of new suppliers/vendors.
* Where theft or fraud is a factor in a dispute involving a payment, the Northern Territory Police are immediately advised.
* Provision of timely, relevant and reliable information on agency expenses for management review and for internal and external reporting.

In addition to the examples of general payment controls above, the following payment controls relate to specific payment methods.

Ledger Transfer Payment Controls

* Confirmation of the use of appropriate ledger codes by affected agencies, with written authorisation.
* Timely follow-up and resolution of ledger coding discrepancies.

Electronic Funds Transfer (EFT) Payment Controls

* Authorisation of EFT payments by a properly delegated person.
* Prompt follow-up and resolution of EFT discrepancies and unusual transactions.
* Verification of bank statement debits not represented by a corresponding EFT approval and supporting invoice or other documentation.
* Controls over transfer of payment information to the banking provider or approved deposit-taking institution (ADI).
* Restricted access to prevent changes to data on EFT payment files.

Corporate Credit Card Payment Controls

(Refer also to Treasurer’s Direction C3.3)

* Maintenance of a record of cardholders and periodic review as to each cardholder’s need for a corporate credit card.
* Credit limits exist for individual cardholders and in certain cases, individual transactions.
* Use of corporate credit cards by authorised agency personnel only.
* Agency procedures are in place to ensure corporate credit cards are used for specified purchases and payments (refer Treasurer’s Directions C3.2.2 and C3.2.3 and Treasurer’s Direction section C3.3).
* Prohibition on corporate credit card cash withdrawals and non-work-related purchases.
* Periodic review for evidence of responsible use of and accountability for corporate credit card transactions, including adequate description of purchases made.
* Prompt follow-up of discrepancies and irregularities, including excessive use of a corporate credit card and unsupported charges.
* Adequate cardholder training in relation to the use of and risks associated with corporate credit cards.
* Procedures established to deal with lost, stolen and fraudulent use of corporate credit cards.

Cheque Payment Controls

* All cheques drawn on an official bank account are crossed ‘Not Negotiable’ unless otherwise approved by the Accountable Officer.
* Reconciliation of cheque runs with system reports occurs in a timely manner and any discrepancies are investigated and resolved.
* Where there is a requirement for cheques to be open to ‘pay cash’ the payee is required to provide suitable identification and acknowledgment of receipt.
* The name of the payee and the amount of a cheque are not altered and any other changes are initialled by the cheque signatories to the account.
* Requests to pay or lift a ‘stop payment’ on a cheque are confirmed in writing.
* Unclaimed cheques are recognised and recorded in an AOTA and are subsequently paid to the CHA after 24 months.

Cash Payment Controls

* Only use cash as a means of payment if the purchase of goods or services is of a small value and other payment options (for example, corporate credit cards) are not possible.
* Maintain adequate petty cash records for small value purchases and periodically conduct independent reviews.