



Treasury Manual

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INTRODUCTION

This is a manual to guide the operations of the treasury function in Grenada. The manual will give you a sense of the diverse treasury operations and how these fit into the overall financial management system in the public sector as well as providing specific instructions on performing certain treasury functions. The manual is organized as follows:

1. Chapter 1 is an introduction to the work of the Accountant General in performing treasury functions.
2. Chapters 2 through 5 discuss some overall concepts of financial management to provide a broader perspective of the relationships between the work of the Accountant General and overall financial management. Section 2 briefly discusses the budget cycle to show the phases of public financial management, Section 3 introduces the SmartStream financial management systems, Section 4 provides overall accounting definitions for the various accounting bases, differentiates between Vote Book or Appropriation accounting and financial accounting, and explains the Classification of Accounts which produces the Chart of Accounts used to record budget execution transactions and other financial transactions.
3. Chapters 5 through 14 address the specific work of the Treasury and the responsibilities of the Accountant General. These sections are meant to provide an overview of specific activities undertaken by the Treasury and should support specific training in accounting and work procedures.
4. Chapter 15 sets out the internal control framework for Government, including the role of the Accountable Officer and internal audit function.

Treasury function in Grenada is the responsibility of the Accountant General who is a key official of the Ministry of Finance appointed to the post of Accountant General under the overall supervision of the Permanent Secretary in accordance with the Public Finance Management Act 2015.

The Treasury is a service organization and, in order to deal with clients in an informed manner, it is helpful for staff to have a broad perspective so that, in the event of a problem or a request for advice, the best solutions can be suggested. Additionally, officers of the Treasury should have a working knowledge of all areas of financial management and the impact these can have on the efficiency and effectiveness of Treasury operations. This manual, therefore, aims to build a broader perspective about the work performed by the Treasury and the relationship of that work to other financial management activities.

CHAPTER 1. OVERVIEW OF THE TREASURY FUNCTION

1.1 Financial Management Objectives of the Treasury

5. The Accountant General's Department, with the support of finance officials across the government, manages the financial resources of Grenada by supporting a sound financial control environment, supporting efficient systems for transacting the financial business of the government, ensuring the timely accounting of financial transactions, managing fiduciary risk and providing reports on financial operations and their effect on the assets and liabilities of the country. For these activities to take place in an efficient manner the Accountant General has established procedures to:
6. ensure that a modernized, transparent and efficient Treasury exists through the implementation and use of effective systems for reporting receipts and disbursements to take advantage of the economies of scale, lower costs of financial transactions, reduced cash-flow borrowing costs and optimized investment of public funds;
7. reduce the risk in the management of public funds;
8. provide timely information to effect control of the budget execution so as to ensure ministries and departments do not exceed the approved authority in the Appropriation Bill and Supplemental Appropriation Bills;
9. ensure that resources are used for the approved purposes and cash is available when needed to meet financial obligations; and
10. ensure that authorizations, processing of financial operations and the information required by accountable officers are sustained by documents as required in the procedures and that the information is verifiable and accurate.

1.2 Treasury Responsibilities

Legislative Authority

The Minister of Finance, the Permanent Secretary (Finance), the Accountant General and the Accountable Officers have duties and responsibilities assigned in the Public Finance Management Act (the "PFM Act")

The PFM Act, together with other relevant legislations and regulations, governs all matters relating to the management of the public finances of the Government of Grenada. It lays out the fundamental procedures for the preparation, adoption, execution and final accounts of the National Budget and related matter, including internal control, accounting and auditing of public finances, management of assets as well as arrangements for public debt and government guarantees.

The PFM Act is supplemented by enabling regulations promulgated by the Minister of Finance to further specify the procedures in areas of public finance covered by the Act.

In accordance with section 9 of the PFM Act, the Accountant General shall be accountable for discharging the responsibilities of the Accountant General and exercising the powers of the Accountant General specified under the PFM Act, regulations, and any other Act in relation to financial administration, with diligence and honesty.

The PFM Act provides that the Accountant General, under the overall supervision of the Permanent Secretary, shall be responsible for:

- maintaining the accounts of the Government so as to show the current state of the Consolidated Fund and the financial position of the Government;
- receiving and banking, and overseeing the receipt and banking of public money and overseeing its disbursement;
- managing and supervising all accounting operations in respect of all moneys and other assets administered by the Government and all obligations undertaken by the Government or on its behalf and shall receive and make all the disbursements of moneys of the Government;
- ensuring timely, accurate and proper collection of all revenue and inflows of the government, their deposit in the Consolidated Fund, safe custody and accounting;
- ensuring management and control of all expenditure and outflows of public money in a timely and accurate manner and as required by the Act and regulations made under it and accounting for these;
- establishing, in coordination with the Director of Audit, and implementing, accounting standards for government accounting and publishing it;
- preparing the Public Accounts and any other financial statements and reports required by the Minister or the Permanent Secretary required by the PFM Act, the Regulations, and any other Act;
- maintaining a system for the examination of payments to reasonably ensure that they are made in accordance with the PFM Act;
- ensuring that a proper system of accounts is established in every department and public body, and that all money received and paid by the Government is brought promptly and properly to account on the basis of accounting standards as prescribed;
- ensuring the implementation of commitment control system under the PFM Act, Regulations under the PFM Act, and any other relevant law and maintaining and managing the computerized financial management system;
- reporting to the Permanent Secretary, in writing, any apparent defect that is brought to his or her attention in the control of revenue, expenditure, cash and other property of the Government or any breach by a department of the PFM Act, Regulations other instructions;
- evaluating the accounting and financial management systems throughout the Government;

- ensuring, that adequate provisions exist for the safe custody of public money, securities, revenue, receipts, accounting documents and other similar documents;
- refusing payment on any voucher that is incorrect or insufficient in content, or that contravenes the PFM Act or financial instructions issued pursuant to the PFM Act or that in his or her opinion is in any way unacceptable in support of the payment of public money;
- such other duties as may be specified under the applicable laws or by the Minister or Permanent Secretary that relate to the effective implementation of the PFM Act.

For the proper discharge of his responsibilities under the PFM Act, the Accountant General may issue financial instructions in writing to Accountable Officers

CHAPTER 2. CONTROL OVER EXECUTION OF THE BUDGET

2.1 Approval of Estimates

The Minister usually submits the Estimates and presents a “budget speech” to the Parliament summarizing the macroeconomic outlook, the fiscal strategy, program priorities and the proposed Estimates. Based on the parliamentary procedures, the Estimates are then discussed and the Appropriation Bill is passed.

Budget execution begins with transmittal of a *General Warrant*¹ by the Minister of Finance. This warrant system is clearly defined as part of the PFM Act and regulation and authorizes the payment of sums or the incurring of expenditure to the limit of the Warrant. The Appropriation sets the upper limit of expenditures that can be incurred in the budget year and the General Warrant reflects this.

The Warrant must be entered in the Smart-Stream system to ensure compliance not only with the Appropriation Bill but also with the approved Warrants. The responsibility for this activity lies with the Budget Unit of the Ministry of Finance, which has responsibility for budget management.

The budget and associated appropriations may change during the year as a result of virements – which change the composition of the budget without impacting aggregate expenditure. On the other hand, an approval by Parliament of supplementary estimates will change/increase the original budget and often result in a change in the aggregate level of appropriations. The rules for virement and supplementary changes to the budget are enabled by provisions in the Constitution, PFM Act (see s.36) and the PFM Regulation. The Budget Unit has primary responsibility for managing changes to the budget estimates, appropriations and the warrants throughout the budget cycle.

2.2 Role of the Treasury in Budget Execution and Monitoring

The key role for the Treasury is ensuring that the budget is respected during the execution phase of the budget cycle by:

- ensuring that receipts are recorded and coordinated with expenditures and associated payments are processed on a timely basis for the approved purposes.
- providing financial reports and schedules on the performance of the various program, sub-programs and projects on a monthly and annual basis.
- ensuring that commitments and expenditures do not exceed the amount authorized in the appropriations. This, however, does not negate the responsibility of the Accountable Officer for authorizing each commitment and expenditure and insuring that they comply with the approved purpose.

¹ A warrant is an authorisation—in this case, an authority to spend money up to the limit of funds in the warrant. Typically the MoF releases warrant for an amount below the level appropriated by Parliament to ensure that funds remain unspent for use later in the year.

2.3 Appropriation Accounting

Grenada's public expenditure management systems control expenditures at the following three levels as part of the appropriation system:

- The Estimates
- Warrants
- Budget Allotment Release System

Characteristics of this system include:

- Sums voted by the House of Assembly in the Annual Estimates exercise represent the limit and extent of public expenditure for the financial year. Where the expenditure is of a recurrent nature provisions are, however, made for the preparation of Supplementary Estimates from time to time where expenditure is expected to exceed that voted in the House of Assembly. These supplementary funds must also be approved in the House of Assembly.
- In the case of expenditure considered to be statutory in nature, expenditure in excess of that laid in the House of Assembly as part of the Estimates can be paid out of the Consolidated Fund without further approval by Parliament. In such cases, only a Warrant under the hand of the Minister of Finance or his designate is necessary. This is because a separate law (statute) compels the Government to make these payments irrespective of the estimate for spending contained in the budget. Examples of statutory spending may include salaries of appointed public officers, debt service costs and certain pension benefits.
- The first line control on expenditures is through the allocation of the budget. This is the responsibility of the Budget Unit, and includes not only the allocation of the Annual Appropriations but also the allocation of the associated warrant. Warrants authorize departments to make charges on the Consolidated Fund, or any other related fund, such as a Special Fund and/or Contingencies Fund. Hence, departments cannot legally incur and charge expenditure against their votes or appropriations, except with the issue of a Warrant. Accounting for Warrants issued, and the checking of the availability of warranted funds before incurring expenditure, are integral parts of governmental accounting systems. The sum of Warrants issued to incur expenditure on a program/project/activity for any given financial year cannot exceed the sum authorized by the *Original Estimates plus subsequent Supplementary Estimates for that vote*.

2.4 Appropriation Accounting in SmartStream

Vote accounting is the responsibility of the Accountable Officer and the regulations state that it shall be such as to clearly show at all times in respect of each service:

- the original amount approved by Parliament;
- supplementary amounts approved by Parliament;
- the amount, if any, reserved by the Minister;

- reallocations made by the Minister under section 23 of the PFM Act;
- virements approved by the Permanent Secretary Finance under section 24 of the Act;
- credits to the vote;
- transfers to be added or deleted;
- charges or payments made against the vote;
- expenditure to date;
- actual balance on the vote;
- outstanding commitments;
- Uncommitted balance on the vote.

Appropriation accounting has in the past meant the maintenance of “Vote Books” where the status of each appropriation item (expenditure vote) is recorded manually. The Smart-Stream financial management system has rendered manual vote books obsolete by ensuring that regular “vote book reports” are produced by the system which show budget execution for each appropriation item/expenditure vote—annual appropriation, released allocation, commitments, payments, and available balance from the released allocation. In the Smart-stream financial system, the Funds Control Module replaces the manual Vote Book providing information on Approved Estimates, Warrants released Commitments (Requisitions) and Encumbrances (Purchase Orders) incurred and the Available Balance.

CHAPTER 3. THE TREASURY SINGLE ACCOUNT AND THE CONSOLIDATED FUND

The Accountant General has responsibility for managing the Government's bank accounts and the relationships with the banks (Central Bank and commercial banks). The PFM Act provides that the Accountant General shall designate a bank with which the main bank account of the Government shall be established and shall authorize the opening of sub-bank accounts in domestic and foreign commercial banks, to act as transitory bank accounts to facilitate the collection of revenues, grants or loan funds or processing payments.

3.1 The Treasury Single Account Concept

In accordance with the PFM Act (s.44), the banking arrangements of Government will reflect, to the extent possible, the principles of a Single Account in which all accounts of Central Government are essentially managed as one from a cash point of view and into which all revenues shall be deposited and from which all payments will be made.

The concept of the Treasury Single Account (TSA) is one which enables the Treasury to optimize cash holdings by centralizing receipts and disbursements and concentrating all cash into a single operating account at one bank, whether this is at the Central Bank or a commercial bank (having a TSA does not preclude the Treasury from maintaining multiple accounts at multiple banks, however, for efficient cash management a system of "sweeping" to the single operating bank account should be implemented).

By having a centrally maintained operating account, information on receipts and disbursements is more readily available to the Treasury, thus allowing for more efficient planning of cash needs such that investment earnings are optimized, borrowing costs are minimized, and payments are made as needed for a smooth execution of the budget. It also reduces workloads as only one bank account reconciliation is required.

The TSA is managed through the Smart-Stream Integrated Financial Management Information System (IFMIS). Ledgers show receipts and payments based on the Chart of Accounts that identifies each bank account and records each receipt and payment based on the economic classification. Reconciliation of the TSA and other bank accounts is critical to the cash management process. This is made simpler where electronic transfer of payments is possible and where the payables system allows for electronic reconciling of bank accounts (this functionality is available in the Smart-stream system).

No Central Government bank account, whether in or outside the country, shall be opened without the prior written authorization of the Accountant General. Any request to open an account shall be directed to the Accountant-General, who shall assess the need to open a bank account having consideration to the principles outlined in the PFM Act and Regulation, including the concept of the TSA.

3.2 The Consolidated Fund

The concept of a Consolidated Fund is embedded in the Constitution, where article 75 requires that all revenues or other moneys raised or received by Grenada (not being revenues or other moneys that are payable, by or under any law for the time being in force in Grenada, into some other fund established for any specific purpose) shall be paid into and from the Consolidated Fund.

The original concept of a Consolidated Fund was established in Great Britain by the Consolidated Fund Act of 1787 as the main operating bank account of the Treasury for receiving all public revenue and for making all payments authorized by the Appropriations Bill. In this usage, the word *Fund* represented the cash resources that were to be kept segregated from other resources in its own bank account.

In more modern approaches to public financial management, the term the consolidation of funds does not require that the funds be held in a single bank account. In accounting practise a *Fund* can also refer to a “fiscal and accounting entity with a self balancing set of accounts that record cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.”² Thus, a *Fund* is a category of accounts which has a defined source of funds (e.g. general revenues of Government composed of tax and non-tax revenues) and specific use of those funds (e.g. current operating expenditures or recurrent expenditures).

A common misconception is that the TSA represents the Consolidated Fund or that only consolidated fund can be held in the TSA. In practice, different types of funds can be created and modern accounting systems and tools enable each to be separately accounted for while being all held in a TSA.

3.3 Special Funds

As a separate accounting entity each Fund has its own set of accounts (within Smart-Stream) so that it provides accountability for resources obtained and used. Accounting by *Funds* (Fund Accounting) is, therefore, used by governments to implement expenditure control relating to certain special purpose financial resources, demonstrate compliance with legislation, and improve reporting in the public sector.

In addition to processing and accounting for the transactions of the Consolidated Fund that relate to the general operations of Government, the Treasury also accounts for transactions and balances of a number of other Funds, which are defined in the PFM Act as Special Funds. Special Funds can include for example:

- Donor or Grant Fund accounts include the unrequited receipts from other countries or international organizations for specific purposes. These receipts are not available for the general expenditures of Government, often the funds must be spent within a certain

² Governmental Accounting Standards Board (GASB), Objectives of Financial Reporting, 1987, p.45

period, and the donor may require that the proceeds of the grant be placed in a separate bank account. Grants are often in foreign currencies and the Treasury needs procedures to ensure proper accounting. Moreover, there are usually reports that the donor requires and the Treasury should ensure that these requirements are met.

- Trust Funds refer to funds that are being held “in trust” for some entity or individual, usually as a result of judicial requirements. These funds are usually administered by the Government in a fiduciary capacity, receipts for which can only be used for specific activities and are not available for general expenditures of the Government.
- Specific Purpose Funds are for specific purposes and, although they may have their own-generated revenues, are primarily funded by the Government (as a transfer from the Consolidated Fund). Special Funds are established after a simultaneous decision on the source of funding and the purpose of the expenditure. For example, a Road Fund to be funded from tax on gas is established or a Tourism Fund to be funded from cruise ship and airline embarkation fees is established for increasing country tourism. Special Funds may be outside the Consolidated Fund and, sometimes, are separate bank accounts and may or may not be managed by the Treasury.
- Sinking Funds are made up of cash balances held and invested to assist with the repayment of government borrowing used to raise funds. Sinking funds are usually established by legislation.
- *Contingency Fund.* The Constitution provides the possibility for creation of a contingency fund. The purpose of this fund is to set aside money for urgent expenditures that were not anticipated in the Estimates.

In accordance with the PMF Act, the Minister may by Regulations establish special funds provided that:

- every Regulation so made shall state the purpose of the special fund to be established, the money to be paid into, and the Public Officer responsible for the administration of the special fund;
- every Regulation made by the Minister under this section shall be approved by the House of Representatives by resolution and until such resolution the special fund may not be established;
- the resolution of the House of Representatives approving the creation of the special fund shall specify a term for which the fund should be maintained and at the end of such term, the fund shall be automatically closed.

A special fund shall be subject to all payment and accounting procedure applicable to public finances under the PFM Act, Regulations or directives made pursuant to the PFM Act, or any other relevant law.

In accordance with s46 of the PFM Act, a special fund created under section 45 shall be terminated upon the occurrence of any of the following:

- the money approved by the House of Representatives for that special fund under a resolution pursuant to section 45 (2) (c) is exhausted and no legal provision exists whereby further money may be paid into that special fund;
- the objects for which a special fund referred to in section 45 was established have been fulfilled or cease to exist and in the opinion of the Minister, there is no likelihood that any objects for which that special fund could lawfully be used will arise in the future;
- the term specified in the resolution of the House of Representatives for that special fund under a resolution pursuant to section 45 (2) (c) has expired.

CHAPTER 4. THE FINANCIAL MANAGEMENT SYSTEM

A financial management system is a system that can be used to process financial information of all kinds such as budget preparation, budget execution, recording of payments and receipts, payroll, financial accounting, assets, liabilities, and so forth. Good financial management has been shown to have positive effects on the economy, which is why governments have viewed these systems as critical to the reform efforts relating to government operations and improving decision making at all levels of government.

Over the last decade most governments of the Caribbean region have transitioned their financial management processes from manual to computerised systems as they sought to improve the accuracy of financial information and the transparency of government's activities.

Since the 1990's, especially with the development of relational database technology, financial management systems have become increasingly sophisticated, and their coverage of financial transactions has become more integrated. Integrated Financial Management Information Systems (IFMIS) use a common database (or interconnected databases), enabling single data entry to this database, thus eliminating the redundant storage of information required by separate financial systems. This single relational database also makes it easier to update information.

The *IFMIS* consists of any number of sub-systems or modules that are necessary for financial management such as budget management, funds management (budget execution), cash management, purchasing, receivables, payments, accounting and reporting. Other sub-systems such as personnel-payroll management, tax administration, debt management, asset management, and pension sub-systems can be part of an integrated financial management system.

The integrated systems approach also allows easier sharing of information among appropriate users based on their requirements. Thus, information can be provided quickly to support program managers, budget analysts, accounting officers, and treasury staff—at the same time. In addition, automatic cross-referencing can identify double payments, errors of omission and other activities which are of importance to the financial manager in carrying out their day to day duties of information monitoring.

Because good financial management and economic health of a country have been linked in several studies, integrated financial systems have become a normal part of government operations as evidenced by the fact that in both developed and developing countries there has been substantial investment in information technology.

In Grenada, the software that has been implemented is the Smart-Stream product suite.

4.1 An overview of the SmartStream product suite

The series of products that have been purchased are Smart-Stream Financials (Ledger³, Funds Control, Accounts Receivables and Budget), Smart-Stream Human Resources (Payroll, Personnel) and Smart-Stream Procurement (Payables, Purchasing and Inventory Management).

The following is an overview of the basic modules and security profile of the Smart-Stream system:

Activity and data control.

Access to the activities of the Smart-stream product suite is password-driven and is available at two levels: activity security and data control security. *Activity security* allows a user to have access to only those activities with which they are involved. This security can also be assigned based on two pre-established elements of the User Defined Accounting Key within the structure of the Chart of Accounts. *Data control*, on the other hand, determines the operations which an officer can perform on the data in the system; that is, data can be controlled at the level of *Delete, Add, Change or Inquiry*. It is, therefore, important that when setting up users in the system discussions are held relating to the job functions and data control levels an officer will require to carry out their functions, as well as to ensure that departmental operations are not significantly interrupted due to an officer's absence. Accordingly, security profile documents should be prepared and updated periodically.

Funds Control (budget execution).

This module acts as the management accounting tool for ministries and departments, replacing what would have been called the Vote Book in the old manual system. The primary purpose of this module is to ensure that transactions entered in the system do not cause the annual approved estimate or the currently released budget (Warrant) for each of the expenditure votes to be exceeded. Once funds control is activated with a status of **“fatal” “or funds exception”**, all transactions keyed into the Smart-stream system will be checked for budget and warrant availability prior to moving to the next step of processing. Other statuses exist in the funds control module, however, these either only provide a warning that the budget will be overspent and continues to update the accounts (**“update only”**) or, with no warning, allow the budget to be overspent (**“no funds check”**). These should not be used in cases where funds are appropriated and the amounts cannot be overspent without prior approval. This module also has the capability of summarising information at a number of levels depending on established policy and the roll-up structures designed for the entity. In other words, in addition to seeing information at the lowest level of detail (sub-item or sub-account) a manager can also, using the roll-up structure, functionality view information at standard account code, project, activity or even at ministry level by using the roll-up structure icon from the tool bar.

This is a very important feature to a manager, the budget section enabling them to access quick information on any element of the **UDAK** without having to run a report.

³ General ledger is the central component of any IFMIS and double entry book-keeping system.

The main screen of this module seen in Figure 1 is *the Balance window*⁴, which summarises the balance in each component of the budget. To move from one balance window to another click on the appropriate tab and the information for that balance will be displayed on a monthly basis with the ability to drill through any month and down any balance to the underlying details.

Figure 4-1: Funds control window in SamrtStream

Annual Amounts	
Budget :	0.00
Release :	0.00
Allotment :	0.00
Commitment :	0.00
Encumbrance :	0.00
Expense :	0.00
Available :	0.00
Payment :	0.00

Description 1 :
Description 2 :

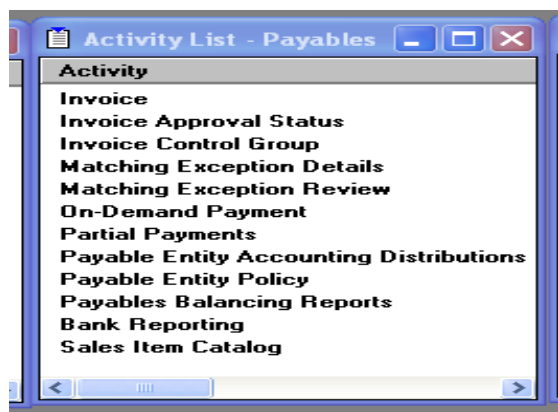
Payables (disbursement).

This module supports all the activities in the payment cycle including processing and approving requests for payments, previewing total requests for payments by the Treasury prior to issuing cheques, generating disbursements electronically or by manual checks, and reconciling the unprinted cheque balance in the Ledger to that in the payables module. It should be noted that Smart-stream is an accrual based system, and, as such, an expense and related liability are created as soon as an invoice is keyed into the system. It is, therefore, a requirement that a liability account is created when payables policy is established for an entity, even in those cases where the cash basis of accounting is being used.

There are two types of payments supported by the Smart-stream system: direct invoices for which there is no supporting purchase order (e.g. utility bills) and indirect payments which are usually associated with the purchase of goods and so have an attached purchase order. Prior to making an indirect payment, it is necessary to “match” the invoice to the related purchase order. Any exceptions should be approved by the appropriate level of officer in accordance with the workgroup approval policies established. The screen in Figure 2 illustrates some of the activities and functionality available in this module:

⁴ The screen used here are from the software as configured and used by the Barbados Accountant General, but other Chart of Accounts configurations are possible, if there is knowledgeable IT support for the Accountant General's Office.

Figure 4-2: Functions available in payments module



A number of delivered reports are also available in this module (Payables Balancing Reports) for use not only by the Treasury, but also at the departmental level for managing all payments processed.

Purchasing. The Purchasing module is used for processing requisitions and purchase orders including matching payments to encumbrances. It allows for printing the *official* Purchase order for sending to the supplier. The *Required Date* for each item of the Purchase Order can be *specified and reports can be developed to provide* reports on purchasing activities in addition to the delivered reports. The basis for processing purchasing transactions is the vendor and item databases which if used efficiently can provide important information to the Government on its procurement and payment practices and the performance of suppliers. It is therefore important that access to, and management of these databases is restricted.

The purchasing module also has the capability of implementing commitment accounting through the use of blanket orders and scheduled payments. Policies, practices and standards will, however, have to be established for the keying and management of contracts. For example, scheduled debt payments and construction agreements (if the requisition procedure is not used) with scheduled payments can be entered as separate lines of a Purchase Order. This approach would ensure that the annual budget is not exceeded and provide longer-term cash planning information to the Accountant General.

Figure 4-3: Purchase order window in SmartStream

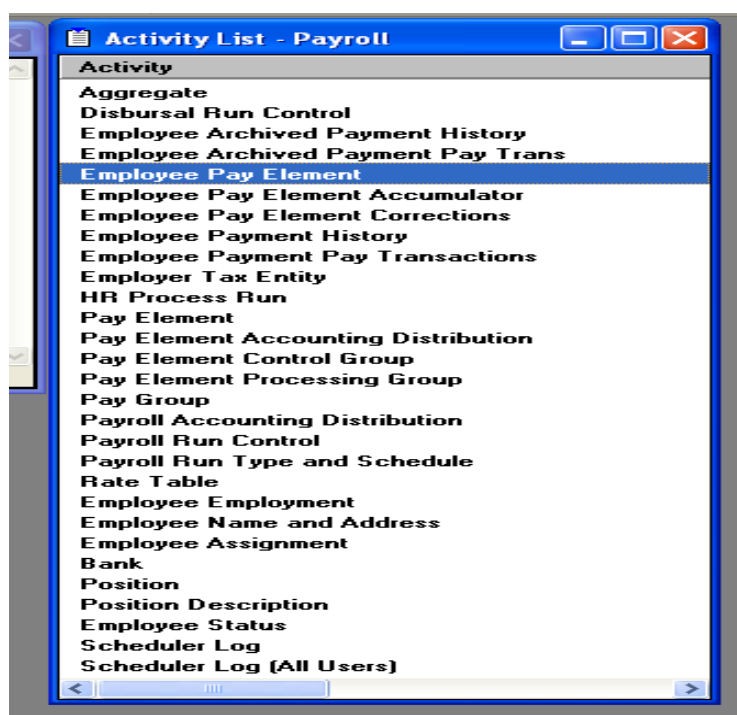
The screenshot shows a window titled 'Purchase Order - [Untitled]'. It contains several fields for purchase order information: Purchase Site (dropdown), Purchase Order (text), Buyer (dropdown), Vendor (text), Loc (text), Purch Entity (dropdown), Terms (text), Required Date (dropdown), Curr (text), Ship To (text), Ship Via (text), Project Entity (text), and Status (text). There is also a 'PO Comments' field with a speech bubble icon. Below these fields is a table with the following columns: Line Item, Reqd Date, Quantity UOM, Unit Price, and Ven. The table has one row with a dropdown arrow in the Reqd Date column. At the bottom of the window, there are two labels: 'Number of Lines:' and 'Total PO Amount:'.

Human Resources (Payroll).

This is a personnel/payroll module that processes employee, payroll and benefit information⁵.

This module allows for the integration of personnel information with the payment made on a monthly/weekly/bi-monthly basis. This integration is very critical to the payroll system of the Treasury since, for many islands, payroll accounts form a large proportion of public expenditure. The integration of these two functions therefore allows for improved personnel management and ties payment of personal emoluments to approved posts at approved salary scales. The screen in Figure 4 illustrates the operations that are available within this module.

Figure 4-4: Functions in Payroll module



Additionally, the integration of personnel information with the payment of salaries and allowances enables more efficient management of information on public sector personnel, a function which impacts at a later date on the computation of the retiring benefits of an officer. This information can also be of assistance to the Personnel Administration Division and the Ministry of the Civil Service (Public Service Commission) in streamlining post in the public sector⁶.

⁵ This screen is from the Smart-stream site on the WEB.

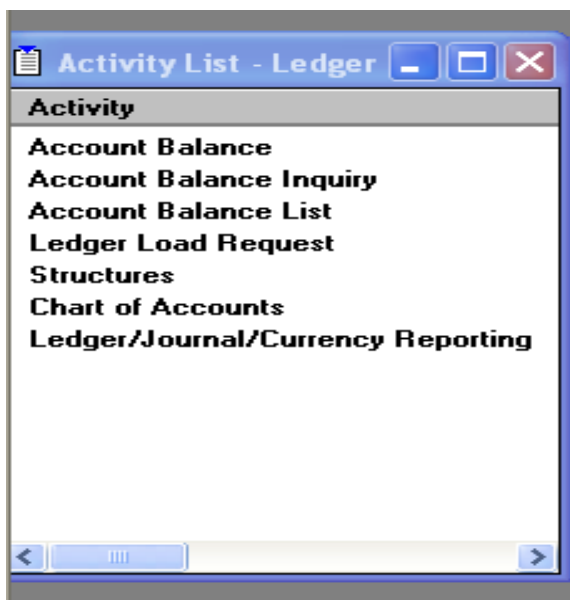
⁶ This allows analysis of employee profiles within units and across the public sector, providing an important tool for effective management of salaries and employees.

Ledger.

This is one of the most important modules in the financials product suite of Smart-stream for the Treasury. It is here that the major policies guiding the operations of an entity are established and where on-line analysis of transactions can occur using the General Ledger activity list. It is in this module that the activities relating to the maintenance of the Chart of Accounts, the processing of journal entries, and financial reporting are found. All transactions are posted to the General ledger to update the various accounts using the double entry system of accounting.

Access to these activities for officers across the public sector with few exceptions, other than the staff of the Treasury, should be on an “Inquiry” basis. In this module, querying of account balances can take place using the drill down and through functionality that takes users from one level of detail to another. Figure 5 shows Activity List in the SmartStream that lists illustrates the operations included in the Ledger module.

Figure 4-5: Activity list for Ledger



Using the Ledger Activity List for analysis of transactions

To make an inquiry on an account for which the full UDAK is not known, or for which you may want information at a summarised level, follow the steps below:

- Select the “Account Balance Inquiry” activity.
- Key the part of the UDAK that is known or for which you want to inquire, using the pound key for all unknown/unwanted parameters of the UDAK.
- The balance requested will be displayed by month in the balance window.

- Drill down to details for any month(s) required.
- Right click and drill to either the source document (payment request) or journal entry. If the payment was an indirect payment (from a purchase order) you can again right click and go to the matched purchase order.

4.2 Ledger Reporting

There are a number of reports available in the ledger module which may be adapted to meet the needs of the Accountant General's Department. These can be accessed in the ledger module from the activity "*Ledger/Journal/Currency/Reporting*". The Trial Balance is one such report which can be easily adapted to meet the particular need of the Treasury. From this report, periodic reports can be prepared using the established format for Treasury reports.

In addition to the Smart-stream delivered reports, Government of Grenada has introduced COGNOS reporting software to meet the specific need for financial reporting. COGNOS reports are designed as requested and made available (currently by a shared folder but in future also via an intranet).

The following reports are produced for the AGD using COGNOS:

- Abstract of Capital Expenditure By Vote.ppr
- Abstract of Capital Revenue By Vote.ppr
- Abstract of Recurrent Expenditure By Vote.ppr
- Abstract of Recurrent Revenue and Grants By Vote.ppr
- AGD GL Summary Trial Balance - Assets and Liabilities.ppr
- AGD GL Summary Trial Balance - Capital Expenditure.ppr
- AGD GL Summary Trial Balance - Capital Revenue.ppr
- AGD GL Summary Trial Balance - Financing.ppr
- AGD GL Summary Trial Balance - Recurrent Expenditure.ppr
- AGD GL Summary Trial Balance - Recurrent Revenue.ppr
- AGD Summary Expenditure by SOF.ppr
- AGD Summary of Capital Expenditure by SOF.ppr
- AGD Summary of Capital Expenditure by Vote.ppr
- AGD Summary of Capital Revenue By SOF.ppr
- AGD Summary of Grants.ppr
- AGD Summary of Loans.ppr
- AGD Summary of Mission Expenditure.ppr
- AGD Summary of Recurrent Expenditure by Vote.ppr

- AGD Summary of Recurrent Revenue By Vote and Heads.ppr
- AGD Summary of Recurrent Revenue.ppr
- AGD Summary of Revenue and Expenditure Forecasting.ppr
- AGD Summary of Revenue And Expenditure.ppr
- AGD Trial Balance - Year Summary.ppr

Reports are also available for ministries and these currently include:

- Summary report of budget execution
- Expenditure details
- Revenue details
- Expenditure and revenue by program

CHAPTER 5. ANALYTICAL BASIS OF GOVERNMENT FINANCIAL ACCOUNTING

Overseeing complete and accurate accounting of the activities of government is a key role of the Accountant-General of Grenada and an important function of each government entity. In accordance with the PFM Act (s.64), the Accountant General, on behalf of Minister of Finance, in consultation with the Director of Audit, shall be responsible for establishing the accounting standards and rules for Government through Regulations, instructions and guidelines. The Accountant General is responsible to ensure that the accounting rules and standards for the public accounts adhere to internationally accepted principles.

For the GoG, the international standards adopted are the IPSAS Cash Basis of Government Reporting. However, as GoG is on a pathway towards adoption of accrual accounting and currently practicing a form of modified cash accounting, the GoG's cash based accounts shall include a range of accrual disclosures in the notes to the accounts. IPSAS cash standards recognize and, indeed encourage, these supplementary disclosures.

5.1 Accrual vs. Cash Accounting

There are two alternative basis of accounting - accrual and cash. Most IPSAS (and GAAP) have been developed to meet the requirements of the accrual basis of accounting. The primary difference between cash and accrual is with respect to revenues and expenses which, in the cash basis, are recognized only when received or paid. This ignores the concept of revenues earned but not received, and, expenses incurred but not paid. Another key difference is the treatment of capital assets. Accrual based accounting depreciates capital assets over their useful life, whereas cash based accounting expenses the entire amount of the capital purchase when it is made. It should be noted that the Government of Grenada uses the modified cash basis of accounting. The elements of accruals now being used by the GoG, in an otherwise cash approach, include:

11. An account payable is recorded when an invoice is received. At time of invoice receipt, a liability is created in a Ledger Account (Payable Liability) and the expense head is debited. This credit (or liability) remains in the books until a cheque is printed, debiting the Payable Liability account and crediting the Bank Account in the GL. Cash Basis still applies to utility bills, in that December bills have never been accrued as liability and paid in the New Year.
12. Our Transfers to Missions abroad are treated as advances until the embassies send in breakdown of how the funds used, before the holding account is expensed in accordance with unit appropriations of each mission.
13. Payments on behalf other governments are also accrued until the country makes good the sums.
14. Under the new COA, loan Creditors will now have Ledger accounts. Each loan disbursement will be a debit to Bank and credit entry to Creditor's account, instead of Capital Revenue. Loan repayments will be debited to Creditor's account and credited to Bank. Interest payments are operational expenses, from 2016.

15. Arrears of revenue, though reported as notes in the published account have not been accrued as part of the double entry for the year in question. When received by revenue collectors in the subsequent years are aggregated with currently due revenue items.

5.2 International Public Sector Accounting Standards

For the Public sector, the appropriate international standards setting body is the International Federation of Accountants – International Public Sector Accounting Standards Board.

The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant.” In pursuing this mission, the IFAC Board has established the International Public Sector Accounting Standards Board (IPSASB) to develop high – quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. In this regard: the term “public sector” refers to national governments, regional (e.g., state, provincial, territorial) governments, local (e.g., city, town) governments and related governmental entities (e.g., agencies, boards, commissions and enterprises).

The IPSAB has developed and issued a Handbook of International Public Sector Accounting Pronouncements. This handbook addresses primarily the standards applicable to financial reporting under the accrual basis of accounting but also provides a standard applicable to financial reporting on the cash basis which is followed by the government of Grenada. This handbook can be accessed online at: <https://www.ifac.org/publications-resources/2014-handbook-international-public-sector-accounting-pronouncements>. The accrual IPSASs are set out in Annex 1 to this manual.

International standards now exist that countries can adopt in order to achieve standardization in reporting. This standardization is helpful since it allows for international comparisons. In other words, any country can compare its expenditures with those of another country to help explain differences in budget outcomes. A country with decreasing poverty levels may have higher expenditures for education and health, for example. These types of comparisons are helpful in setting expenditure policies to achieve specific results.

The Public Committee of the International Federation of Accountants has been renamed the International Public Sector Accounting Standards Board and its web site, www.ifac.org, lists 53 countries that have adopted the IPSAS and five other countries whose existing standards are broadly consistent with IPSAS (Australia, Canada, New Zealand, United Kingdom, and United States). Of the Caribbean countries, Barbados and the Cayman Islands appear in this listing. The International Public Sector Accounting Standards are also available on this website.

It should be noted that standards were first developed for countries on an accrual basis. However, after a survey of countries, a cash based standard was also developed.

As Grenada is on a modified cash basis of accounting, the Cash Basis IPSAS is the respective international standard for financial reporting. Because of the different versions of the modified accrual/modified cash basis of accounting, IFAC has no specific standard for this. However, the Cash Basis standard is in two parts: 1) *Requirements* and 2) *Encouraged Additional Disclosures*. Part 2 identifies the different accrual accounting components that can be reported in addition to cash reporting and, thus, makes the Cash Basis standard suitable for countries that report using the modified accrual basis that are in transition to accrual accounting.

Public sector accounting differs to private sector accounting. Some of the key differences are set out in Box 1. In terms of the international accounting standards, the IPSASs are the public sector standards and the private sector standards are the International Financial Reporting Standards (IFRS). The IPSAS board has demonstrated a preference for aligning the IPSAS standards with respective IFRS to the extent practical.

Box 1: Public versus private sector accounting

Unless a Government has adopted the accrual basis (or modified accrual) of accounting for its financial reporting requirements, public sector accounting, for the most part, differs significantly from private sector accounting. The private sector seeks to implement an accounting system whereby expenditures and revenues are recorded in the period in which they are incurred or become due regardless of when the flow of cash occurs. Additionally, the private sector seeks to record the full cost of an activity.

Some of the differences between public and private sector accounting, where the cash basis of accounting is used, are outlined below:

Public sector accounting, for the most part, uses a cash based/modified cash based accounting system whereas the private sector uses the accrual basis for recording their transactions.

- Long-term liabilities are not reflected in the financial statements of Government as a Balance Sheet item but are recorded as receipt of Capital Revenue in the Statement of Consolidated Fund.

- Private sector accounting practices are in accordance with International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP), while Government accounting systems are governed by the Finance Act and associated Rules. The major financial statements in the private sector are: the Balance Sheet, Income Statement, the Statement of Cash Flows and the Statement of Change in Equity. In public sector accounting, the major statements are the Statement of Consolidated Fund, the Statement of Other Balances and the Statement of Receipts and Payments.

- In public accounting systems, fixed assets are not reported as a Balance Sheet item and expensed upon consumption (depreciation charge) as is the case in the private sector. Expenditure on such assets is charged wholly in the year of acquisition.

- Only financial assets and liabilities are reflected in the Statement of Other Balances of Government.

5.3 Overview of Cash Basis IPSAS

The purpose of this section is to give a review of the mandatory and voluntary reporting requirements under the cash basis of accounting, as outlined in the specific international accounting standard². This section should not be viewed as replacing the cash-based IPSAS standard, however, it summarizes the most relevant points for easier reference and gives additional commentary. Where there is uncertainty, the IPSAS standard should always be consulted and must be considered the definitive source. At the end of any year before new financial accounts are prepared for audit and presentation to government, Treasury must review the relevant cash-based reporting standard as issued by IPSASB to determine if amendments have been made to the reporting requirements over the past year and make adjustments to the manual where required. This volume of the manual is a living document and it is expected to change as reporting requirements change, either through new IPSASB pronouncements or new Grenada legislative requirements.

Objective of Cash Basis Reporting Standard

Information about the cash receipts, cash payments and cash balances is necessary for accountability purposes and provides input useful for assessing the ability of the government to generate adequate cash in the future and the likely sources and uses of cash. In making and evaluating decisions about the allocation of cash resources and the sustainability of the government's activities, users of the government's financial statements require an understanding of the timing and certainty of cash receipts and cash payments.

Compliance with the mandatory and encouraged adherence to the voluntary requirements of the cash-based Standard will enhance comprehensive and transparent financial reporting of the cash receipts, cash payments and cash balances of the government. It will also enhance comparability with the government's own financial statements of previous periods and with the financial statements of other entities within the government or across governments which adopt the cash basis of accounting.

The Cash basis IPSAS is focused on reporting cash balances, movement in those balances over a reporting period and who controls those balances. The concept of Control, especially control over cash, is a fundamental concept that runs throughout the standard and significantly affects how individual budget entity statements are presented (especially important when the Single Treasury Account system is used, as is the case for Grenada). In addition, the control concept determines which entities are to be consolidated in the whole of government accounts.

Structure of Cash Basis IPSAS

The standard is broken down into two parts: Part 1 being mandatory and Part 2 being voluntary. In order for the government of Grenada to state that its financial statements are in compliance with the IPSAS standard "Financial Reporting Under the Cash Basis of Accounting", it must adhere to all relevant requirements of Part 1 to the standard.

Part 1 defines the cash basis of accounting, establishes the mandatory general purpose statements and the requirements for the disclosure of information in the financial statements and supporting

notes, and deals with a number of specific reporting issues, such as, .correction of noted errors, consolidated financial statements, foreign currency transactions, restrictions on cash balances, access to borrowings and other budget entity identification disclosures.

Part 2 identifies additional accounting policies and disclosures that an entity is encouraged to adopt to enhance its financial accountability and the transparency of its financial statements. It includes explanations of alternative methods of presenting certain information. Many of the recommended disclosures are taken from the requirements of the IPSAS accrual-based standards. It is felt that this additional information increases the transparency and usefulness of the financial information and is strongly encouraged by the IPSASB.

Summary of Cash Basis IPSAS Part 1 – Mandatory

Because Part 1 is *mandatory*, a much more detailed review of the individual elements of the standard is required than what was given above for accrual-based IPSAS. This section of the manual chooses to perform this task by way of a table with commentary next to each requirement in order to enhance the reader's understanding. In addition to this, the individual paragraphs, where applicable, are cross referenced to financial statements given in chapters 3.2 and 5.2 to this manual in order to give an illustrative instruction “operationalizing” the application of the IPSAS Standard.

Summary of Cash Basis IPSAS Part 2 – Encouraged Additional Disclosures

Although Part 2 is *voluntary*, IPSASB highly encourages adherence to the additional information being disclosed, where applicable, in order to enhance the transparency and financial accountability. For GoG, the additional disclosures include those elements of accruals that are recorded and reflected in the general ledger but not included in the financial statements.

5.4 Accounting period

Accounting period covers the time period over which the financial statements are prepared. A fiscal year for any organization in accounting terms is any 12 month period. The Government of Grenada uses the calendar year as the fiscal year (1 January – 31 December). The accounting year in the accounting system of Grenada is split into 13 periods, being each of the 12 months and a 13th period for end-of-year entries and adjustments.

5.5 Accounting records

The trigger for recognizing that an expense has been incurred or revenue has been received includes invoices, purchase orders, supplier's invoices, cash receipts, deposit slips, checks, bank statements, etc. These supporting documents are associated with the business processes and internal controls over everyday transaction and in many cases also initiate the process of entering financial transactions into the accounts.

The primary books of accounts are known as journals. The journals capture and summarize all daily financial activity.

Cash Book - is the main book of entry. In many organizations, the cash register actually consists of two separate registers, the Cash Disbursements Register (where all payments are recorded) and the Cash Receipts Register (where all deposits are recorded).

Cash Receipts Register – This is where all revenue and cash receipts are recorded. *Cash Disbursements Register* – This is where all purchase & expense invoices are recorded.

The General Journal – is a record of the adjustments made to the general ledger accounts.

General Ledger – The General Ledger is the main book of accounts (ledger) that contains all of the financial accounts of an organization (including control accounts, e.g. cash account, accounts receivable and accounts payable). Once the Primary books of accounts are summed (usually on a monthly basis), they are posted to the General Ledger.

Subsidiary Ledgers - Subsidiary ledgers are also known as control accounts. They are specific accounts within the General Ledger for which additional information is required. The following subsidiary ledgers are just a few that may be found in any typical general ledger:

Advances - This is a memorandum record that keeps track of all amounts owed arising from advances.

Imperest- This is another memorandum record that keeps track of all amounts owed arising from imperests issued.

Payables Ledger – This is a memorandum record that keeps track of all customers that the organization owes money to. The sum of this subsidiary ledger (vendors) should equal the accounts payable control account.

5.6 Accounting Elements

The Accounting elements are defined as:

- Assets (primarily for accrual based accounting)
- Liabilities (primarily for accrual based accounting)
- Surplus/Deficit (Equity) (primarily for accrual based accounting)
- Revenues
- Expenses

The following sections of this report provide a brief explanation of each of these elements:

Assets

The definition of Assets according to IPSAS: Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. In other words, assets are economic resources of the organization that are expected to bring benefits for the organization in the future. Assets are divided into the following categories:

- Fixed assets
- Current assets
- Other assets.

Fixed assets Also referred to as PPE (property, plant, and equipment), or tangible assets, these are purchased for continued and long-term use in earning revenues in an organization. This group includes land, buildings, machinery, furniture, tools, and certain wasting resources e.g., timberland and minerals. They are written off against revenue over their anticipated life by charging depreciation expenses (with exception of land). Accumulated depreciation is shown on the face of the balance sheet or in the notes. These are also called capital assets in management accounting.

Current assets Current assets are cash and other assets expected to be converted to cash, sold, or consumed either in a year or in the operating cycle. These assets are continually turned over in the course of an organization during normal organization activity. There are 5 major items included into current assets:

Cash – this is the most liquid current asset, which includes currency, deposit accounts, and negotiable instruments (e.g., money orders, checks, bank drafts).

Short-term investments – include securities bought and held for sale in the near future to generate income on short-term price differences (trading securities).

Receivables – used in accrual based accounting only, receivables are usually reported as net of allowance for uncollectible accounts.

Inventory – trading these assets is a normal activity of an Organization. The inventory value reported on the balance sheet is usually the historical cost or fair market value, whichever is lower. This is known as the “lower of cost or market” rule.

Prepaid expenses – these are expenses paid in cash and recorded as assets before they are used or consumed (a common example is insurance which may be purchased for a full year or longer in advance). See also adjusting entries.

Long-term investments - often referred to simply as “investments.” Long-term investments are to be held for many years and are not intended to be disposed in the near future. This group usually consists of four types of investments:

- Investments in securities, such as bonds, common stock, or long-term notes.
- Investments in fixed assets not used in operations (e.g., land held for sale).
- Investments in special funds (e.g., sinking funds or pension funds).
- Investments in subsidiaries or affiliated Organizations. Different forms of insurance may also be treated as long term investments.

Other assets Other assets include a variety of assets, most commonly:

- Long-term prepaid expenses;
- Long-term receivables;
- Intangible assets (for example goodwill); and
- Property held for sale.

Liabilities

The definition of Liabilities according to IPSAS: Present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

In financial accounting, a liability is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future.

Liabilities in financial accounting need not be legally enforceable; but can be based on equitable obligations or constructive obligations.

Liabilities are classified into the following categories:

- Current liabilities
- Long-term liabilities
- Other liabilities.

Current liabilities These liabilities are reasonably expected to be liquidated within a year. They usually include payables such as wages, accounts, taxes, and accounts payables, unearned revenue when adjusting entries, portions of long-term bonds to be paid this year, short-term obligations (e.g. from purchase of equipment), and others.

Long-term liabilities These liabilities are reasonably expected not to be liquidated within a year. They usually include issued long-term bonds, notes payables, long-term leases, pension obligations, and long-term product warranties.

Other liabilities Other liabilities include small and relatively insignificant liabilities. For financial reporting purposes, organizations often combine small liabilities into this single category rather than listing each liability separately. The Government of Grenada operates on the modified cash basis and thus the liabilities primarily include loans, and accounts payable.

Surplus/Deficit (Equity)

The definition of equity according to IPSAS is “The residual interest in the assets of the entity after deducting all its liabilities”.

In accounting, ownership is described by the term “equity”, thus equity is equal to assets minus liabilities. In other words, equity is the net worth of the organization after all liabilities has been paid off by the organization. Governments recognize the foregoing as Surplus or Deficit.

Revenue is recorded on a cash basis, when the amounts collected come under the control of the Government, in most circumstances when the revenue is in the hands of a cashier or in a Government bank account. Revenues are classified in accordance with the Chart of Accounts, as outlined in Chapter 6. The detailed procedure for managing and recording revenues is detailed in Chapter 9 of this manual.

Expenditure is recorded on a modified cash basis. An expense is recognized and recorded in the ledger when each invoice (account payable) is recorded in SmartStream.

CHAPTER 6. PERFORMING THE ACCOUNTING FUNCTION

In accordance with the PFM Act, each Minister or head of a budgetary institution or agency is responsible, under guidance issued by the Minister of Finance, for the establishment of an accounting function within the Ministry/institution/agency in accordance with the requirements prescribed in accounting regulations, instructions and guidelines under the PFM Act. In this regard, each Accountable Officer is responsible for the filing, maintenance and safekeeping of all documents related to public finance transactions, in manner and for the length of time prescribed in accounting regulations under the PFM Act.

6.1 Processing journals

The Smart-Stream and complementary financial management systems comprise a number of modules each having their own processing functionalities. The results of these processes must, however, be brought together in one place to enable financial reporting to happen—that place is called the **Ledger**. The Accountant General and his staff have responsibility for management of the Ledger and ensuring that all accounts are updated and reconciled in a timely manner. Updating of the accounts is done by means of journal entries which are defined as the chronological (day-by-day) records showing for each transaction the debit and credit changes caused in specific ledger accounts. A brief explanation is also included for each transaction. The debits and credits recorded in the journal are then transferred to the General Ledger.

The journal entry is a **tool** for **analysing** and **describing** the impact of various transactions upon a business entity. The ability to describe a transaction in journal entry form requires an understanding of the nature of the transaction and its effects upon the financial position of the business. Some advantages of using a journal include:

- Ensuring transactions are recorded in a chronological order.
- Showing the analysis of each transaction in terms of debit and credit.
- Providing an explanation of each transaction.
- Serving as a source for future reference to accounting transactions.
- Posting to the ledger is made possible at convenient times.
- Assisting in maintaining the ledger in balance because the debit(s) must always equal the credit(s) in each journal entry.
- Aiding in tracing errors when the ledger is not in balance.

There are four basic principles guiding the processing of journal entries using the double entry system of accounting, these are as follows:

- An increase in an asset is recorded as a debit; a decrease in an asset as a credit.
- An increase in a liability is recorded as a credit; the decrease in a liability as a debit.

- An increase in revenue is shown as a credit; a decrease as a debit.
- An increase in an expense or expenditure recorded as a debit; a decrease as a credit.

Note that movements in assets and expenses correlate. This is because it is assumed that expenses, in some way, are incurred to provide a good or service (asset). On the other hand, revenue and liabilities are means of increasing or decreasing the equity position of the entity.

The following diagram shows the normal balances of several types of accounts.

Type of Account	Normal Balance:	
	Dr.	Cr.
Assets	X	
Liabilities		X
Revenue		X
Expenses	X	

Journal Entry

All transactions, as previously stated, will be recorded in the Ledger by means of a journal entry, these entries could either be system generated as is done with journals from the various modules of Smart-stream, or they can be input into the system using the 'Unposted Journal' activity in the Ledger module. Figure 6 sets out the standards that have been developed for identifying online journals.

Figure 6: Journal Identifier Nomenclature

Journal Type	Journal Type Identifier
Advances	MOFADV
Imprests	MOFIMP
Bank Transactions	MOFBNK
Ledger Adjustments	MOFADJ
Capital Projects	MOFCAP
Debts	EXDEBT
Pensions	MOFPEN
Missions	MOFMIS

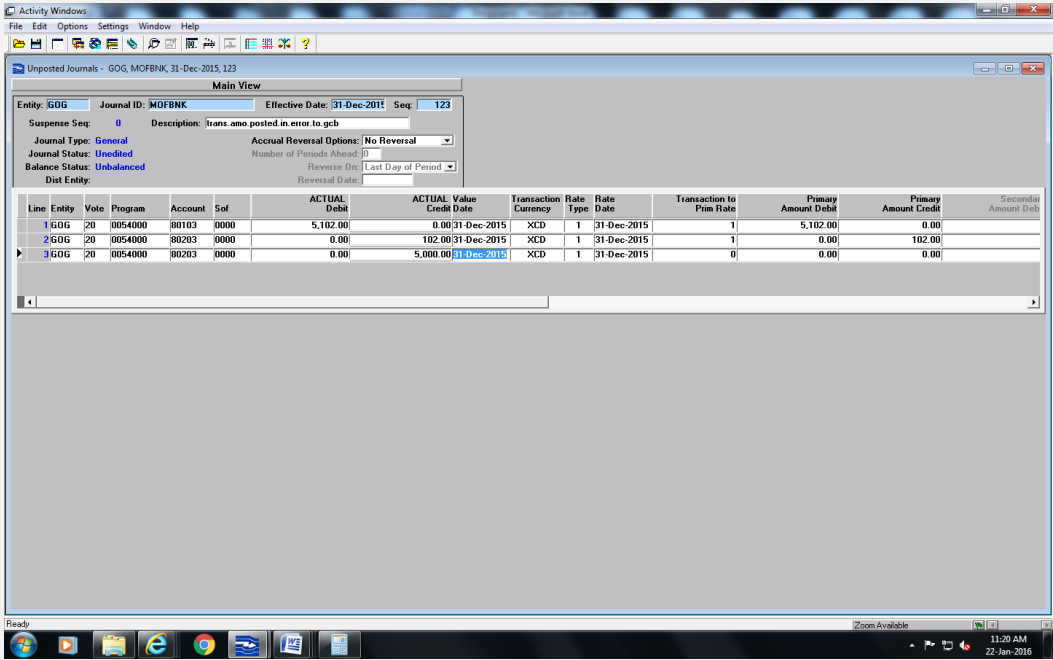
Payroll	MOFPAY
Crown Agents	MOFCRN
Trust	MOFTRT
Recurrent	MOFREC

Each journal should be given a unique number, at no time should journals that have been entered, have the same sequence number, although the Journal ID may be reused.

Filing of Supporting Documentation is crucial and essential for proper and complete record keeping. Ensure that the filing is done with ease of reference for easy retrieval when necessary. Documents should be filed once the journal has been entered and supporting documents labelled as per the naming convention and scanned.

Entering Journal in Local Currency

The following process is followed for entering journals in SmartStream:

<i>Steps</i>	<i>Actions</i>
<ul style="list-style-type: none"> • 	<p>Access the Unposted Journals Main window.</p> 
<ul style="list-style-type: none"> • 	<p>On the journal control (the header of the journal) portion of the window, enter values in the key fields and [tab] off.</p>

	<p>Entity - always GOG.</p> <p>Journal ID - Payable Entity (as per Smart Stream + Journal Type Identifier) Example, MOFADJ</p> <p>Effective Date – the accounting period that Ledger posts the journal to. This date is the default effective date entered on Ledger Policy: Dates View. You can change the effective date on the Main view if, for example, you want to post this journal to an earlier period but must be within the periods stipulated on Ledger Policy.</p> <p>Seq -Used if you want to reuse the Journal ID but want to uniquely identify this journal. Please note that a list containing sequential numbers must be discussed and created by the user(s).</p>
•	<p>Enter values in the other fields.</p> <p>Description – Describes the journal.</p> <p>Accrual Reversal Options - Creates an accrual journal and specifies whether you want the accrual reversal to post to a certain number of periods ahead of the accrual journal posting or on a specific date.</p>
•	<p>Enter the journal lines. Press Enter to access additional lines.</p> <p><i>Line</i> – An identifier for the journal line.</p> <p>Note: The line numbers do not change when you delete a line. For example, if you delete line 2 of a four-line journal, the remaining line numbers are 1, 3, and 4.</p> <p><i>Entity</i> – always GOG.</p> <p><i>Accounting Key</i> – Specifies the accounting key that this journal line will post to. You can browse on the entire accounting key.</p> <p><i>Actual Amounts</i> (DR & CR) - The ACTUAL transaction amounts.</p> <p><i>Value Date</i> – Enter the effective date. Value date is not significant since we are not using average balances.</p> <p><i>Transaction Currency</i> – XCD Local Currency</p> <p><i>Rate Type</i>- Defaults to D – Daily rate of exchange.</p> <p><i>Rate Date</i>- The date for which you want to retrieve the currency rate.</p> <p>Transaction to Primary Rate – To remain blank.</p> <p><i>Primary Amounts</i> (DR & CR) - The debit or credit amount that updates the</p>

	<p>primary book and primary equivalent for ACTUAL amounts.</p> <p><i>Secondary Amounts</i> (DR & CR) – Not used.</p> <p><i>Misc Amounts</i> (DR & CR) – Enter amounts that are not actual amounts</p> <p><i>Description</i> – Describes the journal line. This is the default description entered on the journal control, but you can change it to provide a description specific to the line.</p> <p><i>User Fields</i> – Stores additional information about the journal line</p>
•	Select the Notes icon and enter comments from the voucher.
•	Select the Return to Main View icon.
•	Once you complete entering information for the journal, save the journal.
•	Clear the window by using the Clear icon.
•	Enter another journal.

The actual journal entry (the double entry system) for transactions can be reviewed by right clicking in the transaction window and choosing “accounting distribution”. Officers in the Accounts Section should become familiar with all these codes, so that when designing the identifiers for their various journal types, these will not be reused. Additionally, prefixes and journal codes should be meaningful and provide information about the journal without having to open the journal. Descriptions, comments and journal notes should always be included when keying a journal.

Approval of journal entries

This should also be included as part of the security policy to ensure that the information is accurate and the descriptions used are meaningful. Supporting documentation should also be attached to each journal entry.

The following process is followed in SmartStream to approve or reject a journal:

<i>Steps</i>	<i>Actions</i>
•	Access your To Do List/ Workgroup To Do List or the Task Details List.
•	<p>Double click on the message “Approve journals”</p> <p>Result: The unposted journal window is opened with the journal(s) to be approved.</p>

•	Select the Actions icon and choose Review Approval Status. Result: The Unposted Journal Approval Status window is opened.
•	Look at the approval status of the journal
•	Select one or more lines in the list area that contain your approval code.
•	Approve or reject the journal using the Actions icon on this window. Add comments by clicking on the comments icon – this is important for rejected journal entries.
•	Save the information.
•	Choose Next Task icon to move to the next journal.

6.2 Closing of Monthly Accounts

All accounting entries entered in the general ledger shall be posted to a specific accounting period. Under cash accounting transactions should be posted to the period in which the transaction impacts the cash position of the government, such that the accounts reconcile to the respective monthly bank statements.

Each monthly accounting period in Smart-Stream shall be closed within one week of the end of the month. Prior to monthly period close, all transactions for the month shall be entered, bank reconciliation completed, errors and omissions found in the reconciliation addressed and all associated journal entries processed.

Period 12 closing shall be completed the same as all other months, however with a requirement that all advances shall be closed and petty cash reconciled and replenished prior to the end of period 12. The processes for period 12 close are set out in Annex 2.

Period 13 shall remain open for one month after the end of the respective fiscal year, to allow final reconciliation of accounts to be completed but shall only be accessible to selected accounts staff of the Accountant General's Department.

CHAPTER 7. BANK RECONCILIATION

A Bank Reconciliation is a test of how accurate your Smart-Stream cash book is compared to the bank statements. This will include checking that all cheques have been entered correctly into the cash book and that all bank charges, interest and direct debits have been recorded. The bank balance per Smart-Stream ledger is unlikely to agree to the balance on the bank statement at the same date, due to payments by cheque taking a few days to be presented and cleared at the bank, and deposits not being cleared. The bank reconciliation shows how the difference can be explained. The reconciliation should be performed at least monthly, to ensure that any errors are corrected as soon as possible. In case of public organizations, when the daily number of transaction is large, reconciliation can be done every day.

7.1 Cash Book Differences

There may be items that appear on the bank statement that are not in the SmartStream cash book, such as bank interest, bank charges, or direct debits. This will usually be because they are not known about until the bank statement or advice is received. The SmartStream ledger therefore needs to be adjusted by adding these items.

It will also need to be adjusted where there are errors, such as the amount recorded in the cash book being different to that on the bank statement. If, however, this is due to a bank error, the bank should be contacted, rather than amending SmartStream.

Timing Differences

Most of the differences between the bank statement and the SmartStream cash book balances will be due to timing differences. These may be cheque payments that have not yet cleared by the bank and do not therefore appear on the statement. These are known as unpresented cheques. Amounts paid into the bank that have not cleared may also be part of the difference. These are known as uncleared deposits. In these situations the bank balance is not current and must be adjusted to take these items into account. This is where bank reconciliation will need to be prepared to show the true balance.

7.2 Manual Bank Reconciliation

To carry out a bank reconciliation you:

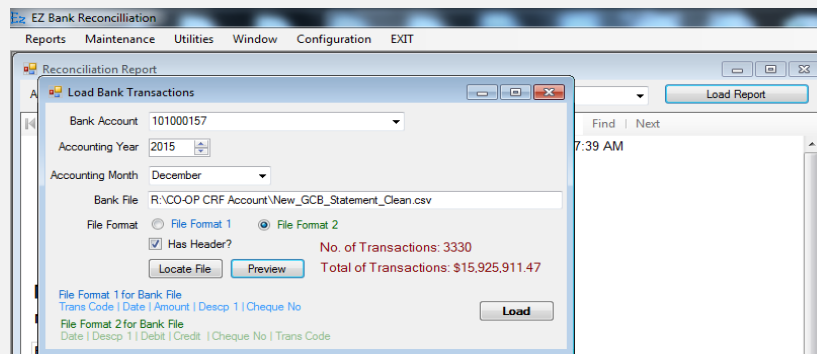
- Start by ticking each payment that is in the cash book and also on the bank statement. Tick both the cash book and the bank statement. Then do the same for all bank income. Only tick entries which appear on the bank statement up to the last day of the month for which the reconciliation is being prepared, not after.
- Now look at the bank statement and identify any items that have not been ticked. Enter these items into the cash book, and then tick them off on the bank statement.

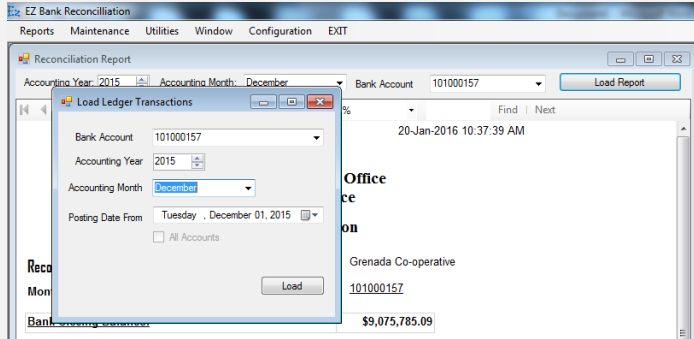
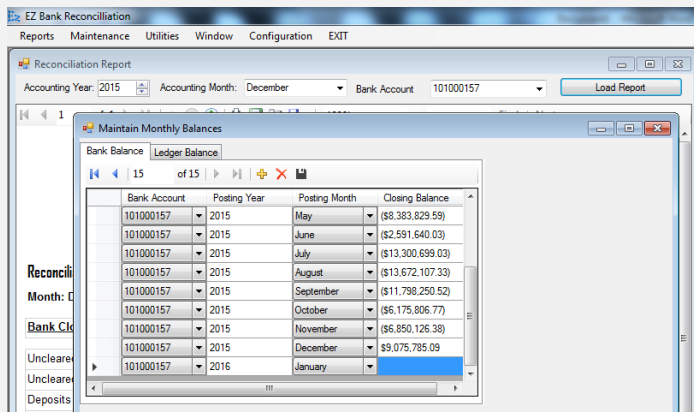
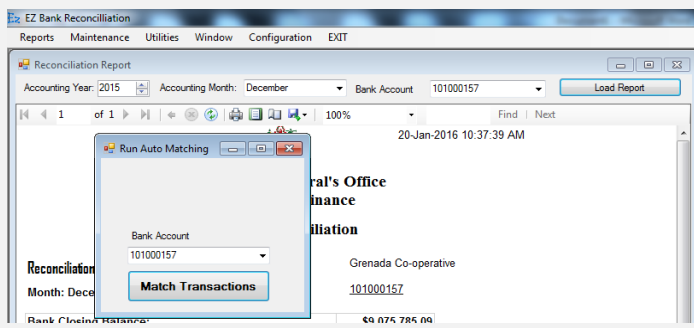
- Every item that is on the bank statement is now in the cash book.
- Then add up all the columns in the cashbook and calculate the bank balance at the end of the month.
- Now go through the cash book and make a list of any items that have not been ticked. These should all be unpresented cheques or uncleared deposits.
- Finally, prepare the bank reconciliation. This should show the balance on the bank statement at the end of the month, less any unpresented checks, plus any uncleared deposits. The end balance should be equal to the cash book balance.
- It is the balance at the end of the bank reconciliation and per the cash book that is the balance to be used in the year end accounts, rather than the balance shown on the actual bank statement. This is because it is the bank statement at that point is not current.

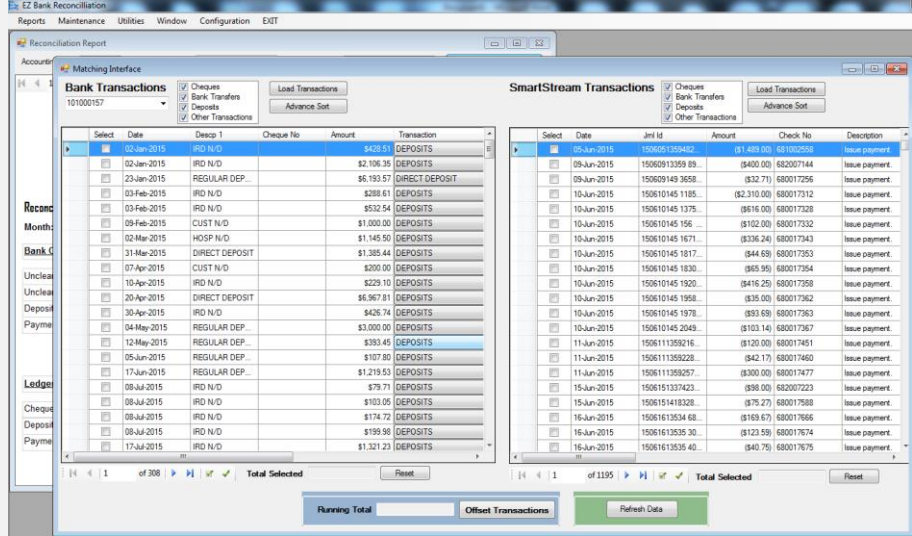
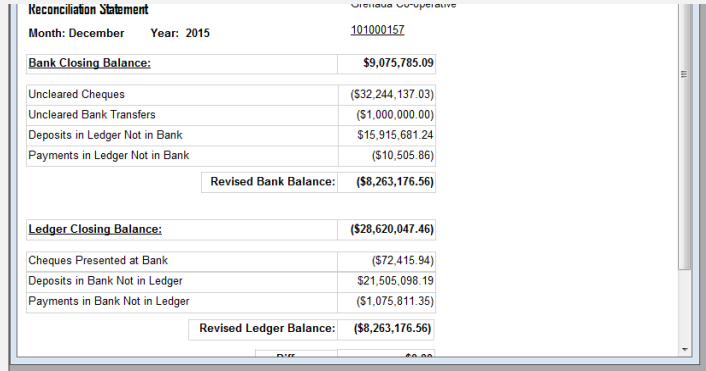
7.3 Automatic Bank Reconciliations

The Accountant General's Departments of Grenada has access of an automatic reconciliation tool called EZ Bank Reconciliation. This is a windows based application which enables automatic reconciliation after uploading of data and transactions from the SmartStream ledger and uploading of electronic bank statements. The basic steps to performing bank reconciliation using this software are as follows:

<i>Steps</i>	<i>Actions</i>
•	Download bank statements from respective banks internet banking portal in excel format.
•	Reformat the excel file in CVS (text) format
•	Codify the transaction in the CVS file according to the type of transaction. Such as, Deposit, withdrawal/cheque, direct credits (deposits, transfers, interest earned), direct debits (interest, fees, & charges), transfers, etc.
•	Upload electronic bank statement in its CVS format into EZ using the “upload bank transactions” function. The following screen shot shows this action:

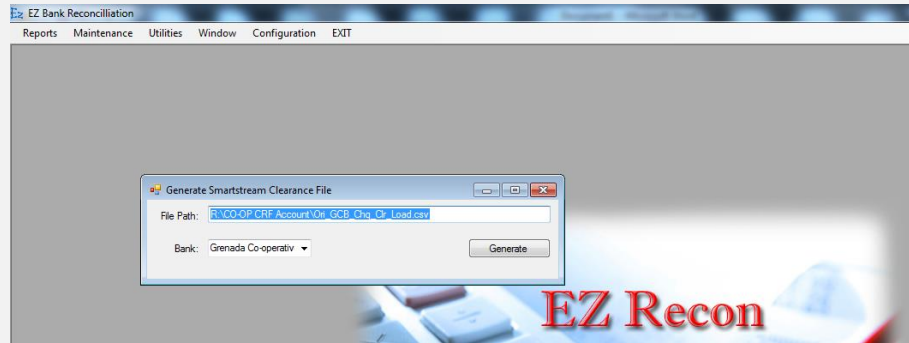


<ul style="list-style-type: none">•	<p>Load ledger from SmartStream using the “load ledger transactions” function in EZ. The following screen shot shows the window for initiating this action:</p> 																																								
<ul style="list-style-type: none">•	<p>Enter the closing balances for the account from the ledger and from the bank statement. The following screen shot shows the window for entering the bank ledger closing balances:</p>  <table><thead><tr><th>Bank Account</th><th>Posting Year</th><th>Posting Month</th><th>Closing Balance</th></tr></thead><tbody><tr><td>101000157</td><td>2015</td><td>May</td><td>(\$8,383,829.59)</td></tr><tr><td>101000157</td><td>2015</td><td>June</td><td>(\$2,591,640.03)</td></tr><tr><td>101000157</td><td>2015</td><td>July</td><td>(\$13,300,699.03)</td></tr><tr><td>101000157</td><td>2015</td><td>August</td><td>(\$13,672,107.33)</td></tr><tr><td>101000157</td><td>2015</td><td>September</td><td>(\$11,798,250.52)</td></tr><tr><td>101000157</td><td>2015</td><td>October</td><td>(\$6,175,806.77)</td></tr><tr><td>101000157</td><td>2015</td><td>November</td><td>(\$6,850,126.38)</td></tr><tr><td>101000157</td><td>2015</td><td>December</td><td>\$9,075,795.09</td></tr><tr><td>101000157</td><td>2016</td><td>January</td><td></td></tr></tbody></table>	Bank Account	Posting Year	Posting Month	Closing Balance	101000157	2015	May	(\$8,383,829.59)	101000157	2015	June	(\$2,591,640.03)	101000157	2015	July	(\$13,300,699.03)	101000157	2015	August	(\$13,672,107.33)	101000157	2015	September	(\$11,798,250.52)	101000157	2015	October	(\$6,175,806.77)	101000157	2015	November	(\$6,850,126.38)	101000157	2015	December	\$9,075,795.09	101000157	2016	January	
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101000157	2015	December	\$9,075,795.09																																						
101000157	2016	January																																							
<ul style="list-style-type: none">•	<p>Initiate auto matching in the auto-matching window:</p> 																																								
<ul style="list-style-type: none">•	<p>Step 8: View the matched transactions as shown in the following window:</p>																																								

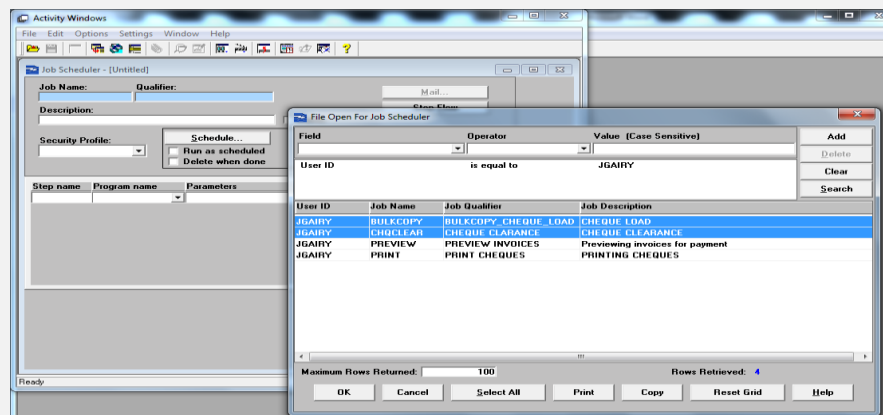
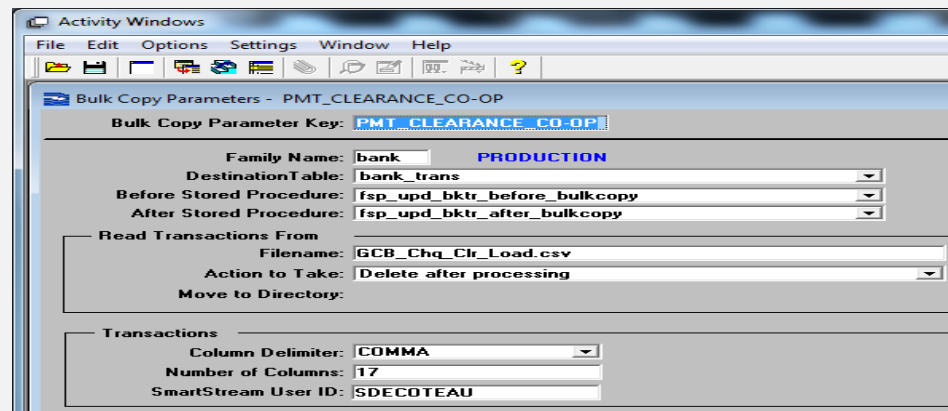
	
<ul style="list-style-type: none"> • 	<p>Investigate and address the unreconciled items. The following screen in EZ shows the balances of the accounts and the various values making up the balances of the account and the ledger.</p> 
<ul style="list-style-type: none"> • 	<p>To the extent that there is any error in the ledger, these should be corrected by journal entry and the bank shall be informed of any error in the bank statements.</p> <p><i>All payments in bank</i> that are not in the ledger shall be investigated to determine the reasons why the transaction was not recorded in the ledger. In some cases, such as bank fees, these will be a bank initiated transaction. If there are cases where there is a break-down in procedures, a systems error or other system issue that results in the payment not having been recorded, these should be brought to the immediate attention of the Accountant General.</p> <p><i>Deposits in ledger not in bank</i> shall be investigated to determine the type of deposit and thus the entity responsible for accounting for the deposit. Should these deposits be in the nature of tax revenues, they shall be referred to IRD and customs duties referred to the Customs and Excise Division.</p> <p><i>Deposits in bank, not in ledger</i> shall be carefully monitored. In the normal course</p>

of events there may be timing differences between when revenues are collected and when these are brought to account.

- Generate cheque clearance file to upload the payment date for cheques, such the ledger show accurately which cheques have been paid.



- After the generating the cheque clearance file, run “bulk clearance” in SmartStream job schedule, which creates the interface between the EZ and the SmartStream ledger. The following screenshots shows the bulk clearance path window. Line 1 the loaded cheque clearance list. Line 2 clears the cheques in the ledger.



CHAPTER 8. CLASSIFICATION OF ACCOUNTS

8.1 Purpose of the Chart of Accounts (CoA)

The International Federation of Accountants defines a Chart of Accounts as: “....a systematic coding system for the classification and coding of transactions and events within the accounting system. It defines the organization of ledgers used within the accounting system.” The objective of the CoA is to provide financial information for multiple uses both within and outside government. The classification system includes separate segments that identify source of financing, organization, economic object and function, and this account structure is incorporated into the budgeting and accounting operations to provide consistent information. The CoA (the entire account structure) provides the framework for financial planning, resource allocation, management control, accounting, reporting and evaluation of the operation of government agencies.

The CoA is the means by which all financial transactions are coded and recorded within the government accounting system SmartStream (SS). Each code has a unique definition so that anyone recording transactions or reviewing reports will uniformly understand the transactions included in each code. Therefore, it is very important that all staff dealing with financial matters become knowledgeable of the various classification elements and codes that are included in this manual.

The CoA further represents a systematic approach to classifying all financial stocks and flows – a mechanism through which financial information is captured, processed and reported on.

The Grenada CoA is designed to:

- allow the capture of high level expense/revenue information for appropriation control;
- allow the capture of detailed expense/revenue information for management/internal control and audit purposes;
- provide a framework for recording and reporting on other financial stocks and flows such as assets and liabilities;
- facilitate the production of predefined reports for a variety of user requirements;
- facilitate the production of user-defined reports as required;
- allow international comparison;
- facilitate the production of consolidated and detailed reporting; and
- support strategic planning and results-based analysis.

There are a number of core principles for the effective development, implementation and maintenance of a CoA:

16. **Comprehensiveness.** The CoA should be comprehensive enough to capture all the required/relevant information. The budget classifications should not follow a different coding system and should be embedded in (or harmonized with) the government’s

accounting classifications – the accounting and reporting system should be the primary source of financial information for reporting on budget execution. The accounting and reporting system may, however, require additional classifications or detailed accounts to meet financial management needs and comply with accounting standards.

17. **Granularity.** The segments and sub-segments of the CoA should be designed to facilitate many possible (different) combinations of data elements necessary for control and reporting purposes. Each segment should have sufficient detail to meet all control, accountability, management, and reporting needs for all stakeholders.
18. **Mutual exclusiveness.** The attributes of CoA segments should be defined in a way to make them mutually exclusive and avoid confusion in transaction posting and reporting.
19. **Non-redundancy.** There is no need for an independent segment in the COA if the related information could be derived from another segment. Where there are multiple classifications, it can be useful to explore the relationships between those classifications. For example, the requirements of the Classifications of the Functions of Government (CoFoG) – an international classification system – can often be derived from the organization classification and the program classification.
20. **Internal consistency.** The logic applied in designing the hierarchical structure of CoA segments should be internally consistent. Using a consistent numbering system and structure helps to make the CoA user-friendly and will reduce the chance of coding errors.
21. **Scalability.** The CoA should allow flexibility for future additions and changes as far as possible. It should provide for capturing additional information in the future, particularly when such additional information has been anticipated/identified as part of an ongoing PFM reform program. Providing room for growth, change and future reporting requirements can help ensure a CoA will be relevant for a long period of time and is able to cope with the changing needs of the business environment, regulatory requirements and reporting obligations. A CoA with a well-designed structure and open account range can accommodate future legal and business requirements.
22. **A unified framework.** Individual accounting units are allowed certain flexibility in developing their own specific account codes at a more detailed level. However, the CoA should be unified to ensure that, at a minimum, the information at the aggregate level uses the same accounting classification.
23. Future changes to the CoA must ensure adherence to the principles defined above. To this end, control over the CoA, including changes, will be the responsibility of the Accountant General who will ensure that any changes are implemented with these principles in mind. At least once each year, prior to the budget circular being sent to ministries, the CoA should be reviewed and updated for the following year. This updating should ensure that any changes or new codes added to the CoA do not impact fiscal integrity. Where changes are made, historical data must be updated according to the new CoA to ensure compatibility and the ability to analyze data from the past in accordance with the evolving classification system.

8.2 Structure of the Chart of Accounts

The overall structure of the CoA of Grenada is shown in Figure 8-1.

Figure 8-1: Overall structure of the chart of accounts (SmartStream account key)

Organization	Program	Economic	Source of Funds	Function	Total
MM	PPPPP	COOIAA	FFFF	DGC	
2 digits	7 Digits	5 digits	4 Digits	5 digits	24 digits

There is a hierarchical relationship within the CoA as shown in the Figure 8-2. Only five segments are coded by users. These are: budget entity, vote, program, economic (account) and source of funds. The functional segment is derived through a mapping table based on the relationship to the ministry and program segments. The shaded boxes in Figure 8-2 denote the level of each segment at which budget control takes place. These are hard funds controls, i.e. the budget control established cannot be exceeded. For additional expenditure to occur, explicit approval is required through either a virement approval by the MoF or a supplementary warrant. In the case of virement warrant, the budgeted amount will not increase; while a supplementary warrant has the effect of increasing the budget to reflect the higher level of approval.

Figure 8-2: Hierarchy of the chart of accounts segment

Level	Budget Entity	Program	Economic	Source of Funds	Function
1	Budget Entity (BB)	Program (PPPPP)	Class (C)	Fund (FFFF)	Division (DDD)
2		Project (pp)	Object (OO)		Group (G)
3			Intermediate reporting		Class (C)
4			Account (AA)		
	2 digits	7 digits	5 digits	4 digits	5 digits

When recording information in the accounting system, this must always occur at the lowest level of each segment. This is because all the higher levels are derived from the information captured at the lowest level. It is not possible to derive information at a lower level than the posting level, because there is no way to determine how it should be broken down. This is commonly referred to as the level at which transactions are posted to the general ledger. In Grenada, only the economic segment has a different posting level to the level at which budget control occurs. In the future, further detailed levels may be added, such as sub-program to the program structure.

8.3 Purpose of Each Segment

Budget Entity/Organization – This is a one-level segment, describing the budget entities in government. Each ministry or department in the listing represent a different budget entity with an accountable officer given the authority by parliament to manage the funds in his or her vote.

Program – defined as a group of activities with a common objective. The budget of each budget entity is broken down into one or more programs. Program budgeting is an approach that seeks to provide decision makers with performance information on the results being achieved by government agencies.

Project – a sub-segment used only for those activities that are separately funded in the budget or funded from external sources to meet a specific objective. Projects normally have a finite life and a budget defined at the commencement of the project. Most projects will be executed under the development fund, and many will be capital in nature. Projects may have multiple sources of financing. All projects must also be allocated against the correct economic codes. Thus a project may be capital in nature, such as building a road; reflect recurrent spending, such as a vector project to reduce risks associated with mosquito borne diseases, or a combination of both.

Source of Funds – a one-level segment used to segregate certain receipts and match these to specific outflows. It supports the creation of separate statutory funds and also allows budget entities to control and report on external financing from development partners for both recurrent and capital spending. Most government revenues will be allocated to one fund – the general fund. Consequently, this will be the default fund within the accounting system. Where other funds are required, generally within the development fund, structures will be put in place to properly record the receipts and payments for each fund. Funds are divided by whether they are sourced domestically or externally and then by grants and loans. Each development partner (or sourced fund provider) has its own fund codes.

Economic – a four-level segment and the main link between budgeting and accounting. Level 1 denotes the class of the segment, e.g. assets, liabilities, revenues or expenses. Level 2 is the object code, the level at which the budget is controlled. Level 3 is an intermediate reporting level used to produce additional consolidated reports for groups of accounts. Level 4 is the level of the posting account, the most detailed level required in Grenada.

Function – a segment based on the Classification of the Functions of Government (CoFoG). This segment is also derived through a mapping table which is defined according to the

organizational, program and project segments. It is used to capture information about the sector and sub-sectors where expenditures are made.

8.4 Relationship to GFSM 2001/2014 and the Primary Reports of Government

Developed by the IMF, the Government Financial Statistics Manual (GFSM) provides a uniform way to classify government financial stocks and flows. While it is an accrual-based structure, it is readily applicable to all countries irrespective of whether they report on a cash, modified accrual or full accrual basis.

Designing a country's new CoA according to GFS 2001/2014 is a useful way of providing a format for producing the major reports required in budgeting and accounting, including: reporting against the government budget, a fiscal balance report, and a cash based financial statement which also accords with international public sector accounting standards (IPSAS).

The Structure of the Economic Segment and Reporting

24. Revenue

25. Expenses

26. Non-Financial Assets

27. Financial Assets

28. Liabilities

The above overall structure of the CoA provides the best match with the major reporting requirements of Grenada. In developing a well-formulated government budget, Grenada first estimates its revenues, and then develops a plan for its recurrent (expenses) and capital spending (non-financial assets). This is represented by the first three classes in the above diagram and will allow the calculation of the government's surplus or deficit (coverage of revenues over recurrent and capital spending). Grenada finances its deficit (or uses its surplus) through consumption of its financial assets (e.g. cash in bank) or through borrowing. Thus, when we add these two classes (as per the diagram) the above format of the economic segment is effectively also the structure of the government's budget. It is also the structure of the fiscal balance report – where a country tracks its performance against its surplus or deficit targets – and also provides the basis for a cash flow financial statement, which is structured with the components: operating (revenues and expenses), investing (non-financial assets) and financing cash flows (financial assets and liabilities). A cash flow financial statement will be onwards.

8.5 Relationship between the Old CoA and the New CoA

As indicated above, the new structure of the CoA enhances capacity to report against the budget and to produce financial statements in accordance with international standards. This represents an improvement over the old CoA which did not fulfil many of the principles in CoA design mentioned above.

A major structural change from the old CoA is the requirement to now code all projects according to the economic nature of the spending on that project. In the past budget items XXX

were used as a “catch all” mechanism for recording these expenditures. Thus a building project, a national celebration or a public awareness campaign would all be recorded against the same budget item. This approach undermines economic reporting and fiscal integrity. Going forward all spending on projects must be properly reported against the exact economic items which apply to that spending.

Budget Entity (Organization) Segment

The Budget Entity segment is set out in Table 8-3. This one-level two-digit segment defines the budget entity, usually a ministry or other organizational unit in government. Budget control occurs at this level and this is also referred to as the “Vote” in Grenada.

Figure 8-3: Coding of Organization Segment

Organization
Budget Entity/Vote (BB)
2 digits

Program Segment

The Program segment is a two-level seven-digit structure, as presented in Figure 8-4. The first sub-segment of five digits defines the program, with the final two digits used to define the project. Within each budget entity there is at least one administrative program, which is always designated by the number 00001. All other programs have a unique number. Programs can be broken down into sub-programs and activities although this option is not currently in use.

Figure 8-4: Coding of Program Segment

Program
Program (PPPPP)
Project (pp)
7 digits

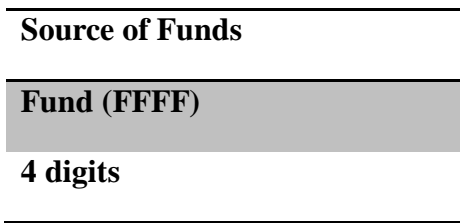
The project is a subcomponent of the program segment, represented by the sixth and seventh digits. This segment is used to **allocate a unique number** or identifier to each project that government has committed to. These projects may be funded by internal or external sources through development partners or a Public Private Partnership (PPP), or reflect a combination of internal and external funding. It is also possible for projects to have multiple sources of external financing and to be both externally and domestically financed. Projects will generally represent a single, defined, time-based intervention by government, e.g. building a specific road or building,

running a health campaign. This segment allows each project budget to be defined, financing to be quarantined, and for the accounting system to provide specific reports for each project separately (or collectively if required). Where required, this segment can be expanded to allow projects to be further broken down into components (or even sub-components).

Source of Funds Segment

This is a four-digit segment that captures information and reports on specific sources of funding, including those grants or loans provided by Grenada’s development partners. The structure of the segment is presented in Figure 8-5. Government activities funded from the government’s own sources of revenue, are defined as being part of the general fund and will be recorded using the default code “0000” which designates the general fund. Numbers from 0001 to 1999 are for domestic sources of project funding, both grants and loans. Loans from external sources are numbered from 2000 to 2999, while grants from external sources are numbered from 8000 to 8999. It is important to note that the SoF segment applies to both the recurrent and capital budget.

Figure 8-5: Coding Structure of Source of Funds Segment:



Economic Segment

This four-level five-digit segment captures information on the economic nature of transactions, e.g. what money is spent on or received for. The structure of the segment is presented in Figure 8-6. The structure of the classification is based on GFSM 2001/2014 and has a strong alignment to generally accepted accounting concepts. This structure allows budget monitoring, detailed analysis within each ministry and department, and aggregate analysis for fiscal reporting, analysis and forecasting. Level 1 represents the economic class, whether this is an asset, liability, revenue or expense. Level 2 is the object code, the level at which the budget is controlled and reported. Level 4 is the posting level, which allows transactions to be recorded at a detailed level to improve management control and analysis. Level 3 is in intermediate reporting level, which groups some accounts for the purposes of specific reports required by different decision makers.

Figure 8-6: Coding Structure of Economic Segment:

Economic
Class (C)
Object (OO)
Intermediate Reporting Level (I)
Account (AA)
5 digits

It is very important that each user of the CoA becomes very familiar with these accounts, and ensures they are used correctly. The quality of fiscal data is dependent on the accuracy of the recording of transactions. Where use of the accounts could be open to interpretation, more detailed explanations of the purpose and general use of the accounts has been included. In the event that uncertainty exists regarding which account to use, contact Senior Official of the Accountant General's Department.

Codes described as Other – In developing this CoA, a balance was sought between providing sufficient detail for analysis without making the segment too lengthy. Thus in some cases, the final account within a specific group of accounts will include an “other” code. Other(s) is to be used only where the accounts listed immediately prior to this account are not applicable. This is not to be seen as the first choice in recording transactions. The AGD will closely monitor the use of “other” and may withhold payments where incorrect coding has been used.

The general structure of the new segment is presented in more detail below. A full set of accounts is provided at Appendix B, including mapping to GFSM 2001/2014. A table showing mapping of the old accounts to the new structure is at Appendix C.

Use of Revenue Accounts

Revenues can be defined as an increase in net worth of an entity resulting from a transaction. This definition, therefore, excludes cash received from borrowing and the sale of non-financial assets, as neither increase the net worth of the (entity) government.

The major sources of revenue for Grenada is through taxation and royalties. Grenada also receives grant revenues from external sources such as bilateral and multilateral development partners. Further revenue is collected from the imposition of fees and charges, and from the sale of some goods and services, both by government market-based entities (such as sale of products or medical services and through the rental of buildings and equipment) and as a result of some incidental sales, such as for publications. Interest earned on investments or dividends paid by government-owned entities is also treated as revenues, as is any money collected for fines or forfeitures.

Rent – the leasing of land or rights to subsoil assets is treated as rent (property income) and is coded to 14105. The rental of buildings and equipment which are produced assets is different from the rental of land, and should be coded to the relevant five-digit (posting code) under the intermediate codes for rental of buildings, 14106 and 14208 and 14209 for rental of equipment. Where government is paying rent as distinct from receiving rent as income, this is to be recorded as an expense, which is Class 2, under the three-digit object code 227.

Refunds of Revenue – A refund of revenue is to be recorded as a debit to the original revenue account. For example, a refund of VAT would also be coded to the VAT collection account, 11402. This will ensure that the actual receipts are reported at the end of the period.

Receipts from loans are to be recorded under Class 5, liabilities as a credit entry, with the double entry to debit the bank account, Financial Assets, which is Class 4. Repayment of the principal will also be recorded here but, in this case, as a debit to liabilities (for examples of these transactions please refer to Appendix A).

The sale of assets, including non-financial assets such as land and buildings, and financial assets such as shares or other ownership of enterprises, is to be recorded as a credit to the respective Class 3 or 4 asset accounts. The debit entry will be to Class 4, financial assets. For examples of these transactions please refer to Appendix A.

Voluntary transfers other than grants would not be frequently used, but could involve funds received by bequeath from an estate or from the business community. An example would be where the business community pays certain obligations on behalf of government such as subsidies to airlines.

Guidance Notes on the use of Expense Accounts

An expense is a decrease in net worth of the entity through a transaction. Net Worth is a simply the difference between assets and liabilities on the balance sheet. At this time (under modified cash accounting), only financial assets and liabilities are recorded on the balance sheet. Figure 8-7 shows a full accrual balance sheet as per IPSAS as well as those items included on the balance sheet under the current modified cash approach used in Grenada (those items highlighted in blue). Hence, any transaction that results in a reduction in financial assets (cash) or an increase in a liability (account payable) results in a reduction in net worth and is thus recorded as an expense. This includes both recurrent expenses (object codes with first digit 2) as well as the acquisition of non-financial assets (object codes with first digit 3). In future, once the stock of all non-financial assets are also recorded in the ledger, the purchase of a non-financial asset will not result in a change in net worth (the increase in non-financial assets will be offset by a reduction in financial assets). In this future accrual accounting scenario, the acquisition of assets, such as buildings and vehicles or the repayment of a loan, does not change Grenada's net worth. Transactions in these classes are not expenses. As the value of most non-financial assets decrease over time, this reduces net worth and is recorded as an expense – depreciation expense

Figure 8-7: Modified Cash versus Accrual Balance Sheet
(items highlighted in blue are included in modified cash balance sheet)

Public Sector Entity—Statement of Financial Position

As at December 31, 20X2

(in thousands of currency units)

	20X2	20X1
ASSETS		
Current assets		
Cash and cash equivalents	X	X
Receivables	X	X
inventories	X	X
Prepayments	X	X
Other current assets	X	X
	<hr/>	<hr/>
	X	X
Non-current assets		
Receivables	X	X
investments in associates	X	X
Other financial assets	X	X
Infrastructure, plant and equipment	X	X
Land and buildings	X	X
Intangible assets	X	X
Other non-financial assets	X	X
	<hr/>	<hr/>
	X	X
	<hr/>	<hr/>
Total assets	X	X
LIABILITIES		
Current liabilities		
Payables	X	X
Short-term borrowings	X	X
Current portion of long-term borrowings	X	X
Short-term provisions	X	X
Employee benefits	X	X
Superannuation	X	X
	<hr/>	<hr/>
	X	X
Non-current liabilities		
Payables	X	X
Long-term borrowings	X	X
Long-term provisions	X	X
Employee benefits	X	X
Superannuation	X	X
	<hr/>	<hr/>
	X	X
Total liabilities	<hr/>	<hr/>
	X	X
Net assets	<hr/>	<hr/>
	X	X
NET ASSETS/EQUITY		
Capital contributed by		
Other government entities	X	X
Reserves	X	X
Accumulated surpluses/(deficits)	X	X
Minority interest	X	X
Total net assets/equity	<hr/>	<hr/>
	X	X

This class of the economic segment section largely represents the recurrent or operating budget of the government as well as the capital budget. Thus for this class, the object code also represents the level at which Parliament appropriates funds.

In the course a budget year, an Accountable Officer may request for funds appropriated under a programme within a vote to be moved to another programme (Virement controls) to meet exigencies of the service, without increasing the overall appropriation, and overall expenses.. (sec. 36, PFMA2015).

Social Contributions versus Social Benefits. The object code “Social Contributions” only relates to that component of the contribution to an employee’s social or pension fund made by the employer, in this case the government. This is treated as an additional component of employee compensation under object code 215. Any contribution made by the employee is made from their gross salary and is normally paid through the process of a deduction. Thus, employee contributions are recorded as part of salary or wages under object codes 211, 212, or 213 depending on the specific category of their employment (e.g. salary, wage or contract employee). Any payments for actual pensions, or other employment-related social benefits, e.g. gratuities, are not part of employee compensation but are treated as a social benefit, under object code 271, Employer Social Benefits.

Contracted Employees versus Consultancies. While the distinction between consultants and contracted employees may not always be clear, in general, the following principles would apply: a contracted employee (213) has a fixed-term contract to undertake a recurring role on behalf of the government. This role may also involve undertaking an official capacity for the government. The official may be entitled to similar employee benefits that accrue to a salaried employee such as holiday and sick leave, and be subject to income tax. A doctor contracted to deliver health services for a 12-month period would be classified under professional services and coded to 213. A consultant would be employed to deliver a specific service to the government, most likely one-off, and with a definably output (e.g. a report) within a specific timeframe. The consultant would not be acting in an official capacity for the government and should be coded to object code 228, which is under goods and services. A environmental specialist or legal specialist contracted to prepare a report on a conservation issue or work on new piece of legislation respectively, would be classified as a consultant and coded to 228.

Interest Charges. Domestic and foreign interest charges for loans represent an expense and should be coded to 241, foreign, or 242, domestic interest, respectively.

Subsidies. A subsidy is a transfer from the government to a business enterprise, whether it is a government business or privately owned. Payments made to airlines to secure flights to Grenada would be classified as a subsidy.

Grants. Grants and Contributions are generally considered unrequittable, i.e. the funds are transferred and are not repaid. Grants can be made to international organisations such as PAHO, UN, or FAO (26104), other countries, e.g. to provide support following a natural disaster (26102), or to other government units such as schools or the social fund (262). These must be recorded according to the recipient. Where grants are provided to non-government organisations such as a community based organization they should be coded under 26202 or 26203. GFSM

2001/2014 classifies grants to NGOs as an “Other Expense” and not a grant, but for the purposes of simplicity that distinction will not be made in Grenada and this variation captured through mapping to GFSM..

Social Benefits. These are generally transfers to individuals or households for some type of social protection. This could include pensions paid to citizens and retired officials and one-off payments such as emergency relief. Any employee-related benefit, which is similar to a social benefit, would be coded here under object code 271. This would include any support provided to retired members of Parliament, such as medical fees or funeral benefits.

Supplies and Materials. Even though some items such as tools, equipment and furniture may have a useful life of more than one year, it is common practice to record certain low value items in the expense class. Any single items purchased under the threshold of EC\$5,000.00 would be recorded as an expense, and not as an asset.

Minor Maintenance. It is important to distinguish between minor maintenance and repairs of government assets (226), and major maintenance and repairs which will improve the value and life of the asset. Minor maintenance involves incidental costs, which are relatively small in value, and which tend to recur periodically. Where the value of the repair work to an asset is below EC\$5,000.00, it should be classified as minor maintenance. The ongoing servicing of a motor vehicle represents minor repairs, whereas replacing the engine could be a major repair if it exceeds the threshold.

Where major maintenance takes place, it should be capitalised in the same way the costs involved in acquiring a new asset would be capitalized. All of these costs should be allocated to the respective non-financial asset code in Class 3. For example, if a new government office or residential building is constructed, all of the planning costs, design, labour, materials and other expenses associated with creating the building would be coded as 31101 and 31102. School Buildings will fall under code 312, Health Facilities under code 313, other public buildings code 314.

Assets

An asset is something which is under the control of the reporting entity and from which economic benefits may be derived by the entity by holding them or using them over a period of time⁷. Financial assets largely consist of financial claims such as bank deposits, shares and other equity, and accounts receivable. Cash on hand and other cash equivalents would also be considered financial assets. Financial assets are divided into domestic and foreign. These codes are reserved for use by the AGD only.

An asset can be defined as something that is under the control of the reporting entity and from which economic benefits may be derived by the entity by holding them or using them over a period of time⁸. Financial assets largely consist of financial claims such as bank deposits, shares and other equity, and accounts receivable. Cash on hand and other cash equivalents would also

⁷ IMF's GFSM manual – The Balance Sheet

⁸ IMF's GFSM manual – The Balance Sheet

be considered financial assets. Non-financial asset are all assets which are not financial assets. In Grenada, non-financial assets consist largely of produced assets such as buildings, vehicles, equipment and inventory, and non-produced assets such as land.

Acquisition of Non-financial Assets

Prior to the time at which the stock of non-financial assets is recorded in the general ledger, acquisitions of non-financial assets will be recorded as an expense. Figure 8-8 presents the object codes that are used to record these “capital” expenses.

Figure 8-8: Coding Structure of Non-financial Assets Segment:

3	Non-Financial Assets
31	Fixed Assets
311	Buildings
32	Other Structures
320	Other Structures, Roads, Streets & Highways, etc.
34	Non-Produced Assets
341	Land
342	Other Naturally Occurring Assets

In government, and generally in accounting, an asset threshold is determined below which assets are immediately treated as a recurrent expense, largely reflecting the low economic value which would accrue from such items. Another way to think about these lower value items is that it is reasonable to expect a budget entity to fund these from its recurrent budget without needing recourse to a capital allocation. In Grenada, the threshold is 5,000XCD. This means any single item which does not cost more than the threshold would be recorded as an recurrent expense at the time the transaction occurs.

Capitalization of Expenditures Consumed in Creating an Asset. Where Grenada produces an asset, e.g. a building or structure such as a road, all of the expenditures incurred in producing that asset should be capitalised, i.e. recorded against the respective acquisition of non-financial asset code. Such will include Planning and Design costs, Direct Material costs, Renovation costs that will prolong the life of the Asset, Support Staff Wages directly relating to those activities lend themselves to capitalization.

Capital Repairs. Capital repairs are those repairs that increase the value and life of a produced asset. Any repairs which are below the asset threshold should be recorded as minor repairs under maintenance services (226).

Consumption of Inventory. Under the current modified cash accounting regime, acquisition of inventory will be expensed at the time that the inventory is purchased. In future, when the value (stock) of such inventory is tracked as an asset on the balance sheet, inventory will be expensed at the time that it is sold, used or consumed.

Other Naturally Occuring Assets. This would largely relate to subsoil assets such as minerals, including sand.

Depreciation. At this time, Grenada is not depreciating its non-financial assets.

Financial Assets

The categorisation and codes used for recording financial assets is reflected in Figure 8-9. At this stage, under the modified cash accounting policy in effect in Grenada, the stock of financial liabilities is recorded on the general ledger. This means that new borrowing is not recorded as a revenue (it does not increase net worth) and repayment of loan principal is not recorded as an expense (as this does not decrease net worth). Both new borrowing and debt principal repayment are “balance sheet transactions”, where an increase or decrease in an asset is equally offset by a decrease or increase in liability and thus has no impact on net worth of the GoG.

Figure 8-9: Coding Structure of Financial Assets Segment:

4	Financial Assets
41	Domestic Financial Assets
411	Currency/Deposits
412	Trust Accounts
414	Shares and Other Equity
418	Accounts Receivable
42	Foreign Financial Assets
421	Currency and Deposits
424	Loans to Foreign Institutions
428	Accounts Receivable - Foreign Institutions

In government accounting it is useful to distinguish between financial and non financial assets. While in the private sector, the normal approach is to focus on current and non-current assets, in government we generally have two major categories of spending – recurrent and capital. These represent the outlays of the budget and are termed “above the line”.

Liabilities

A liability occurs when a financial claim against Grenada occurs. This would normally present in two forms. When Grenada borrows money it incurs a liability for the repayment of the loan. A liability is also created when Grenada receives goods or services based on an agreement (frequently a contract/purchase order). Payment for the goods and services will be required within a given period, but the liability has been incurred at the time the goods and services are received and correctly rendered invoice were received. Figure 8-10 sets out the coding of the liability segment. Liabilities are further broken down into domestic and foreign. These codes are reserved for use by the AGD only.

Figure 8-10: Coding Structure of Liabilities Segment

5	Liabilities
51	Domestic Liabilities
511	Currency and Deposits
513	Bonds and Treasury Bills
514	Loans (Creditors)
517	Accounts Payables-Financial Derivatives-Debentures
518	Accounts Payables-Deductions
52	Foreign Liabilities
521	Currency and Deposits
523	Securities other than Shares (Bonds)
528	Accounts Payables – Foreign Govt/ Institutions

Functional Segment

The functional segment is a three-level five-digit structure used to review expenditures by sector and subsector. The coding structure is set out in Figure 8-11. It is based on the GFS 2001/2014 Classifications of the Functions of Government (CoFoG). Reports by function will be derived through a mapping table based on organizational and program segments, including at the project

level. Thus, there is no requirement for these to be explicitly coded when recording transactions in the accounting system.

Figure 8-11: Coding Structure of Function Segment

Function
Division (DDD)
Group (G)
Class (C)
5 digits

CHAPTER 9. REVENUE AND OTHER RECEIPTS

In accordance with the PFM Act (s.30) all public money that is received by the government shall be paid into the Consolidated Fund and may be paid out of the Consolidated Fund for that purpose. Revenue includes all taxes, tolls, imports duties, levies, rates, fees, penalties, royalties, surcharges, forfeitures, rents and dues, proceeds of sale, repayment of loans, and all other receipts of the Government from whatever sources arising, over which Parliament has the power of appropriation.

All Accountable Officers of all government entities are responsible for the accurate and timely recording of revenues in accordance with the accounting policies in effect and procedures set out by the Accountant General.

9.1 Procedures For Collection of Revenue

Most Ministries and departments and many individuals handle cash and cash equivalent across the Government of Grenada. Strong internal controls are necessary to prevent mishandling of funds and to protect employees from inappropriate charges of mishandling funds. The procedures in this manual are intended to provide Ministries, departments and individuals with the necessary information and tools to facilitate the establishment of strong internal controls related to cash handling.

Internal Control over Revenue

All revenue shall be collected according to the PFM Law, the PFM Regulation and this manual.

Accountable Officers shall ensure that there is segregation of duties as required at any cash collection point, and specifically require that an individual should not have responsibility for more than one of the cash handling components: collecting, depositing and reconciling.

Cash Collection Points

The collection and controlling of cash should be centralized in one location; however it is not always possible or practical. As a result, cash is handled by many points and cash handling procedures must be followed in the collection, recording, safekeeping and deposit of public money.

Establishment of a new cash collection point must be approved by the Accountant General.

9.2 Steps in the Cash Collection Procedure

The basic steps for receiving revenue in the form of cash are:

<i>Steps</i>	<i>Actions</i>
•	Collect amount from payer,
•	Complete “pleased to receive form”,
•	Record receipt in SmartStream,
•	Issue payee with receipt;
•	Complete daily reconciliation,
•	Transfer cash to CF bank.

Each of these steps is further elaborated below:

Step 1: Receive the Cash, Negotiable Instrument or Electronic Payment

Receipt in Legal Tender

The Eastern Caribbean Dollar is the official currency for exchange and accounting in Grenada and therefore the primary currency for revenue collection and payments.

Every collector of revenue or a receiver of revenue shall accept payment or part payment in legal tender. Before accepting payment or part payment in notes or coins that are legal tender, a collector of revenue or a receiver of revenue shall examine the notes or coins to determine whether they are damaged or incomplete to such an extent as to be unacceptable and shall perform the checks required by the Accountant General to ascertain whether the notes or coins are counterfeit. No collector of revenue or a receiver of revenue shall accept in payment or part payment a note or coin that is damaged or incomplete or that he or she has reason to believe may be counterfeit.

A collector of revenue or a receiver of revenue shall accept payment or part payment at face value in notes that are legal tender of the United States of America for the amount in those notes as would be the equivalent of the amount prescribed in Eastern Caribbean dollars had the notes

been exchanged by the Government's principal banker into Eastern Caribbean dollars, including any commission payable to the banker.

Before accepting payment or part payment in notes that are legal tender of the United States of America, a collector of revenue or a receiver of revenue shall examine the notes to determine whether they are damaged or incomplete to such an extent as to be unacceptable and perform the checks required by the Accountant General to ascertain whether the notes are counterfeit. No collector of revenue or receiver of revenue shall accept in payment or part payment a note that is damaged or incomplete or that he or she has reason to believe may be counterfeit.

Where a person makes payment in a currency other than legal tender, the collector of revenue or receiver of revenue may make change in legal tender. Otherwise, a collector of revenue or a receiver of revenue shall not substitute, or permit any person to substitute, notes or coins in the currency received by or on behalf of the Government for notes or coins of another currency.

Receipt of Cheques and Other Negotiable Instruments

A collector of revenue or receiver of revenue may accept payment or part payment by negotiable instrument, if it is made payable to the Accountant General, to the Government or to a payee that the bank, into which the negotiable instrument is to be deposited, treats as equivalent to the Accountant General or the Government. Acceptable negotiable instrument are:

29. a personal cheque that is drawn on a bank in Grenada by a person whose name is not on the most current list referred to in regulation 179 (2);
30. a certified cheque drawn on a bank within or outside Grenada;
31. a banker's draft or manager's cheque drawn on a bank within or outside Grenada;
32. an international postal note from outside Grenada or a postal order or money order from the Post Office of Grenada or of the United Kingdom, the United States of America, Canada or a member or associate member of the Organization of Eastern Caribbean States; or
33. a traveller's cheque; and

Every person who tenders a negotiable instrument in payment or part payment, shall be required to presents photographic evidence of identity satisfactory to the collector of revenue or receiver of revenue and furnishes information, such as local address, permanent address, telephone number, passport information or particulars of the driver's licence of the person.

The Accountant General shall make and maintain a list on the system comprising the names of persons from whom no personal cheque, other than a certified personal cheque, shall be accepted in payment or part payment to the Government. No cheque shall be received from any person on that list.

Every collector of revenue or receiver of revenue shall, immediately upon receipt, cross every cheque received in payment to or on behalf of the Government by putting two parallel transverse lines across the face of the cheque.

Where a cheque given in payment to the Government is deposited in a Government bank account operated directly by the Accountant General and dishonoured on presentation for payment by reason of insufficient funds or any other reason, the Accountant General shall without unreasonable delay:

34. advise the person who gave the cheque that it has been dishonoured on presentation for payment and give particulars of the cheque and the reason for dishonour and demand payment (including resultant charges as prescribed in the regulation);
35. take reasonable steps to determine the responsibility, if any, of the collector of revenue or receiver of revenue or his or her delegate who accepted the cheque; and
36. take reasonable steps to collect the amount of the dishonoured cheque and any fee and other charges related to the dishonoured cheque.
- 37.

Dishonored Cheques

Where a cheque given in payment to the Government is deposited in a Government bank account operated by an Accountable Officer and dishonoured upon presentation for payment by reason of insufficient funds or any other reason, the Accountable Officer shall without unreasonable delay:

38. give notice to the Accountant General that the cheque has been dishonoured on presentation for payment, accompanied by particulars of the name and contact information of the person who presented the cheque and particulars of the cheque and the reason for dishonour;
39. advise the person who gave the cheque that it has been dishonoured on presentation for payment and give particulars of the cheque and the reason for dishonour and demand payment;
40. take steps to determine the responsibility, if any, of the collector of revenue or the receiver of revenue or his or her delegate who accepted the cheque; and
41. take steps to collect the amount of the dishonoured cheque and any fee and charges relating to the dishonoured cheque.

In addition to any bank charges directly related to the dishonoured cheque and the face value of the dishonoured cheque, a person who pays a cheque to the Government which gets dishonoured upon presentation for payment shall pay to the Government a fee of one point five percent of the value of the cheque or one hundred dollars, whichever is higher.

No public officer shall cash a cheque for any person, whether or not the person is a public officer, using cash that is public money.

Electronic and Credit/Debit Card Receipts

A collector of revenue or receiver of revenue may accept payment to the Government by direct debit, credit card or other similar means, in such circumstances and on such conditions as the Accountant General considers appropriate.

Step 2: Complete the “Pleased to Receive” voucher form

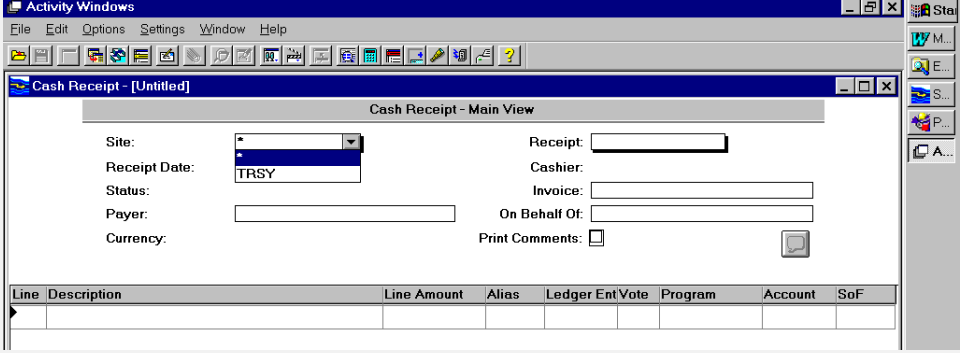
Complete and keep the “pleased to Receive” voucher forms, which are available from the Accountant General’s Department (and shown here below).

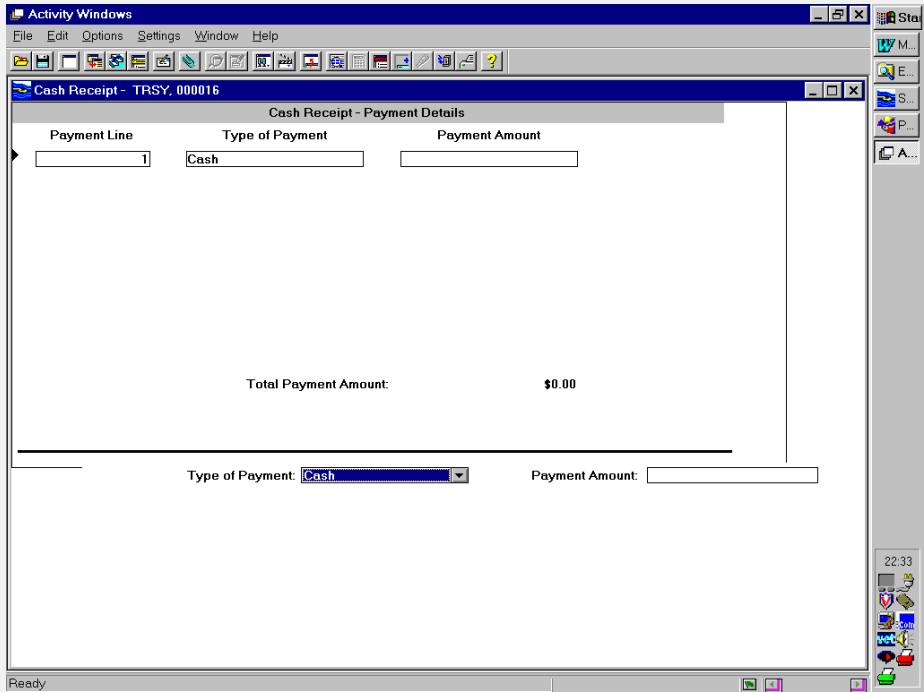
FORM A.]	GRENADA	RULE 54j
Head of Receipt No.		{ Voucher }
Subhead		{ No. }
TO THE ACCOUNTANT GENERAL		
Please to receive the sum of		
	dollars and	cents being
Description of payment		
\$.....	<i>Signature or</i> <i>Mark of Payer</i> } <i>Witness to Mark</i>	
Date	20.....	

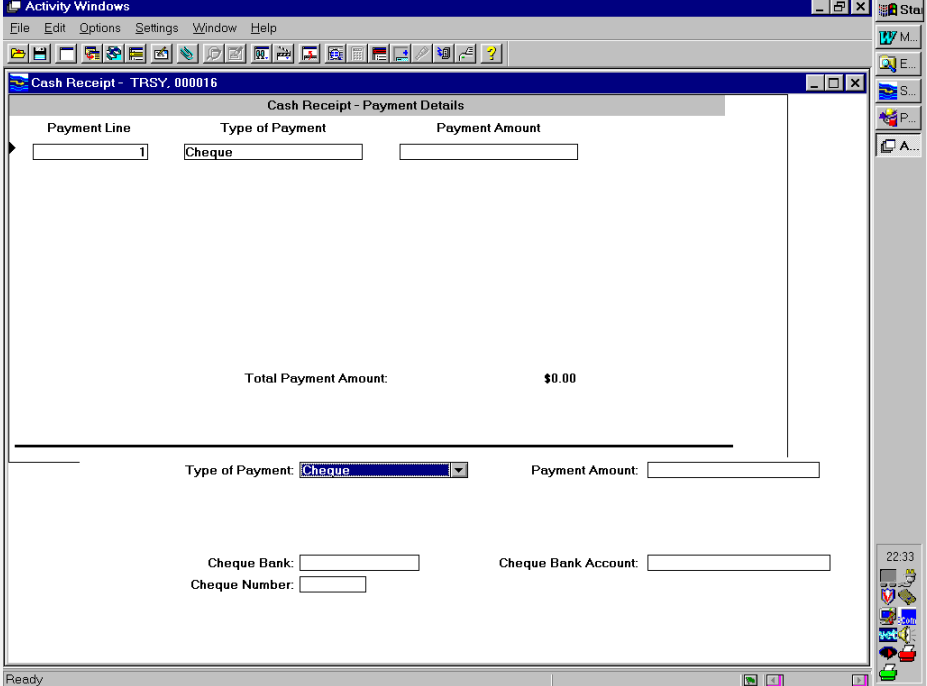
Many collectors of revenue in the Government of Grenada have direct access to SmartStream, enabling them to record receipts as and when they are collected. However, there are some sites where access to SmartStream is not available and thus cannot be entered into the system immediately but rather they are required to be entered periodically at a site that has access to SmartStream (see Step 6 below).

The procedure for entering receipts into SmartStream is as follows:

63

	
<ul style="list-style-type: none"> • 	<p><i>Enter data in the cash receipt window as follows:</i></p> <ul style="list-style-type: none"> • Select your site from the drop down list. Only sites to which you have been given security are available for you to select • Use the tab key to move to the receipt number field and press <F3>. The next available receipt number will be created for you. • The date, your cashier id and receipt status will be entered for you and cannot be changed • Tab to access the invoice field. Use this field to enter imprest and advance number in this format ADV#012/2003 or IMP#020/2003 when required. • Tab to access the payer field. Enter name of the individual/organization making the payment • Tab to the on behalf of field. If the payer is making this payment on behalf of a 3rd party, enter the details of the 3rd party here • Tab to the print comments check box. If you are likely to enter comments you wish to appear on the printed invoice, check this box • Tab to the line description. Enter a description of what the payment is being made for (as represented by the accounting distribution). This description is printed on the cash receipt • Tab to the line amount. Enter the amount represented by the accounting distribution. If the amount is a whole dollar amount, you do not need to enter .00. If the amount is not a whole dollar amount, be sure to include the decimal point, e.g. 14.57. Do not enter \$ signs • Tab to the alias field. If there is an alias code available for the udak combination, use the Browse icon (torch) to search or directly enter. If not using alias codes, leave this field blank • Tab to the ledger entity field. Enter a valid ledger entity, if it has not already been defaulted in

	<ul style="list-style-type: none"> • Tab to the vote field. Enter a valid vote, or use the browse icon (torch) to locate it for you • Tab to the program field. Enter a valid program, or use the browse icon (torch) to locate it for you • Tab to the account field. Enter a valid account, or use the browse icon (torch) to locate it for you • Tab to the SoF field. Enter a valid SoF, or use the browse icon (torch) to locate it for you
•	Hit <enter> to add a new line, and repeat from line description down.
•	<p>Select the type of payment - cash, cheque, foreign cheque, credit card or bank advice. As you select each payment method, the lower portion of the screen will change. Each display is shown below</p> <p>Cash:</p>  <p>Cheque:</p>

	 <p>Similar screens are available for credit card, foreign check and bank advice.</p>
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Tab to the payment amount. Enter the breakdown represented by the payment type. If it is a whole dollar amount, you do not need to enter .00. For an amount represented by dollars and cents, remember to include the decimal point, e.g. 14.37. Do not enter \$ signs. • Tab between other fields as applicable to the payment type. For the following payment types, certain fields are compulsory: • Cheque - cheque bank and cheque number • Credit Card - card type, card number, card name, card expiry • Foreign Cheque - foreign cheque bank, foreign cheque number • Bank Advice - bank advice bank, bank advice bank account <p>Refer the cash receipting user guide for more information</p> <p>NOTE: the total payment amount (payment details view) and total amount (main view) MUST match, or the receipt cannot be saved.</p>
<ul style="list-style-type: none"> • 	<p>Switch to the <i>line detail view</i>. This view allows you to scroll between the lines entered on the main view, and enter additional description information. Also, you can check the print line comments indicator to increase the amount of description printed on the physical receipt. Note that the receipt must have been saved before you can enter comments. This view is shown</p>

below:

Cash Receipt - TRSY. 000016

Cash Receipt - Line Detail

Cash Receipt Line Number: 1

Description: Passport Stamp Duty

Line Amount: \$50.00

☐ Print Line Comment Indicator

☒ Comments

Ready

Step 4: Issue Payment Receipt

By law, a receipt shall be issued to the payer of each revenue transaction. The key requirement is that every receipt shall be in such form as the Accountant General prescribes. The Accountant General may prescribe a pre-printed form intended for manual use and a different form intended for generation by the system. By Law, every receipt under shall include:

42. the amount paid;
43. a statement describing the nature of the payment; and
44. the section and the Act or other legal authority authorizing the collection of revenue,
45. the signature of the collector of revenue or other public officer giving the receipt, noting however that the use of an electronic signature for the Comptroller of Customs or the Comptroller of Revenue on electronic receipts shall be sufficient.

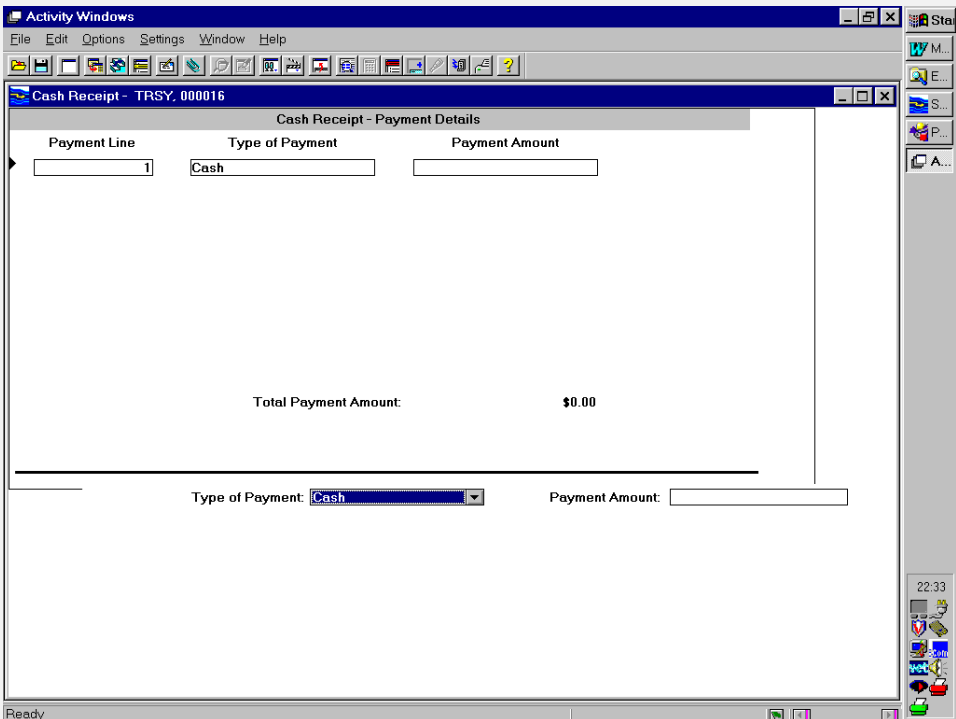
Issuing of a Pre-Printed Receipt

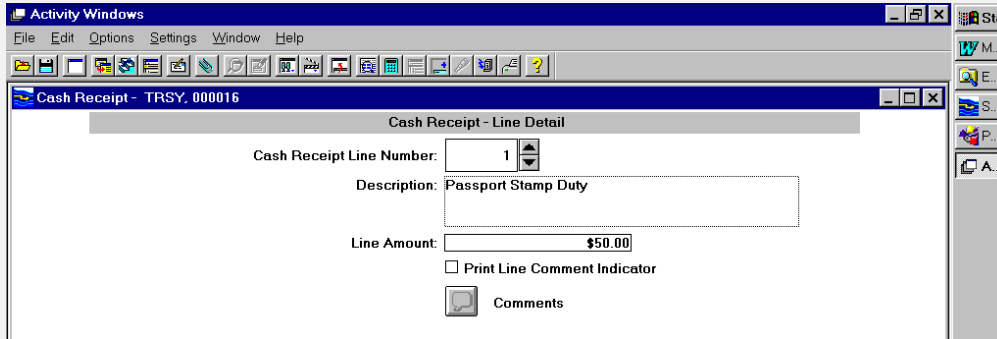
For those collectors of government revenue, who do not have direct access to SmartStream for the printing of a receipt and/or production of a system generated receipt is not practical, receipts shall be issued from a printed receipt book.

Part X, division 3 of the PFM Regulation contains detailed requirements for the production, recording, keeping, returning and reporting of receipt books. There are two different types of receipt books, those for fixed amounts and those for variable amounts.

Issuing of an System-Generated Receipt

Take the following steps to record and produce a receipt in SmartStream:

<i>Steps</i>	<i>Actions</i>
<ul style="list-style-type: none"> • 	<p>Switch to the payment detail view. Information must be entered on this view to complete the cash receipt.</p>
<ul style="list-style-type: none"> • 	<p>Select the type of payment - cash, cheque, foreign cheque, credit/debit card or bank advice. As you select each payment method, the lower portion of the screen will change. Each display is shown below Cash, cheque, foreign cheque, credit/debit card or bank advice</p> 
<ul style="list-style-type: none"> • 	<p>Tab to the payment amount. Enter the breakdown represented by the payment type. If it is a whole dollar amount, you do not need to enter .00. For an amount represented by dollars and cents, remember to include the decimal point, e.g. 14.37. Do not enter \$ signs.</p>
<ul style="list-style-type: none"> • 	<p>Tab to the payment amount. Enter the breakdown represented by the payment type. If it is a whole dollar amount, you do not need to enter .00.</p>

	For an amount represented by dollars and cents, remember to include the decimal point, e.g. 14.37. Do not enter \$ signs.
•	<p>Tab between other fields as applicable to the payment type. For the following payment types, certain fields are compulsory:</p> <ul style="list-style-type: none"> • Cheque - cheque bank and cheque number • Credit/Debit Card - card type, card number, card name, card expiry • Foreign Cheque - foreign cheque bank, foreign cheque number • Bank Advice - bank advice bank, bank advice bank account <p>NOTE: the total payment amount (payment details view) and total amount (main view) MUST match, or the receipt cannot be saved.</p>
•	<p>Switch to the line detail view. This view allows you to scroll between the lines entered on the main view, and enter additional description information. Also, you can check the print line comments indicator to increase the amount of description printed on the physical receipt. Note that the receipt must have been saved before you can enter comments. This view is shown below:</p> 
•	Switch to the accounting distribution view. This view allows you to display the accounting distributions and line amounts entered on the main view. If a large number of accounting distributions have to be entered, this view could be used as an alternative to the main view. This view is shown below:
•	Save and Issue the receipt. This action indicates that all entry for the receipt has been finished, and that the payment total amount matches the main view total amount. The receipt status will be changed from "Incomplete" to "Issued", and the receipt can no longer be edited (the only exception being comments - they can still be added or changed)

•	Print the receipt. This action will send the receipt information to the printer. Only receipts with a status of "Issued" can be printed. A printer dialog will be presented to allow you to nominate which printer you wish to use
•	After completing and printing the cash receipt, it shall be provided to the payer.

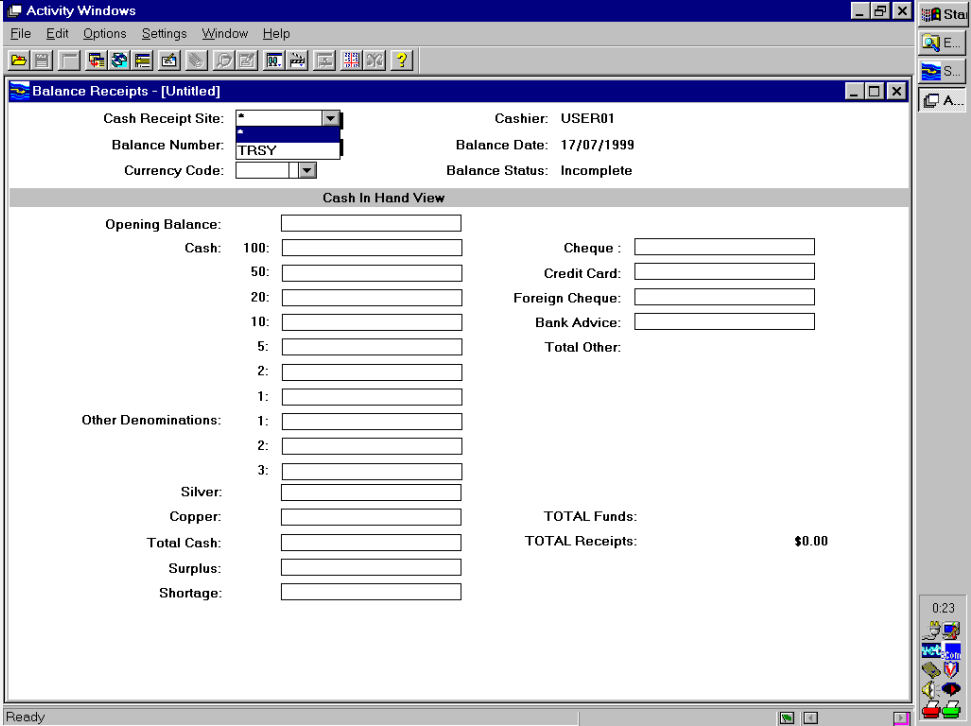
Step 5: End of Day Balancing

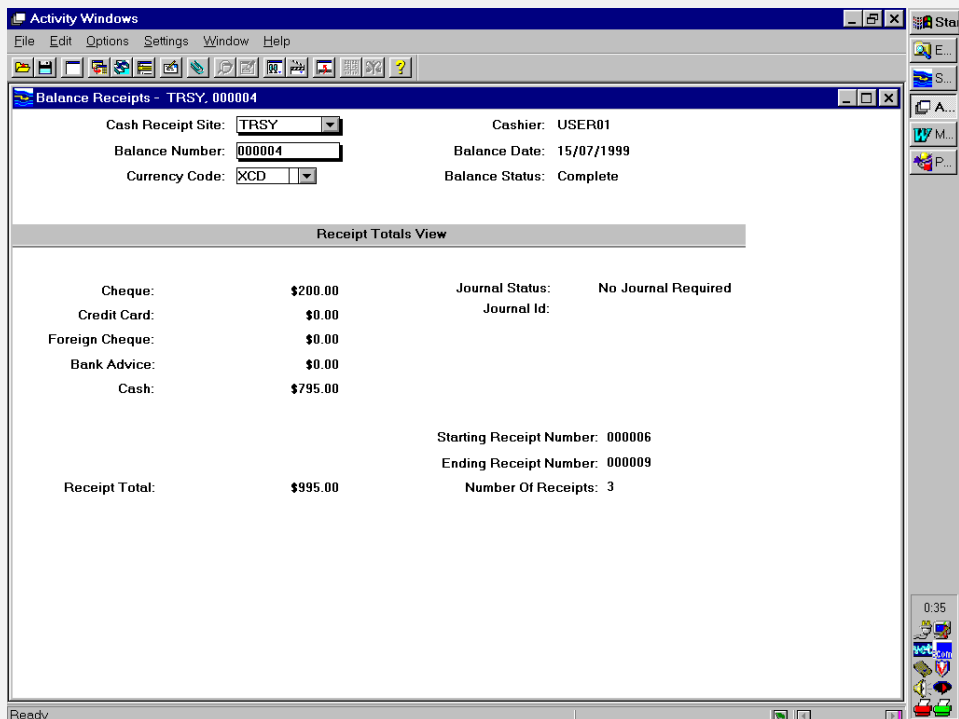
At the end of each day, each revenue collection point is required to reconcile that what has been collected reconciles with the receipts issued. The procedures for such reconciling end-of-day balances differ between those sites that have access to SmartStream and those which do not have direct access.

For Sites with SmartStream Access

At the end of day, each cashier shall reconcile that what has been received and entered on the receipts window is actually what you have received. Each cashier must balance their own receipts. You will use the balancing window for this function, the steps to complete this action in SmartStream are:

<i>Steps</i>	<i>Actions</i>
•	Double click the Balance Receipts activity to open it. You will be presented with the cash in hand view, as shown below:

	
<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Select your site from the drop down list. Only sites to which you have been given security are available for you to select • Use the tab key to move to the balance number field and press <F3>. The next available balance number will be created for you. • The date, your cashier id and balance status will be entered for you and cannot be changed • Tab to move into the main part of the screen. The left hand side is dedicated to cash; the right hand side of the screen is other payment methods. • Enter the total cash value by denomination. For example, if you had 8 \$100 notes, you would enter 800 in the "Hundreds" box. Use tab to move between fields • On the right hand side of the screen, enter the dollar value totals for the other payment types, for example, if you had received 3 cheques, 1 for \$100, 1 for \$70, and 1 for \$1400, you would enter 1570 in the cheques box.
<ul style="list-style-type: none"> • 	<p>When the Total Funds value equals the total receipts value, you can use the <i>balance action</i> to complete the balancing function. You can access this via the balance icon, or via the actions icon (clapperboard), or via right mouse click or via Options, Actions menu. If the balance is accepted, the balance status will be changed to "Balance Pending". If not, a message will be displayed indicating the cause of the problem (most likely that payment</p>

	types do not match, even though the overall total is correct.
•	<p>You can use the receipt totals view, as shown below to reveal what values the balancing function is expecting:</p> 
•	You can access this view via the receipt totals icon, or via the views icon (binoculars), or via right mouse click or via Options, Views menu
•	After balancing, you can use the balance detail report (Cash Receipting Reporting activity) to support the cash and cheques you present to your supervisor.

For Sites Without SmartStream Access

For those sites without access to SmartStream, the amounts collected shall be counted and the receipts issued shall be tallied. The two amounts should reconcile. Any variances between the two values should be closely investigated by the controller of each revenue point and adjustments made accordingly. Any irregularities should be reported to the Accountant General.

At the end of each day, or as soon as practical afterwards, the officer responsible for a revenue collection point shall travel to a site that has access to SmartStream to enter the transactions into SmartStream. Such entries may be grossed-up for recording purposes, with a daily total recorded for each revenue type. Such recording may occur prior to or shortly after cash is deposited in the bank according to step 6.

Step 6: Transfer Cash to CF Bank Account

At the end of each day, the balance of cash in a cashier's office shall be transferred to the Consolidated Fund bank account.

CHAPTER 10. GOVERNMENT EXPENDITURE

Under the *cash basis* of accounting, expenditure includes all payments for goods and services, materials and assets. Included in this category of transactions will also be payments relating to public debt (interest, loan amortisation and sinking funds), transfers to statutory entities, and grants and subsidies. Recording of expenditures involves appropriation accounting in most countries and is often classified as Recurrent or Capital.

Recurrent Expenditure refers to expenditures expected on a continuous basis to be incurred on goods and services necessary for Government to carry out its annual operations. It embraces all expenditures expected to be incurred during the Government's normal day-to-day operations from one financial year to another, to enable it to carry out its public service programmes. Recurrent expenditure includes salaries and wages, employers' contribution to national insurance, rents, and supply of consumable goods, maintenance, and other operating expenses.

Capital Expenditure refers to expenditures incurred in respect of the development of the infrastructure of the country, the purchase of plant, furniture and equipment, purchases of property and major renovations. It includes all expenditure incurred on developmental projects and programmes of Government. These projects and programmes are usually long-term in nature, extending over more than one financial year. All costs associated with the creation of the asset (such as labour, professional fees, etc.) are also included in capital expenditure.

10.1 Legal Framework

In accordance with Section 76 of the Constitution of Grenada, no moneys shall be withdrawn from the Consolidated Fund except:

- 46. to meet expenditure that is charged upon the Fund by this Constitution or by any law enacted by Parliament ; or
- 47. where the issue of those moneys has been authorized by an Appropriation law or by a law made in pursuance of section 78 of this Constitution.

The constitution further provides that, where any moneys are charged by the Constitution or any law enacted by Parliament upon the Consolidated Fund or any other public fund, they shall be paid out of that fund by the Government of Grenada to the person or authority to whom payment is due. Further, no moneys shall be withdrawn from any public fund other than the Consolidated Fund unless the issue of those moneys has been authorized by or under any law. Parliament may prescribe the manner in which withdrawals may be made from the Consolidated Fund or any other public fund.

The PFM Act supports these constitutional provisions by requiring, in Article 20, that all revenues in the Consolidated Fund shall be paid out pursuant to appropriations under the Appropriations or Supplementary Appropriation Act or pursuant to an Act of Parliament that authorizes a charge on the Consolidated Fund. By law, no monies shall be withdrawn from the Consolidated Fund except:

- 48. to meet expenditure that is charged upon the Fund by this Constitution or by any law enacted by Parliament; or

49. where the issue of those moneys has been authorized by an appropriation law or by a law made in pursuance the Constitution.

The key stages in the expenditure process are as follows:

50. *Budget Release Stage.* Budget release involves release of the total appropriation by way of *general warrant* and then periodic release of the warrants by way of allocations.
51. *Commitment or requisition stage.* During this stage of acquisition the budget is reserved while information is being gathered (e.g. there is a tendering process) so that a purchase order or an agreement can be written.
52. *Obligation/encumbrance or purchase order/contract stage.* In this stage, the legal obligation to acquire the materials or services is made with the issue of a purchase order⁹ or a contract. It should be noted that in the case of a purchase order this may only be an estimate of the cost of the item to be acquired and changes may occur at the time of receipt of the good/service or on invoicing¹⁰. The use of commitment accounting at this stage is also very important to enable more efficient tracking of the budget, especially as it relates to large contracts which extend over multiple financial years.
53. *The receiving/verification stage.* Registration that the good or service has been received is an important stage in control before recording an accounts payable in the system.
54. *Accrual stage.* Once registration of good/service receipt has occurred, and a properly rendered invoice received, its status changes from a commitment to an account payable or liability. At this stage a matching of the items received versus those ordered should take place. Any differences should be noted and, if to be accepted, approval should be obtained from the appropriate office. A financial obligation is established at this stage.
55. *The Payment stage.* A request for payment is made by the Accountable Officer and an invoice is created in the name of the supplier. The expenditure (cash payment) is recorded at this stage if the basis of accounting is accrual—if the cash basis of accounting is used, the expenditure would not be recorded until the payment has been made; that is, the cheque is issued. It is also common for some countries to create the concept of due date for payment. This is a defined timeframe after which an accounts payable falls due. It is often referred to as the standard terms of trade of the Government, and assists in managing cashflows and ensuring payments to vendors are not paid too early or too late. Frequently, governments define this as 30 days after receipt of the goods and service and a correctly rendered invoice.
- 56.
57. Information relating to all the above-mentioned stages (after the release of the general warrant) should be input into the SmartStream system. This allows managers to track orders, amounts outstanding and budget balances remaining to provide information to

⁹ In Some countries, purchase orders represent a short-form contract. When government issues an official purchase order, it represents a formal acceptance of an offer by a supplier.

¹⁰ In some countries, a threshold applies to the acceptable difference between the PO amount and the final amount. Any difference greater than the threshold would need to be approved again by the accounting officer.

Accountable Officers to plan further budget execution as well as to the Treasury for cash planning purposes.

10.2 Appropriation Accounting

Responsibility for the management of the appropriation (often referred to as Votes) is that of the Accountable Officers, who are required to provide periodic reports regarding the use of such funds in carrying out the objectives of their various ministries and/or departments. Accountable Officers are responsible for the prudent management of the expenditure process within the departments under their control. It is their responsibility to ensure that expenditures incurred are properly provided for, approved and charged to the correct item of expenditure, and that adequate warrants have been requested and issued to cover such expenditures. This responsibility, while residing with the Accountable Officer, almost always involves delegating certain roles and responsibilities to subordinate officers. Indeed, such delegation is required to ensure appropriate segregation of duties in the control framework within the ministry or department.

Where a manual expenditure management system is in operation, controlling funds are done through the maintenance of manual Vote Books or Vote Ledgers. These tools should be structured in a manner that allows departments to effectively manage their expenditures and link them with the approved estimates and warrants. This allows Departments to effectively manage their appropriations on a day-to-day basis. For those MDAs with access to SmartStream, the process is fully automated and, consequently, more efficient.

The Accountable Officers is responsible for ensuring that expenditure does not exceed the Warrants and the Appropriations/Votes for that MDA and Treasury is responsible for the overall control framework to ensure adequate control over the execution of the budget. Funds Control is the process in SmartStream whereby the commitments, encumbrances and actual expenditure are managed to ensure that MDAs do not exceed their warrants or annual voted amounts.

10.3 Warrants

In accordance with Section 34 of the PFM Act, “no money shall be expended under an Appropriation Act or a Supplementary Appropriation Act unless the Minister has authorized the Accountant General by general warrant under his hand to pay that money out of the Consolidated Fund”.

A General Warrant is authorised by the Minister of Finance to the Accountant-General to release the appropriations in accordance with the authorised budget. In the GOG, the general warrant is typically a single amount releasing the whole of the appropriation. The first general warrant for the year is normally issued just after the budget is approved by Parliament. Subsequently, departmental warrants are released by the Accountable Officer of each ministry to the various programs or departments within the ministry. Changes to the appropriations, such as those related to supplementary appropriations, also require a warrant to be issued or amended. Proforma warrants are set out in Appendix B to the PFM Regulation. Warrants are not themselves shown in the SmartStream system but rather the appropriations and allocations

(which are shown in SmartStream) will not be issued until after the General Warrant is approved. The general warrant release process is managed by the Budget Department.

10.4 Allocations

The purpose of budget allocations (after also referred to as allotments) is to control the rate of expenditure of the budget. The allocations process is closely linked to the cash management function, as controlling the rate of expenditure using allocations is an important mechanism for avoiding cash shortfalls.

Allocations are determined, in the first instance, by having regard to the spending plans of MDAs. Recognizing that allocations will limit the rate at which funds can be committed, the ideal situation is that allocations will be made available according to the spending plans of the MDAs. For the purposes of determining the spending plans of agencies, the PFM Act (s.31) requires the Head of each economic entity to submit to the Minister a forecasts of the financial flows of revenue and expenditure, for each month within thirty days after the annual Appropriation Act is approved by the House of Representatives. These spending plans should show the planned timing of both commitments and payments. The PFM Act requires that the spending plans shall be reviewed monthly by the Ministries and budgetary institutions and any changes shall be notified to the Minister by the 20th of the month preceding for the following month for the approval of the Minister.

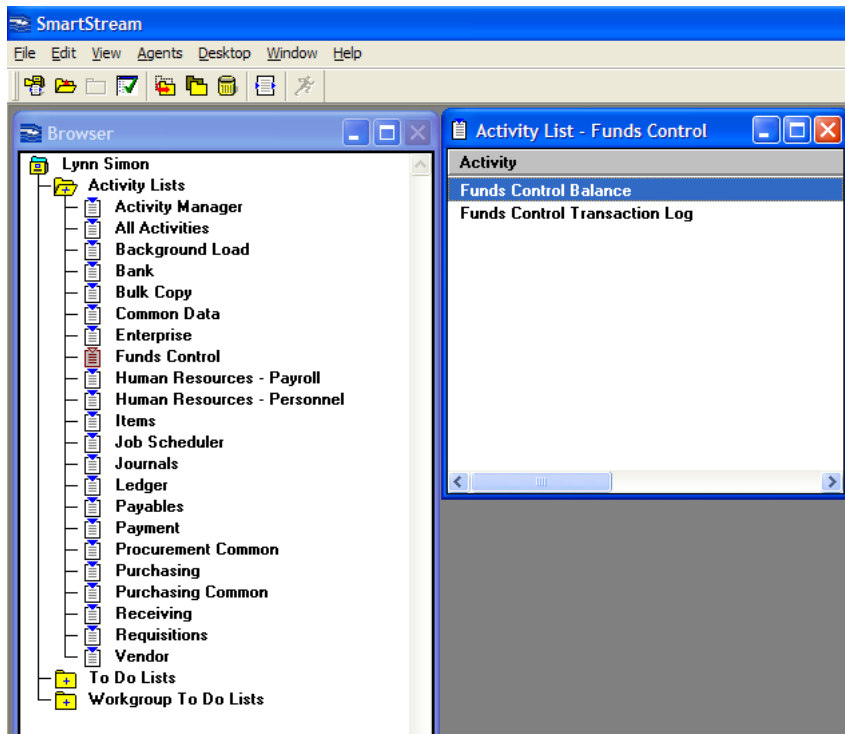
Allocations cannot always be released according to the spending plans of MDAs. Before releasing allocations, the Ministry of Finance shall ensure that sufficient funds will be available to meet the spending plans of MDAs by having reference to the projections of available cash made by the Treasury. Where this analysis shows that cash shortfall is expected, the cash management committee shall determine an appropriate course of action to address the shortage, which could include:

- 58. Increasing the amount of cash available by changing the timing and/or value of borrowing in the borrowing program;
- 59. Changing the timing of revenue inflow, to the extent that such flexibility exists;
- 60. Releasing the allocations at slower rate than requested by MDAs, so the commitments are incurred later and thus cash outflows occur at a time when sufficient cash is available.

It is always better to control the rate of release of allocations to control the rate of spending, rather than be forced into rationing cash at the payment stage (as this results in expenditure arrears or Unpaid Bills/Invoices).

The “Funds Control” function is used in SmartStream to view the amount of money available for a particular department and its account. Funds can be checked in two Roll up Structures: Authorized Budget is the amount available for the year and Allocation is the amount disbursed periodically by month. The authorized budget and allocation are viewed in the following screens in SmartStream:

10-1 Budget funds Activities list in SmartStream



10-1 Budget funds Activities list in SmartStream

Activity Windows

File Edit Options Settings Window Help

Funds Control Balance - D, 2011, AUTHORIZED, 31, F500, F51, 310, PE, , ,

Ledger Entity: D Government of Dominica

Budget Year: 2011 Currency: XCD

Rollup Structure: AUTHORIZED Level Nbr: 1 Fund Account

Min: Prog: Sprog: Account: Project: SoF: Sect: Lcode:

31 F500 F51 310 PE

Main Budget Release Allotment Commitment Encumbrance Expense Available Payment

Period	Period Amount	YTD Amount
0	0.00	0.00
1	802,119.39	802,119.39
2	(51,258.71)	750,860.68
3	(54,246.87)	696,613.81
4	(53,246.11)	643,367.70
5	(53,376.07)	589,991.63
6	(55,970.76)	534,020.87
7	(57,066.83)	476,954.04
8	(1,622.10)	475,331.94
9	0.00	475,331.94
10	0.00	475,331.94
11	0.00	475,331.94
12	0.00	475,331.94
A1	0.00	475,331.94
A2	0.00	475,331.94

10.5 Commitment Control

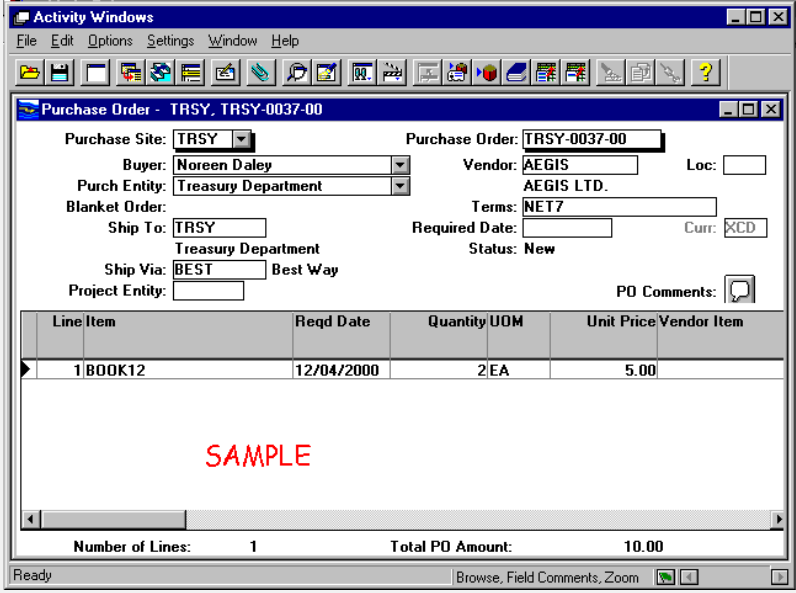
In accordance with section 32 of the PFM Regulation, no Public Officer shall have the power to commit the government to a financial liability, including contingent liability unless specifically authorized to do so under the PFM Act. Approvals of commitments shall be subject to availability of sufficient budget line(s) against which the commitments are being made and shall be consistent with spending plans approved by the Minister.

An Accountable Officer shall maintain records of all financial commitments chargeable to each appropriation or item of expenditure. A commitment is recorded in SmartStream at the time that a purchase order is recorded in the system.

There are funds control mechanisms built into SmartStream which ensure that funds committed (via purchase order) are checked to ensure that they are within the available allocated budget. Where, the amount being committed is above the value of the allocated budget, there is a “funds exception”. At this point, the funds exception can either be approved (by a higher authority) or the funds exception avoided by making adjustments to the allocated budget and/or adjusting the value of the purchase order.

Entering a Purchase Order in SmartStream

Follow this procedure is used to enter a purchase order in SmartStream:

<i>Steps</i>	<i>Actions</i>
<ul style="list-style-type: none"> • 	<p>Access the Purchase Order window from your Activity List.</p> 
<ul style="list-style-type: none"> • 	<p>Your Site should default. If your site did not default select it from the Site drop-down list.</p>

•	Enter the next available PO number by pressing the [F3] key .
•	<p>The following values should default in the header fields.</p> <ul style="list-style-type: none"> • Buyer • Payable Entity • Ship To <p>You can override these values. For example, to change the Ship-to code-click the Browse icon to get the browse window. Select your ship to code by double clicking on it.</p>
•	<p>Position the Cursor in the Vendor field if it is not already there. Type in the vendor identifier if you know it. If you do not know the vendor identifier then enter the vendor as follows:</p> <ul style="list-style-type: none"> • Click the Browse icon. This will open the Browse for Vendor window. • You can enter a search criterion to narrow your search for a vendor. For example if you want to search for Victors Grocery, use the criterion [Vendor Identifier] [Starts With] V • Click the Search button at the bottom of the window. • Select the vendor you want by double clicking on it.
•	<p>Press Tab three times. The system will default in the following:</p> <ul style="list-style-type: none"> • Terms • Ship Via <p>You can override these values.</p>
•	Add the Required Date to the Purchase Order header. This date will default to each PO Line. You may change the required date at the line.
•	<p>Add an Item.</p> <p>Position the cursor in the Item field on the PO line.</p> <p>If you know the item ID then you can type it in, otherwise click the Browse icon. This will open the Browse for Items screen. Select a “search for” criteria, select a “That” criteria, then enter a value that you would like to search by in the “Value” box. Click Search. Once item is retrieved click OK to populate the Purchase Order screen with the item information.</p>
•	Position the cursor in the Quantity field. Enter the quantity. Press Tab.

	<p>The Cursor will be positioned in the UOM field. The UOM will default. If you want to change the UOM, click the quick list icon and select the new UOM.</p> <p>Press Tab. The cursor will be positioned in the Unit Price field. Enter the Unit Price.</p>
•	<p>Select the view icon from the tool bar. Then select Accounting Distribution option from the drop-down list. Scroll across to see the accounting elements. Type in the accounting keys if you know them otherwise browse for the accounting key as follows:</p> <ul style="list-style-type: none"> • Click the action icon. Select Accounting Distributions then select Accounting Key Browse from the sub-menu. Several accounting keys will be displayed in a window together with their descriptions. Select the account that you want by Double-clicking on it. • Click the Return to Main View icon to return these values to the purchase order main view.
•	Save the purchase order by using the Save icon or by pressing Ctrl and S.
•	Add PO Comments if necessary.

Approving a Purchase Order in SmartStream

Each Purchase Order is to be approved by the Accountable Officer or his/her delegate. The process for approving purchase orders is as follows:

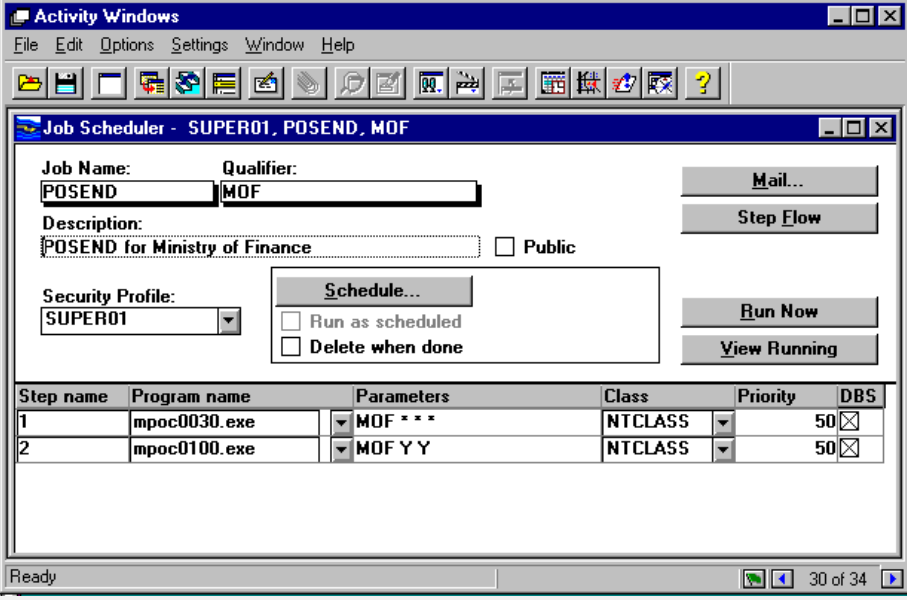
<i>Steps</i>	<i>Actions</i>
61.	Open your Purchase Order Approval workgroup To-do list .
62.	Double-click on the message “ Approve Purchase Order ”.
63.	The purchase order to be approved will be displayed on the screen along with an approval dialog box .
64.	Click on attachment icon to view attached bill head or supporting documentation.
65.	<p>Review the purchase order paying particular attention to the following:</p> <p>The Funds Control status. If the purchase will cause funds for an account to be overspent then it will be flagged with the funds control exception cue All purchase order lines that are in exception will also be flagged.</p>

	Items being bought, their quantities, unit of measure, unit price, vendor and accounting distribution . (To view the accounting distribution, right-click on the mouse and select “Accounting Distribution”)
66.	Click on attachment icon. Compare purchase order with attachment.
67.	You may want to provide comments. Do this by clicking on the comments icon. A comments box will appear. Click in this box and type in your comments. Once you’ve completed entering your comments click on the save icon. Close the comments box. You will return to the “Approve Purchase Order” window.
68.	To approve the purchase order, click on “ Approve ” in the Approve Purchase order box and save this action by clicking on the “ Save ” icon. If you want to reject the purchase order, then click on “ Reject ” in the Approve Purchase order box and save .

Scheduling Job to Extract Approved Purchase Orders

After the Purchase Order is approved, follow this procedure to schedule purchase order print jobs.

Steps	Actions
•	Access the Job Scheduler window from your Activity List (See Figure 3 below).
•	The POSEND job has already been set up for you, open it as follows: <ul style="list-style-type: none"> • Click the File Open icon at the top of the window. The File Open for Job Scheduler window will be displayed. • Click the Search Button. • A list of Jobs will be displayed. Select the Job Name POSEND by double clicking on it.

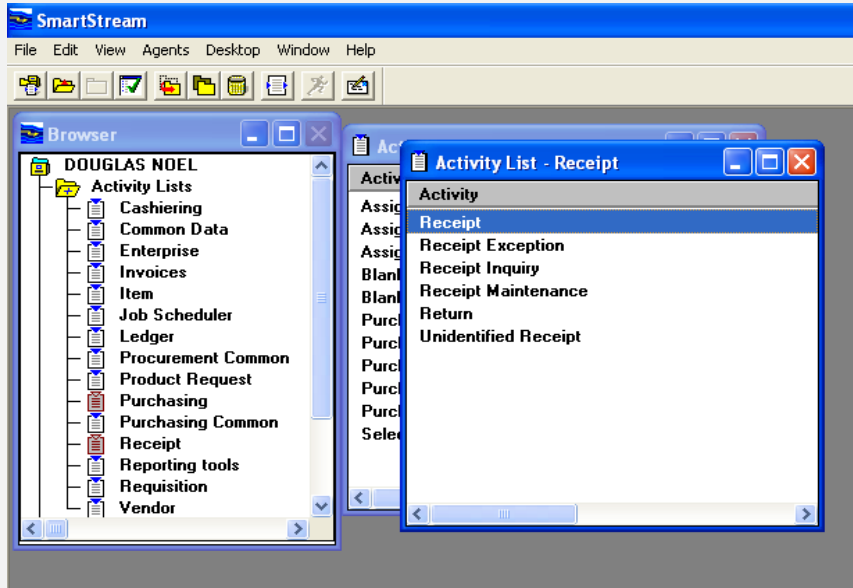
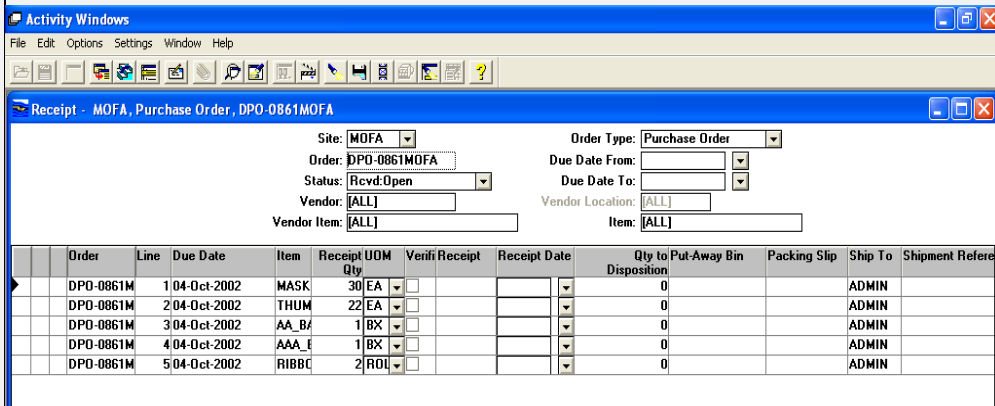
	
<ul style="list-style-type: none"> • 	<p>Select the Run Now button. The system will submit the job to run.</p>
<ul style="list-style-type: none"> • 	<p>Select the Viewing Running button to monitor the job as it is running.</p> <ul style="list-style-type: none"> • Click the Refresh Jobs button until step 1 of the job appears in the upper part of the window. Then select the job. • If the Job's status is pending, click Refresh Jobs until the status of the job changes to running. • While the status is running, click Refresh Output until the status changes to complete.
<ul style="list-style-type: none"> • 	<p>The job is finished when both steps in the job have completed running. The purchase orders selected are now ready for receiving and printing. Valid return codes are 0 and 1. If you get any other return codes, contact your systems administrator.</p>

10.6 Procurement of goods and services

Goods, services and works shall be purchased according to the procurement laws, regulation and rules currently in force. It is beyond the scope of this manual to outline procurement rules.

10.7 Receipt of Goods

All goods must be received before an Invoice is created. Receiving of goods is recorded according to the following procedure:

Steps	Actions																																																																		
<ul style="list-style-type: none">•	<p>Access the Receipt window through the Receiving activity</p> 																																																																		
<ul style="list-style-type: none">•	<p>In the Order box enter the Purchase Order number.</p>																																																																		
<ul style="list-style-type: none">•	<p>With the Purchase Order number in the Order box click search and all the items for that Purchase Order will appear.</p>  <table><thead><tr><th>Order</th><th>Line</th><th>Due Date</th><th>Item</th><th>Receipt UOM</th><th>Verifi Receipt</th><th>Receipt Date</th><th>Qty to Put-Away Bin Disposition</th><th>Packing Slip</th><th>Ship To</th><th>Shipment Refere</th></tr></thead><tbody><tr><td>DPO-0861M</td><td>1</td><td>04-Oct-2002</td><td>MASK</td><td>30 EA</td><td><input type="checkbox"/></td><td></td><td>0</td><td></td><td>ADMIN</td><td></td></tr><tr><td>DPO-0861M</td><td>2</td><td>04-Oct-2002</td><td>THUM</td><td>22 EA</td><td><input type="checkbox"/></td><td></td><td>0</td><td></td><td>ADMIN</td><td></td></tr><tr><td>DPO-0861M</td><td>3</td><td>04-Oct-2002</td><td>AA_BA</td><td>1 BX</td><td><input type="checkbox"/></td><td></td><td>0</td><td></td><td>ADMIN</td><td></td></tr><tr><td>DPO-0861M</td><td>4</td><td>04-Oct-2002</td><td>AAA_f</td><td>1 BX</td><td><input type="checkbox"/></td><td></td><td>0</td><td></td><td>ADMIN</td><td></td></tr><tr><td>DPO-0861M</td><td>5</td><td>04-Oct-2002</td><td>RIBBC</td><td>2 ROL</td><td><input type="checkbox"/></td><td></td><td>0</td><td></td><td>ADMIN</td><td></td></tr></tbody></table>	Order	Line	Due Date	Item	Receipt UOM	Verifi Receipt	Receipt Date	Qty to Put-Away Bin Disposition	Packing Slip	Ship To	Shipment Refere	DPO-0861M	1	04-Oct-2002	MASK	30 EA	<input type="checkbox"/>		0		ADMIN		DPO-0861M	2	04-Oct-2002	THUM	22 EA	<input type="checkbox"/>		0		ADMIN		DPO-0861M	3	04-Oct-2002	AA_BA	1 BX	<input type="checkbox"/>		0		ADMIN		DPO-0861M	4	04-Oct-2002	AAA_f	1 BX	<input type="checkbox"/>		0		ADMIN		DPO-0861M	5	04-Oct-2002	RIBBC	2 ROL	<input type="checkbox"/>		0		ADMIN	
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<ul style="list-style-type: none">•	<p>In the Receipt Qty column, Quantity Ordered will automatically default. In the Verified column click the verified box on each line. If you received less than the quantity ordered, change the amount in the Receipt Qty column</p>																																																																		

	then click the verified box.
•	Click Save.
•	After saving items SmartStream will clear the receipt window.
•	<p>Note:</p> <ul style="list-style-type: none"> • As a SmartStream receiver, you are responsible for indicating which items have been received. This is done through receiving. • Do not receive in SmartStream without a vendor's bill/invoice. • Do not receive in SmartStream if the vendor's bill/invoice is not certified correct. • Ensure that the purchase order number is written on the vendor's invoice before passing the bill to your ministry headquarters. • Ensure that the bill is stamped with the "received in SmartStream" stamp and dated and signed by you.

Expense Voucher

An Accountable Officer or an Officer duly authorized by him, who signs a voucher (Certified Correct), certifies to the accuracy of every detail set out in the invoice/bill(s) and is responsible for ensuring:

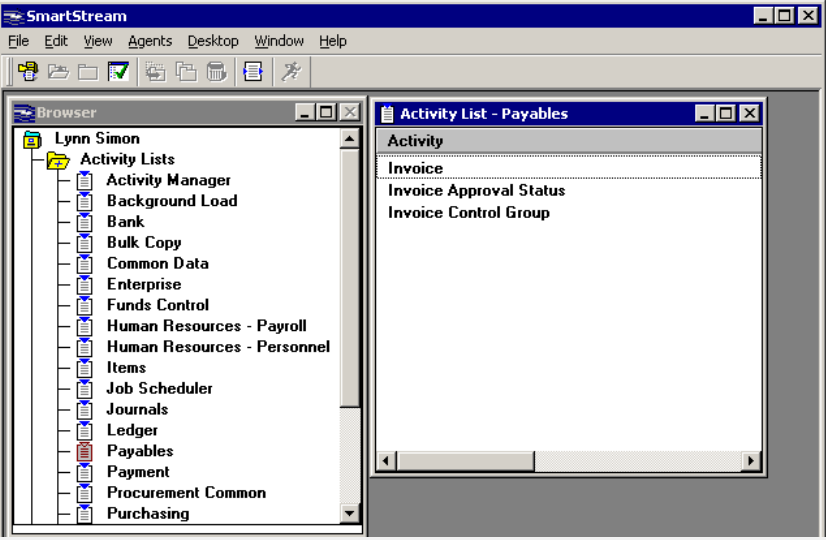
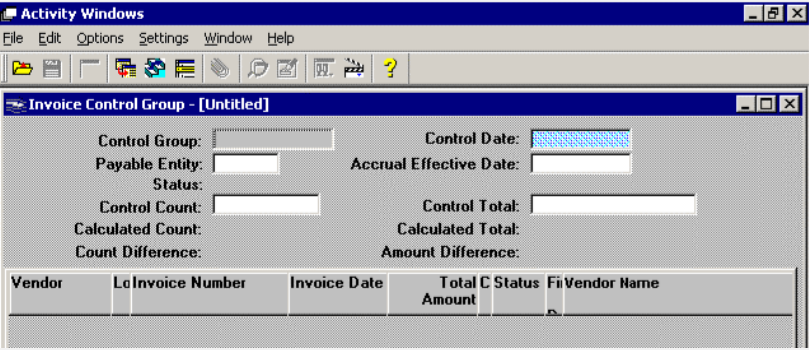
- That the service specified has been duly performed;
- That the prices charged are either according to contract or approved scales or fair and reasonable according to current local rates;
- That proper authority has been obtained as quoted (on requisition form)
- That the computations and costings have been verified and are arithmetically correct;
- That the persons named in the voucher are entitled to receive payment; and
- That stores purchased have been duly received and taken on charge.

Authorization of Invoices

To maintain segregation of duties as highlighted in codes of best practices: All invoices must be authorized by duly officer / Approver before being passed to Votes Clerk for processing. The Officers' initials and date should be affixed on the invoice.

Record Payable in SmartStream

The following procedures shall be followed to record the payable in SmartStream:

Steps	Actions
<ul style="list-style-type: none"> • 	<p>Click on the Payables Activity List, Select Invoice Control Group,</p> 
<ul style="list-style-type: none"> • 	<p>Input Information as per the Fields indicated below: Use the Tab Key or the Mouse to scroll to the selected fields on the screen.</p> 
<ul style="list-style-type: none"> • 	<p><i>Control Group:</i> It is derived from the Department Identification Code + a number from 1 + the last two (2) numbers in the financial Year: 12 for the Financial Year 2011/2012 Every Financial Year begins at number one and then continues in ascending order.</p>
<ul style="list-style-type: none"> • 	<p><i>Date:</i> Type the date of today in the format: dd/mm/yyyy</p>
<ul style="list-style-type: none"> • 	<p><i>Payable Entity:</i> (Every Department has their individual Payable Entity)</p>
<ul style="list-style-type: none"> • 	<p><i>Control Count:</i> This is the total number of payments in the Control Group. There should be no more than twenty-five (25) payments.</p>

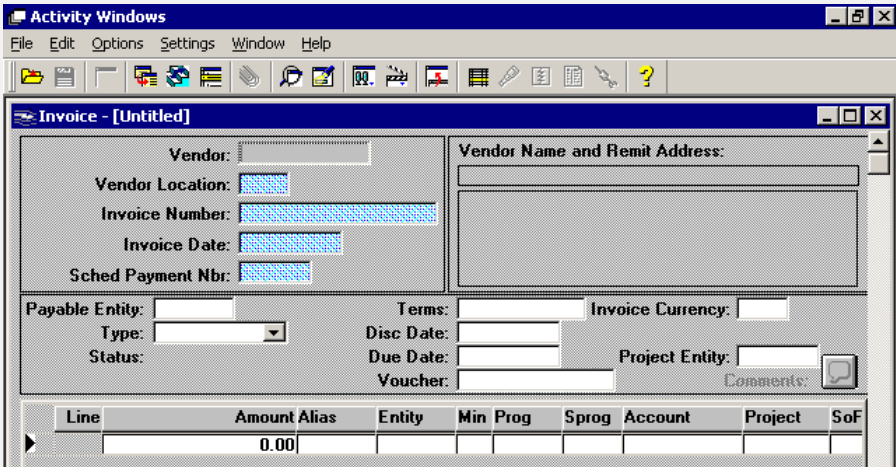
•	<i>Control Total:</i> This is the Total amount of payments in that Control Group. However, the total amount might not be known so therefore input \$0.00
•	Click <i>Save</i>

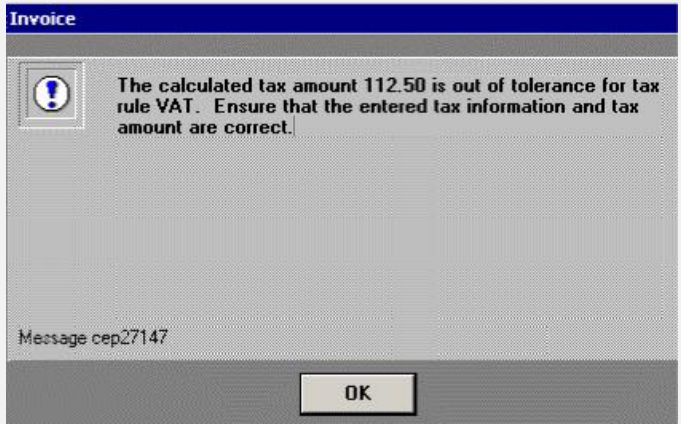
10.8 Entering Invoices for Payment

There are two categories of Invoices, Matched Invoices and Direct Invoices.

- **Matched Invoices:** These are invoices when a Purchase Order has been prepared for a merchant and it compares the invoice with the purchase order price and receipt quantity information.
- **Direct Invoices:** These are invoices or statements to process a payment. When received payment is made.

Matched invoices are entered into SmartStream according to the following procedure:

<i>Steps</i>	<i>Actions</i>
•	<p>Select the Invoice Screen,</p> 
•	<p>Input information (Double Tab and some information are defaulted):</p> <p><i>Vendor:</i> Click the Browse Icon (F9) or the Torchlight Icon. A sub screen will appear. Search For: Click Organization Operating Name the Name of the vendor from the Bill.</p> <p><i>Invoice Number:</i> Invoice Number as per Bill.</p> <p><i>Date:</i> Date on the bill</p>

•	Click the Select PO Line Schedule Icon to match the Purchase Order.
•	Input information as per Field: Purchase Order Number Operator: Contains Value: (Enter Individual Purchase Order Number for the Payment to be matched) Then Click Search (Torchlight Icon)
•	Double Click on the appropriate Line. If there were more than one item ordered, several lines numbered in ascending order will be shown. To select the other lines, Click the Select PO Line Schedule Icon again and double click the other lines requested. (Repeat step for every Purchase line requested)
•	<p><i>Disc Date:</i> Same date as Invoice Number</p> <p><i>Due Date:</i> Automatically defaulted.</p> <p><i>Amount:</i> Automatically defaulted. If incorrect, please amend.</p> <p><i>Account:</i> Automatically defaulted</p> <p><i>Discount:</i> Insert Stamp deduction as per the total amount. <i>Total:</i> Total amount on Bill to be paid</p>
•	Right Mouse Click - Document Detail - Remittance Message (Abbreviated form of the Department's Name and then input a statement about the payment.)
•	Click Save.
•	<p>If a Message as shown below is given about Tax Tolerance, Click OK. Right Mouse Click Line Accounting & Tax Information Tax Rate Code (Change VAT to TZERO)</p> 
•	If there is more than one line in the Purchase Order, then Click the drop-down arrow by Line (At the Top of the Screen) and change the Tax Rate Code for each line one after the other.

•	After all Lines are edited, Click Save.
•	Documents are to be scanned and saved in the appropriate department folder.

After an invoice is created, and saved, it is pending approval. Within the SmartStream system, Accountable Officer's have a unique user profile in SmartStream that enables them to authorise invoices. Accountable Officer's shall review all invoices and supporting documents prior to the approval of each payment voucher. In performing this function, Accountable Officers perform the following checks:

- Compliance with procurement processes,
- Ensure that payment matches invoice,
- Availability of budget,
- Correct classification of the transactions,
- Check that internal controls have been applied in the creation of the purchase order, and
- Confirm that attached documents support the transaction.

AGD Verification and Final Approval of payments

Treasury shall perform a final verification on all payments before being released. The checks performed by the Treasury include:

- Signatures from Accountable Officer
- Correct classification is used
- Accuracy of all calculations
- Availability of funds

For payment vouchers related to salary, Treasury staff performing the checking function shall ensure that correct approvals have been obtained to add new staff to the payroll.

For payment vouchers relating to travel, Treasury staff performing the checking function shall ensure that management approval was obtained prior to travel commencing. For international travel, this would normally involve a Cabinet decision.

For payment vouchers relating to wages (non-salary), Treasury staff performing the checking function shall ensure that the payment is supported by a completed paysheet.

Should a Treasury Checking Officer determine that there is an issue with the compliance of a payment voucher, the issue shall be recorded in a log and the respective Accounts Officer of the MDA notified.

Following their satisfaction with the payment voucher, the Treasury Officer shall authorize the payment voucher in SmartStream.

Cheque Payment

<i>Steps</i>	<i>Actions</i>
•	Access SmartStream “Payment Control” Window
•	<p>Enter values in the fields:</p> <p>The cursor will be positioned in the Payable Entity field.</p> <p>Enter the specific payable entity or “ALL”</p> <ul style="list-style-type: none"> • Tab to the Payment Method field • Enter the Payment Method • Tab to Run Date, enter the current date • Tab to Run Time, enter the current time • Tab to Pay-Thru Date, enter current date • Tab to Next Pay-Thru Date, enter next day’s date • Tab to Payment Date, enter Check Date • Click option next to Select Run • Click Save
•	<p>Complete this step if you want to preview invoices before printing cheques, if not go to Step 5</p> <p>Access SmartStream “Job Scheduler” Window</p> <p>Click on file open icon</p> <p>Click Search</p> <p>Double Click on Job Name “PREVIEW”</p> <p>Change the parameters to reflect the data entered in the Payment Control</p> <p>Year,month,date no space between , run time</p> <p>Click Save</p>

	<p>Click Run Now</p> <p>Click View Running to monitor the progress of the job</p> <p>Once Job is completed</p> <p>Click Close</p>
•	<p>Access SmartStream “Payment Preview” Window</p> <p>Click on file open icon</p> <p>Click Search</p> <p>Hold down the ctrl key and select the relevant Payable Entity or Click “Select All”</p> <p>Click OK</p> <p>Invoices for the first Payable Entity will be displayed</p> <p>If all the invoices for that payable entity will be paid, then Click Save</p> <p>However if invoices need to be selected</p> <p>Click the first row of data</p> <p>Scroll to bottom of the window</p> <p>Hold down the shift key and click last row of data</p> <p>All the rows are highlighted and all the invoices will be placed on hold</p> <p>To select invoices to pay</p> <p>Hold down the ctrl key and click row/ invoice data</p> <p>Continue this process until all the invoices for payment have been selected</p> <p>If there are other invoices to be selected from another Payable Entity, click the arrow on the bottom right of the screen</p> <p>Or do another Click on file open icon</p> <p>Click Search and select the payable entity</p> <p>Continue the process</p>

•	<p>Access SmartStream “Job Scheduler” Window</p> <p>Click on file open icon</p> <p>Click Search</p> <p>Double Click on Job Name “PRINT”, Job Description “PRINT CHEQUES”</p> <p>Click Run Now</p> <p>Click View Running to monitor the progress of the job</p> <p>Once Job is completed</p> <p>Click Close</p>
•	<p>Access SmartStream “Payment Link To Access” Window</p> <p>Click on file open icon</p> <p>Click Search</p> <p>Double Click on the line of data that shows the Payment Method, Date, Time</p> <p>For the invoices selected</p> <p>Click Print</p> <p>“Select Payment Database” Window will appear</p> <p>Double Click “fpypmt32” file</p> <p>Microsoft Access will be open, and processing will take place</p> <p>All the processes will end with the printing of the cheques</p>
•	<p>Access SmartStream “Payment Register Reports” Window</p> <p>Microsoft Access will open</p> <p>Click the down arrow in the “Report To Run” field and select the appropriate report</p>

CHAPTER 11 PAYROLL

A single payroll is maintained for the GoG. The payroll is maintained and operated by the Accountant-General on a centralised basis. Changes to the payroll are authorized by the respective Accountable Officers.

11.1 Role of the Treasury in Payroll Processing and Control

In accordance with the PFM Regulation, the Accountant General shall for each pay period prepare the payroll setting out the salary, allowances and reimbursements to which each public officer is entitled and, in doing so:

- 69. make the deductions required or permitted by law or permitted by an agreement;
- 70. where appropriate, prorate salaries and allowances; and
- 71. inquire whether any public officer has an indebtedness to the Government and whether and to what extent that indebtedness should be set off against the salaries and allowances due to the public officer and, if so, shall show on the payroll the amount deducted from the salaries and allowances due to the public officer; and
- 72. Without unreasonable delay forward to the Accountable Officer of each Covered Entity the portion of the payroll that relates to the public officers employed in the Covered Entity.

11.2 Role of Accountable Officer's of MDAs

The Accountable Officer shall, without unreasonable delay after receipt of that portion of the payroll that relates to the public officers employed in his or her Covered Entity ("the departmental payroll"):

- 73. review the departmental payroll;
- 74. resolve any discrepancies between his or her records and the departmental payroll;
- 75. take reasonable steps to ensure that salaries and allowances to which an employee is entitled are prorated, when necessary;
- 76. take reasonable steps to ensure that all reimbursements claimed by a public officer are correct; and
- 77. report to the Accountant General the results of the review under paragraph (a).

Every Accountable Officer shall keep records respecting all non-established employees in his or her Covered Entity and shall ensure that the records are up to date and show clearly and accurately particulars, in respect of each employee, that include the following:

- where the employee is paid on the basis of hours or days worked, the following particulars in respect of each pay period for non-established employees paid hourly or daily, as the case may be:
 - the days and hours worked;
 - the number of hours paid at an hourly wage or the number of days paid at a daily wage;
 - the rate of the hourly or daily wage;
 - the total amount of the hourly or daily wages;
 - the number of hours of overtime worked;
 - the hourly rate of overtime paid; and
 - the total amount of overtime paid.
- where the employee is paid on the basis of an annual rate, the following information in respect of each pay period—
 - the percentage or fraction of the annual rate paid;
 - the number of hours of overtime worked;
 - the hourly rate of overtime paid; and
 - the total amount of the overtime paid.
- where the employee is paid other than on the basis of time worked, the basis upon which he or she is paid and the total amount payable on that basis and any other amount payable for work by the employee;
- the deductions required by law or by agreement to be made from each employee's wages;
- the type of leave due and taken by the employee; the gratuity due to the employee, where applicable; the benefits due to the employee; and any allowances and reimbursable expense payable to the employee.

11.3 Processing Payroll for “Establishment” employees

The following table sets out the monthly timetable for processing the payroll:

<i>Steps</i>	<i>Timing (day of month)</i>	<i>Actions</i>
•	Day 1-7	Ministries request changes to payroll.
•	Day 7-15	Treasury process changes to payroll via changes to the “pay elements” of staff in SmartStream.
•	Day 15	Half-month calculation of payroll sent to Ministries for verification

•	Last Day <i>minus</i> 7	Ministries review half-month calculation and advise changes. File received electronically in folder on WAN. If OK, they will communicate it is OK. If changes required, print respective page and note changes and sign with departmental stamp and forward to AGD.
•	Last Day <i>minus</i> 6-2	MoF/AGD compiles final payroll.
•	Last Day <i>minus</i> 1	Payroll list and cheques sent to banks

Processing Establishment Payroll in SmartStream

Employee pay elements are pay elements you assign to an employee. Pay Elements must exist in SmartStream before they can be assigned to an employee. Pay Elements fall under four main categories:

- 78. Earning
- 79. Deduction
- 80. Employer Cost
- 81. Calculation

Assigning Pay Elements to Employees

MDAs can propose, and Treasury can enter in the payroll, new pay elements to an employee in SmartStream by:

- Hiring the employee using the Employee Hire window
- Adding information on the Employee Pay Element window

Following is a screenshot of the pay element window. Use this window to:

- Add an employee pay element
- Manage different versions of an employee pay element
- Change employee pay element information
- Delete an employee pay element
- Display employee pay element information
- Inactivate and reactivate employee pay elements
- List an employee's pay elements

Activity Windows

File Edit Options Settings Window Help

Employee Pay Element: [Untitled]

Employee: Name:

Employer:

Pay Element:

Start Date: Stop Date: Effective Date:

Calculation Parameters

Pay Period Schedule:

Calculation Method:

☐ Calculated in Last Pay Period

Limit Amount: Toward the Limit Amount:

Standard Calculation Parameters

Amount: Hours:

Rate Table:

Rate Table Code:

Change Reason: Comments:

Ready

Need instructions here for processing payroll once changes to pay elements are completed

11.4 Payroll For Non-Establishment Staff

Where a person is delegated by an Accountable Officer to supervise non-established employees, the person shall maintain a timesheet for each pay period and such time sheet should be up-to-date and shall show clearly and accurately the following particulars in respect of each employee:

- where the employee is paid on the basis of hours or days worked, as the case may be—
- the days and hours worked;
- the number of hours or days to be paid at the hourly or daily wage;
- the rate of the hourly or daily wage;
- the total amount of the hourly or daily wage;
- the number of hours of overtime worked; and
- the hourly rate of overtime paid;
- where the employee is paid on the basis of an annual rate—
- the percentage or fraction of the annual rate paid;
- the number of hours of overtime worked;

- the hourly rate of overtime paid;
- the total amount of the overtime paid; and
- leave taken;

The Accountable Officer shall take reasonable steps to ensure that, before the payroll is prepared, every timesheet is verified by another public officer.

Preparation and certification of payroll for non-establishment Staff.

A person who is delegated by the Accountable Officer to supervise non-established employees shall:

- prepare the payroll for non-established employees, which shall include particulars of—
- the deductions required by law or agreement made from each employee’s wages; and
- one-off allowances;
- inquire of the Accountant General whether any employee has an indebtedness to the Government and whether and to what extent that indebtedness should be set off against the wages due to the employee and, if so, shall indicate on the payroll the amount deducted from the wages due to the employee;
- ensure that the payroll is verified by another public officer for accuracy and resolve any differences of opinion that may arise;
- then, resolve any difference of opinion with the other public officer and shall certify the payroll under his or her hand as true and correct; and
- pay the amount due to the employer for that purpose or without unreasonable delay transmit the payroll to the Accountant General with a payment instruction.

11.5 Pension Payments

Pensions are monthly payments made to former civil servants (employees) in their retirement years. There is complex suite of policies and legal instruments that relate to pensions. Different pensions arrangements may apply to different professions, staff in the same entity with different start dates, whether or not staff are part of the “establishment” etc.

Pension payment are coordinated by the Treasury using SmartStream.

There are several types of pensions payments, but these can be divided into three categories:

82. *regular ongoing monthly pension payments*; these are run as a payroll within the SmartStream system.
83. *one-off payments* of gratuities, ex-gratia payments, severance pay etc. As an example, a gratuity is a one-off lump-sum payment paid when an officer opts to receive a reduced

pension, this gratuity represents a quarter of the full pension for 12 ½ years paid in advance. These payment are processed using payment vouchers in SmartStream.

There are two types of Public Officers: those that are permanent or hold an established post and those that are temporary or hold an un-established post. The nature of the benefit to be received after retirement depends on the status of the worker and the position held.

Retirement benefits are allocated and paid under vote 21. The main types of pension paid are:

84. *Pension and Gratuity*: Payment of pension to establishment employees. Pension framework allows pensioner to nominate to receive part of the pension as a lump-sum upfront payment (a “gratuity”, to be repaid over 12.5 years via a reduced basic monthly pension amount.
85. *Ex-gratia benefits*: An allowance paid to un-established workers who have served continuously for 15 or more continuous years.
86. *Severance pay*: Un-established officers in some circumstances may be eligible to receive a severance payment on termination of employment on account of redundancy or retrenchment.
87. *Contract gratuity*: A contract gratuity is paid to officers who are employed by the Government of Grenada on a contractual basis. Upon completion of the contract the officer may be eligible to receive a contract gratuity payment in accordance with the contractual agreement.
88. *Death gratuity payment*: Subject to certain restriction, where an Officer holding a pensionable office dies while in service, it shall be lawful for the Governor General to grant to the officer’s beneficiary a gratuity.
89. *Death gratuity payment to deceased pensioner*: The beneficiary of a deceased pensioner will receive a pension for one year equal to 12 monthly payments that the pensioner was receiving at the date of his death.
90. *Special pension*: Under Act No. 6 of 2003, a pension is payable to certain categories of staff employed by the Government prior to 4th April 1983.

The role of each MDA in relation to pensions is to make an official application to the AGD applying for a specific type of pension and/or gratuity to be paid to an employee of the Ministry who the Ministry understands is eligible. The MDA shall include a computation form that calculates the amount that is due to be paid and submit this to the AGD with the application form. Requirement for specific application types include:

91. For employees retiring from establishment posts, the MDA is to complete the pension application form at least two months before the staff member’s retirement date. This form provides details regarding (1) the type of pension being applied for, and (2) details of employee’s professional situation, which is used to demonstrate the eligibility of the employee to the requested pension.

92. For ex-gratia payments to retiring non-establishment staff, the MDA shall submit an application to the AGD. This application must include the post held, the period of service of the applicant, birth certificate, and verification of final wage paid.
93. For severance pay to non-establishment staff, the MDA shall submit an application to the AGD. This application must include the post held, the period of service of the applicant, birth certificate, verification of final wage paid, and an explanation and justification for severance payment (including Cabinet decision etc regarding redundancy).
94. For contract gratuity to contracted non-establishment staff, the MDA shall submit an application to the AGD. This application must include the details of the contracted employee, a copy of the contract, details of termination etc.

The role of the employee in relation to pensions is:

95. Just prior to retirement: to complete and provide to their employee the pension life certificate, which provides details required to process the payment (including address, bank account details etc).
96. Following retirement: to complete and provide to AGD the pension life certificate, signed by a notary.

The role of the Audit Department in relation to pension applications is to verify the information provided on the pension application form.

In relation to the processing of one-off ex-gratia or gratuity payments, the process in the AGD is as follows:

<i>Steps</i>	<i>Actions</i>	<i>Responsibility</i>
97.	Receive the application file for review	Pension Clerk
98.	Review and check the computation	Pension Clerk
99.	Prepare payment voucher	Pension Clerk
100.	Submit payment voucher to for approval, including supporting documents.	Pension Clerk
101.	Payment voucher approval	Finance Officer
102.	Receive approved payment voucher	Pension Clerk
103.	Enter invoice in SmartStream	Pension Clerk
104.	Review the application documents. Examine the documents to ascertain that the supporting information is sufficient to verify eligibility according to the criteria and sufficient data is available to process the transaction (Pension Officer)	Pension Officer

105.	Approve (or reject) invoice in SmartStream (Pension Officer)	Pension Officer
------	--	-----------------

106.

Regular ongoing pensions payment are managed in SmartStream as a type of payroll. In this regard, the procedures in the AGD are the same as presented above but, rather than processing a one-off payment voucher, a new or changed pension payment requires a change in the pension payroll.

An important and unique feature of managing the payroll, in terms of risk mitigation and control, is the need to ensure that only people who are still alive are paid. To actions are performed by Treasury to control for this:

- All pensioners are required to submit a “life certificate” every 6 months, where a physician/Minister of Religion/Permanent Secretary/Justice of Peace, verifies that the pension recipient is alive; and
- Treasury checks reports of deaths from the Registrar, as well as funeral notices, to identify the death of pensioners.

CHAPTER 12. GOVERNMENT FINANCIAL REPORTING

The Accountant General has the responsibility for producing and disseminating reports on the financial activity and financial position of the Government. These financial reports have to satisfy several objectives, including informing fiscal decision making, management of government service delivery and for budgetary control purposes.

12.1 Qualitative Characteristics of Financial Reporting

IPSAS 1 (the first standard under the accrual IPSASs) provides a very useful guide for Grenada in undertaking its financial reporting. IPSAS 1 requires an entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics. This guidance summarizes the qualitative characteristics of financial reporting.

Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability, relevance, reliability, and comparability.

Understandability

Information is understandable when users might reasonably be expected to comprehend its meaning. For this purpose, users are assumed to have a reasonable knowledge of the entity's activities and the environment in which it operates, and to be willing to study the information.

Information about complex matters should not be excluded from the financial statements merely on the grounds that it may be too difficult for certain users to understand.

Relevance

Information is relevant to users if it can be used to assist in evaluating past, present, or future events or in confirming, or correcting, past evaluations. In order to be relevant, information must also be timely.

Materiality

The relevance of information is affected by its nature and materiality.

Information is material if its omission or misstatement could influence the decisions of users or assessments made on the basis of the financial statements. Materiality depends on the nature or size of the item or error, judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic that information must have if it is to be useful.

Reliability

Reliable information is free from material error and bias, and can be depended upon by users, to represent faithfully that which it purports to represent, or could reasonably be expected to represent.

Faithful Representation

For information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.

Substance Over Form

If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they be accounted for and presented in accordance with their substance and economic reality, and not merely their legal form. The substance of transactions or other events is not always consistent with their legal form.

Neutrality

Information is neutral if it is free from bias. Financial statements are not neutral if the information they contain has been selected or presented in a manner designed to influence the making of a decision or judgment in order to achieve a predetermined result or outcome.

Prudence

Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or revenue are not overstated and liabilities or expenses are not understated.

However, the exercise of prudence does not allow, for example, (a) the creation of hidden reserves or excessive provisions, (b) the deliberate understatement of assets or revenue, or (c) the deliberate overstatement of liabilities or expenses, because the financial statements would not be neutral and, therefore, not have the quality of reliability.

Completeness

The information in financial statements should be complete within the bounds of materiality and cost.

Comparability

Information in financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.

Comparability applies to the:

- (a) Comparison of financial statements of different entities; and

(b) Comparison of the financial statements of the same entity over periods of time.

An important implication of the characteristic of comparability is that users need to be informed of the policies employed in the preparation of financial statements, changes to those policies, and the effects of those changes.

Because users wish to compare the performance of an entity over time, it is important that financial statements show corresponding information for preceding periods.

Constraints on Relevant and Reliable Information

Timeliness

If there is an undue delay in the reporting of information, it may lose its relevance. To provide information on a timely basis, it may often be necessary to report before all aspects of a transaction are known, thus impairing reliability. Conversely, if reporting is delayed until all aspects are known, the information may be highly reliable but of little use to users who have had to make decisions in the interim. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the decision-making needs of users.

Balance between Benefit and Cost

The balance between benefit and cost is a pervasive constraint. The benefits derived from information should exceed the cost of providing it. The evaluation of benefits and costs is, however, substantially a matter of judgment. Furthermore, the costs do not always fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information was prepared. For these reasons, it is difficult to apply a benefit-cost test in any particular case. Nevertheless, standard setters, as well as those responsible for the preparation of financial statements and users of financial statements, should be aware of this constraint.

Balance between Qualitative Characteristics

In practice a balancing, or trade-off, between qualitative characteristics is often necessary. Generally, the aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgment.

12.2 In-year Budget Execution Reporting

In accordance with the PFM Act, the Minister shall produce a consolidated quarterly report comparing budget execution and revenue collections to the estimates contained in the National Budget which it shall submit to Cabinet no later than within forty five days of the end of the quarter.

The report should include:

- A table summarizing the execution of the Budget in a format comparable to the budget estimates document. Table 12-1 sets out a table summarizing budget execution in a

format consistent with the budget estimates document published with the budget. Narrative should be included in the report that explains major variances and trends.

- An expenditure table comparing the original budget, revised budget, and actual expenditure by ministry/department. Narrative should be included in the report that explains major variances and trends.
- A revenue table comparing the original budget, revised budget and actual expenditure by detailed economic category of expenditure. Narrative should be included in the report that explains major variances and trends.
- Tables and analysis should be included regarding the financing of the execution of the budget, including bank balances, debt and any expenditure arrears.

Table 12-1: Format of budget execution summary table for quarterly report

	Original Budget (A)	Revised Budget (B)	Actual (C)	Percentage (C/B)
Total Revenue & Grants				
Total Revenue				
Recurrent Revenue				
Tax Revenue				
Nontax Revenue				
Capital Revenue				
Total Grants				
Budgetary Support (Grants)				
Capital Grants				
Total Expenditure				
Current Expenditure (excl. Prin. Repayments)				
Current Primary Expenditure				
Personnel Expenditure				
Salaries & Wages				
Personnel Allowances				
Goods & Services				
Interest Payments				
Transfers				
Capital Expenditure				
Current Account Balance				
Primary Balance (excluding grants)				
Primary Balance (including grants)				
Overall Balance (excluding grants)				
Overall Balance (including grants)				

The procedures for the AGD in completing the quarterly report shall be as follows:

<i>Steps</i>	<i>Timing (after end of Qtr)</i>	<i>Actions</i>
•	Day 1-5	Close monthly accounts in accordance with period close process. Perform system integrity checks and trial balance.
•	Day 1-12	Treasury accounting staff prepares draft quarterly report using COGNOS reports from SmartStream database.
•	Day 12	Treasury accounts staff submit draft quarterly report to Accountant-General
•	Day 12-15	Editing of report.
•	Day 15	Accountant-General submits quarterly report to Permanent Secretary, with copies to all directors in MoF.
•	Within 45 days	Quarterly report submitted to Treasurer for distribution to Cabinet.
•	Day 45	Quarterly report published by GIS and MoF.

12.3 Annual Financial Statements

In accordance with the PFM Act (s.66), the Accountant General shall, within six months after the close of every financial year prepare the Public Accounts for that financial year covering all public money. The public accounts shall include:

- a cash flow statement prepared according to IPSAS
- a comparative statement of actual and estimated revenue and expenditures by vote, programme and standard object code;
- statements of:
- assets and liabilities;
- balances of the consolidated fund including all sub-accounts being the contingencies fund, special funds, deposit accounts, and others;
- cash balances for each account held at each bank;
- a statement of change in net assets and Consolidated Fund;
- outstanding loans made from the Consolidated Fund, by annual and aggregate receipts and payments;
- public debt and accumulated sinking fund;

- contingent liabilities of the Government including guarantees given and other contingent financial liabilities created by Government;
- investments showing the funds on behalf of which the investments were made;
- a statement of arrears of revenue, losses of cash and Government property and of abandoned claims during the year, and settlements of claims, debt write-offs, and remission of monies owed to Government;

The public accounts shall be prepared according to the IPSAS cash basis of government reporting. Where any of the information listed above (as required for the public accounts) is not a mandatory requirement of IPSAS reporting, it shall be included in the notes to the accounts as a supplementary disclosure.

The key steps in preparing the public accounts is presented in the following table:

<i>Steps</i>	<i>Timing</i>	<i>Actions</i>
•	15 December (prior year)	Accountant-General issues instructions to MDAs on the format, content, timing and other requirements for the preparation of annual reports.
•	January 1-31	AGD performs year-end close procedures, to reconcile and validate the accounts in the general ledger.
•	January 31	Treasury prepares and makes available COGNOS reports for MDAs to complete their annual reports – in required format.
•	End February	Supervisor of Accounts of each MDA completes draft Annual Report and submits draft to Accountant-General
•	March 31	Draft financial statements are prepared according to general ledger using COGNOS reports.
•	March 31	Accountant-General reviews draft Annual Report of each agency, reconciles figures with those of AGD and provides any comments of draft report, including compliance with requirements.
•	April 30	Draft financial statements are finalized. Notes to accounts are prepared.
•	May 1-15	Accountant-General consults with Senior executive of Ministry of Finance and Minister of Finance regarding draft financial statements.
•	May 30	Accountant-General submits public accounts to Director of Audit.

•	May 30	Accountant-General publishes unaudited Public Accounts on an official website of the Government and publishes audited version once audit is complete.
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Format of the Financial Statements

The cash flow statement in the public accounts shall be prepared in accordance with IPSAS but shall take the format set out in Figure 12-2.

Table 12-2: Format of Cash Flow Statement

	Prior Year	Current Year
Total Revenue & Grants		
Total Revenue		
Recurrent Revenue		
Tax Revenue		
Nontax Revenue		
Capital Revenue		
Total Grants		
Budgetary Support (Grants)		
Capital Grants		
Total Expenditure		
Current Expenditure (excl. Prin. Repayments)		
Current Primary Expenditure		
Personnel Expenditure		
Salaries & Wages		
Personnel Allowances		
Goods & Services		
Transfers		
Interest Payments		
Capital Expenditure		
Primary Balance (excl. interest)		
Overall Balance		
Net flows from financing		
Proceeds of borrowing		
Repayment of borrowing		
<i>Adjustment for uncleared cheques</i>		
Cash at start of period		
Cash at close of period		

Year-end Processing

A number of preparatory activities and notifications to spending units are required in order to successfully close the books and complete the Final Accounts. The basis of accounting affects the scheduling and type of year-end activities. Activities which should be carried out as part of the year-end process include but are not limited to:

107. *Closing of the Appropriation accounts.* Each appropriation is annual in nature and lapses at the end of the fiscal year. Consequently, the Treasury must set a schedule for the last date that the allocation can be used to:
108. make direct payments such as salaries;
109. issue a purchase order; or
110. record an encumbrance by memo (if there is no commitment accounting and contracts and agreements are not recorded on the system).
111. This schedule depends on the basis of accounting so that there can be sufficient time before the end of the fiscal year for payment (if on cash basis) or for the financial obligation¹¹ to be incurred (for modified cash or modified accrual basis).
112. Closing out of purchase orders and cancelling of requisitions (if used). Purchase orders for items no longer needed should be closed out and cancelled to simplify year-end accounting. This process should start from as early as three months prior to the fiscal year-end. In addition, where a Central Purchasing Agency exists, instructions should be given to ministries and departments regarding cut-off dates for purchasing activities especially where overseas purchases are involved.
113. Processing of payments. The Treasury should give a closing date/time for processing payment requests in order to be able to arrive at an end-of-year cash balance. Spending departments must be encouraged to process payment requests until the last possible moment so that these do not have to be listed as year-end financial obligations. Where foreign currency transactions are involved, special notice should be given to departments to ensure these transactions are completed and brought to account before the end of the financial year.
114. Reconciliation of year-end financial obligations. Some time must be allowed for spending departments to prepare lists of financial obligations for the current fiscal year. This must be reconciled and approved by the Treasury. The approved items will be paid from cash resources of the current fiscal year since they were obligated against the current year's appropriation.
115. Funds Control/Vote Book year-end. This is the date beyond which transactions can no longer be entered into the database—the last day of the financial year. A detailed list of all activities to be completed as part of the year end process should be prepared and tasks assigned to individuals. Tasks should include, not only those relating to the system year-end, but also those which relate to the Treasury's year-end and the opening of the accounts and Appropriations for the new financial year. This should, therefore, be a joint

¹¹ Satisfactory receipt of services or ordered materials, and received or in-process invoice.

activity between the Treasury Department and the Information Support Unit (see Appendix 2 – Year-end Task Scheduling List)

116. Ledger year-end. Ledger year-end is only completed after all adjustment (journal) entries have been completed, and the Accountant General's Annual Report prepared and submitted to the Auditor General for auditing. The year-end process closes out all expenditure and revenue accounts to the Consolidated Fund (equity) and rolls over balances in the below the line (Balance Sheet) accounts to the new financial year.

12.4 Annual Report by MDAs

In accordance with the PFM Act (s65) and PFM Regulation (s.240) each Ministry/Department shall ensure that such MDA produces an Annual Performance Report, which shall include:

117. progress with the strategic priorities in the Annual Work Plan;
118. Programmes delivered with measurable indicators of actual performance for outputs and outcomes;
119. progress with significant capital projects;
120. challenges and constraints;
121. risk management; and
122. financial performance. This shall include information required of the MDS by the AGD to complete the annual accounts of the GoG.

The processes to be followed by each MDA in preparing their Annual Report are as follows:

<i>Steps</i>	<i>Timing</i>	<i>Actions</i>
•	15 December (prior year)	Account-General issues instructions to MDAs on the format, content, timing and other requirements for the preparation of annual reports.
•	January 1-31	AGD performs year-end close procedures, to reconcile and validate the accounts in the general ledger.
•	January 31	Treasury prepares and makes available COGNOS reports for MDAs to complete their annual reports – in required format. An example of the currently available budget execution summary report from COGNOS for a MDA is shown in Figure 12-3.
•	End February	Supervisor of Accounts of each MDA completes draft Annual Report and submits draft to Accountant-General
•	March 31	Accountant-General reviews draft Annual Report of each agency, reconciles figures with those of AGD and provides any comments of draft report, including compliance with

		requirements.
•	April 7	Supervisor of Accounts of each MDA completes draft Annual Report and submits to respective Accountable-Officer, together with a statement as to the completeness and accuracy of such Annual Report.
•	April 15	The Accountable Officer submits the report to the respective Minister by April 15, such that the Minister may meet the statutory requirement of tabling the Annual Report of the Ministry in Parliament no later than April 30th
•	No later than April 30th	Minister tables the Annual Report of the Ministry in Parliament
•	May 7	The Accountable Officer of ministries and departments shall published Annual Report on an official website of the Government no later than one week after it is presented to Parliament.

Figure 12-3: Example of COGNOS Report on Budget Exeuction



Government of Grenada
Standard Integrated Government Financial Information System
Summary of Recurrent Expenditure by Vote

01:Governor-General

Adj Period 2 Ending Balance2015:Fiscal 2015

0000:Recurrent Programs						Layer 1 of 100
	Original Estimates	Warrants and Supplements	Estimates and Warrants	YTD Expenditure	%Rev Est vs. Exp	Funds Balance
Total Personal Direct	\$386,441.00	\$0.00	\$386,441.00	\$281,836.11	72.93%	\$104,604.89
310:Personal Emolumen	\$302,441.00	\$0.00	\$302,441.00	\$232,685.69	76.94%	\$69,755.31
312:Wages	\$24,000.00	\$0.00	\$24,000.00	\$23,046.30	96.03%	\$953.70
340a:Professional & Co	\$60,000.00	\$0.00	\$60,000.00	\$26,104.12	43.51%	\$33,895.88
Total Personal Indirect	\$117,728.00	\$2,500.00	\$120,228.00	\$90,871.32	75.58%	\$29,356.68
314:Allowances	\$27,728.00	\$3,750.00	\$31,478.00	\$31,457.92	99.94%	\$20.08
318:Local Travel & subsi	\$20,000.00	(\$1,250.00)	\$18,750.00	\$5,400.68	28.80%	\$13,349.32
319:Int. Travel & Subsid	\$35,000.00	\$0.00	\$35,000.00	\$29,372.99	83.92%	\$5,627.01
324:Hosting & Entertain	\$30,000.00	\$0.00	\$30,000.00	\$24,639.73	82.13%	\$5,360.27
326:Training	\$5,000.00	\$0.00	\$5,000.00	\$0.00	0.00%	\$5,000.00
Total Utilities & Suppl	\$48,040.00	(\$2,500.00)	\$45,540.00	\$42,311.21	92.91%	\$3,228.79
332:Supplies & Materia	\$48,040.00	(\$2,500.00)	\$45,540.00	\$42,311.21	92.91%	\$3,228.79
Total Overhead	\$207,961.00	\$0.00	\$207,961.00	\$186,530.81	89.70%	\$21,430.19
334:Communications E	\$1,000.00	\$0.00	\$1,000.00	\$112.15	11.22%	\$887.85
336:Operating & Mainte	\$26,500.00	\$0.00	\$26,500.00	\$24,274.90	91.60%	\$2,225.10
338:Rental of Assets	\$139,800.00	\$0.00	\$139,800.00	\$139,800.00	100.00%	\$0.00
342:Insurance	\$26,084.00	\$0.00	\$26,084.00	\$13,380.15	51.30%	\$12,703.85
343:Other Services	\$14,577.00	\$0.00	\$14,577.00	\$8,963.61	61.49%	\$5,613.39
Total Other	\$805,000.00	\$0.00	\$805,000.00	\$612,109.09	76.04%	\$192,890.91
344:Transfers & Subsid	\$800,000.00	\$0.00	\$800,000.00	\$607,183.51	75.90%	\$192,816.49
352:Sundry Expenses	\$5,000.00	\$0.00	\$5,000.00	\$4,925.58	98.51%	\$74.42
Total Recurrent Exper	\$1,565,170.00	\$0.00	\$1,565,170.00	\$1,213,658.54	77.54%	\$351,511.46

CHAPTER 13. CASH MANAGEMENT

13.1 Purpose of good cash management

In-year cash planning and the preparation of the cash plan, under the TSA concept, is a key responsibility of the Treasury. Cash management is necessary because there are mismatches between the timing of payments and the availability of cash. Even if the annual budget is balanced, with realistic revenue and expenditure estimates, in-year budget execution will not be smooth, since both the timing and seasonality of cash inflows (which depend in turn on tax and nontax flows, and timing of grant or loan disbursements) and of expenditures can result in conditions of temporary cash surpluses or temporary cash shortfalls. For example, if taxes are paid quarterly, there can be large

Cash planning and management has four objectives:

- To ensure that adequate cash is available to pay for expenditures when they are due. Pooling revenues in a treasury single account (TSA) facilitates this.
- To borrow only when needed and to minimize government borrowing costs.
- To maximize returns on idle cash, i.e., to avoid the accumulation of unremunerated or low yielding government deposits in the central bank or in commercial banks.
- To manage risks, by investing temporary surpluses productively, against adequate collateral.

Effective cash management contributes to the smooth implementation of the operational targets of fiscal policy, the public debt management strategy, and monetary policy. The six fundamental features of effective cash management are:

- Centralization of government cash balances and establishment of a TSA structure
- Clear understandings on the coverage of the cash planning framework
- Ability of make accurate projections of short-term cash inflows and outflows
- An adequate transaction processing and accounting framework
- Timely information sharing between the central treasury, revenue-collecting agencies, spending ministries, and/or treasury branch offices
- Appropriate institutional arrangements and responsibilities

Desirable features are:

- Utilization of modern banking, payment, and settlement systems
- Use of short-term financial market instruments for cash management • Integration of debt and cash management

The requirements of a modern treasury management function should include a comprehensive TSA and a cash flow forecasting system with the ability to make accurate projections of short-term cash inflows and outflows. The separation between the permission to spend and actual cash payments means that flows through the TSA must be the focus of the forecast. Good cash flow forecasts underpin active cash management. Ideally, forecasts of daily cash flows across the TSA should be available for at least three months ahead on a rolling basis, including at the end of the fiscal year. This must be coupled with an ability to monitor actual changes in the aggregate balance of the TSA top account, preferably in as close to real time as possible.

13.2 Cash Flow Forecasting

Forecasts of future cash flows are essential for more active cash management. As outlined in IMF TNM 10/13¹² regarding cash management, the separation between the permission to spend and making actual cash payments means that flows through the TSA must be the focus of the forecast. Ideally, forecasts of daily cash flows across the TSA should be available for at least three months ahead. This must be coupled with an ability to monitor actual changes in the aggregate balance of the TSA top account, certainly the following morning if not closer to real time.

Good forecasting is a challenge in all countries. Forecasting systems use a variety of techniques (see Lienert, 2009), which tend to draw on both bottom-up information—the detailed information available to line ministries and tax departments—and top-down analysis—how total spending and revenue varies over time. It is important to emphasize the use made of the relevant spending or revenue departments’ knowledge. They are usually closer to the transactions than the MoF and should be monitoring expected and actual cash flows, whether income or expenditure. This requires good information networks, both personal and systems-based. Who is best placed to pull the forecasts together is discussed further below.

Effective forecasting contributes significantly to improved cash management. The Treasury Department relies on other departments to supplement the application of historical patterns when forecasting inflows and outflows of cash. The first step to establishing an effective cash management regime is, therefore, the development of a model that captures known periodic cash obligations and one-off expenditures. These should include not only items relating to the management of the Consolidated Fund receipts and payments but also those of the below the line accounts.

Table 13-1 below outlines the format of the cash forecast model for the GoG. The key types of information are:

- Projected profile (timing) of expenditures as provided by the MDAs to the Budget Unit.
- Projected profile (timing) of tax revenues as provided by IRD

¹² Much of this chapter is based on IMF technical note 10/13: “Government Cash Management: its interaction with other financial policies” by Mike Williams and IMF technical note 09/03: Modernizing Cash Management by Ian Linert.

- Projected profile of non-tax revenues as provided by the key non-tax revenue collection agencies.
- Projected profile (timing) of inflows and outflows from borrowing and other debt management activities, as provided by the debt management unit.

The Budget Section shall collect a cash flow plan MDAs at the time that the budget is submitted to the Parliament for approval¹³. The cash plans to be provided by MDAs should be in sufficient detail to prepare the expenditure forecasts and non-tax revenue forecasts as reflected in Figure X. In consultation with the Treasury, the Budget Unit may decide to request a quarterly update of these projections.

Identification of significant one-time receipts and payments is also important to effective cash planning. All this information must be fed to the Treasury and incorporated into the cash management system.

Internal Revenue Department shall provide estimates of the total value and timing of tax revenue collections for the coming year. These estimates shall be updated quarterly or upon request of the CMU.

Forecasting of debt payments is also critical to the cash management process, especially in light of the size of such transactions. The Debt Management Unit shall initially provide a projection of the timing of flows associated with planned debt issuance and repayments, to be included in the cash flow forecasts.

The information that the CMU gains from the various primary sources should be analysed in terms of their consistency with historical trends. As an example, MDA's will typically plan to spend much of their budget on a consistent monthly profile but in practice, most MDAs in most countries tend to fall behind in their spending plans (particularly for projects) and then try to catch up with more spending in the last 2-3 months of the year. In consultation with the Budget Unit (as well as IRD and spending ministries), the CMU should make a judgement-based decision as to the most accurate forecast spending profile.

The CMU should engage in an open and ongoing conversation with the debt unit, budget department should take place regarding the implications of the cash flow projections. Should cash flow surpluses or deficits be projected, this should result in a management decision.

Should a shortfall be projected, this could be addressed by additional borrowing. Short-term loans (Treasury Bills and the Government's overdraft facility) are generally intended to bridge temporary shortfalls in receipts so that funding of government programmes can proceed smoothly. Only if there are restrictions in borrowing, cash shortfalls can also be addressed by holding back on the value of allocations released, such that MDAs are incurring commitments (which will eventually become spending) at a slower rate than forecasts.

¹³ It is desirable to receive the cash flow plans before the start of the year. For this reason, the cash flow plans shall be requested based on the budget estimates as submitted to Parliament. Should any changes to the budget estimates be approved by parliament, the cash plans can be adjusted accordingly.

Should a surplus of cash be projected, it may be decided to slow down the rate at which new borrowing occurs and/or to invest surplus cash.

Every month, the CMU shall update the cash flow projection to include the actual inflows and outflows measured in the completed months of the year. If the actuals deviate from the forecast, a decision will need to be made as to if or how the forecasts for the remaining months of the year might need to be adjusted.

Accurate, up-to-date information on current bank balances is also critical to effective cash management. Governments often use a network of commercial banks to enable efficient collection of revenues. It is important that all revenue collecting agencies understand that funds become available for use only when they are effectively credited to the central accounts. Arrangements should necessarily be made to ensure that collections are transferred to the central accounts at least by the beginning of the day following the deposit of the funds at the commercial bank.

The introduction of electronic banking facilities has significantly enhanced the efficiencies of cash management through the provision of access to real time information on bank balances—a critical component of cash management.

Figure 13-1: Example of Annual Cash Flow Forecast

DESCRIPTION	BUDGETED	JANUARY	Insert Columns for each other month	DEC.	TOTAL	VARIANCE	VAR. %
OPENING BALANCE (1)							
INFLOWS							
Total Revenue	574,565,873	3,174,897		1,989,328	573,292,527	(1,273,347)	-0.22
Tax Revenue	526,217,669	8,237,656		8,423,888	525,746,054	(471,615)	-0.09
Taxes on Income and Profits	108,731,864	8,451,966		7,825,863	108,731,864	(0)	0.00
Taxes on Property	22,008,091	783,567		1,626,260	22,008,091	(0)	0.00
Taxes on Domestic Transactions	113,718,085	8,276,935		8,842,711	113,246,469	(471,616)	-0.41
Taxes on International Transactions	281,759,630	20,725,187		30,129,054	281,759,630	-	0.00
Non-Tax Revenue	48,348,204	9,937,241		3,565,440	47,546,473	(801,731)	-1.66
Licenses	18,324,921	2,393,780		1,243,265	17,717,537	(607,384)	-3.31
Dividends	908,000	227,000			908,000	-	0.00
Rent and Interest	1,254,270	104,523		104,523	1,254,270	-	0.00
Fees, Fines and Permit	1,261,958	1,050,913		1,050,913	1,261,958	-	0.00
International Financial Services	8,437,500	703,125		703,125	8,437,500	-	0.00
Reimbursements	596,294	49,691		49,691	596,294	-	0.00
Other Revenue	6,216,261	408,209		13,923	6,021,914	(194,347)	-3.13
Total Grants	201,609,539	16,800,795		16,800,795	201,609,539	-	0.00
Budgetary Support (Grants)							
Capital Grants	201,609,539	16,800,795		16,800,795	201,609,539	-	0.00
Total Revenue and Grants	776,175,412	59,975,692		68,790,123	774,902,066	(1,273,347)	-0.16
Total Financing	352,728,611	-		22,597,683	352,728,611	-	0.00
Financing Plan	40,136,111	-		10,005,183	140,136,111	-	0.00
Roll-over of Bills	212,592,500	-		12,592,500	212,592,500	-	0.00
TOTAL INFLOW (2)	1,128,904,023	59,975,692		91,387,805	1,127,630,677	(1,273,347)	-0.11
OUTFLOWS							
Recurrent Expenditures	481,239,010	5,377,949		5,474,308	471,946,130	(9,292,880)	-1.93
Personnel Expenditures	223,250,752	8,708,830		7,693,745	223,250,752	-	0.00
Salaries and Wages	196,604,550	6,473,539		5,701,361	196,604,550	-	0.00
Personnel Allowances	26,646,201	2,235,290		1,992,383	26,646,201	-	0.00
Goods and Services	56,673,240	5,556,103		5,556,103	56,673,240	-	0.00
Transfers	8,029,978	7,335,832		7,335,832	8,029,978	-	0.00
Total Interest	103,285,039	3,777,185		3,888,629	93,992,159	(9,292,880)	-9.00
Interest Payments on Domestic	30,719,381	11,552,000		981,188	21,426,501	(9,292,880)	-30.25
Interest Payments on External	67,590,904	2,965,633		3,117,691	67,590,904	-	0.00
Interest on Arrears Repay.	4,974,754	-		789,750	4,974,754	-	0.00
Capital Expenditures	294,740,150	4,561,679		4,561,679	294,740,150	-	0.00
Total Expenditures	775,979,160	59,939,629		60,035,988	766,686,280	(9,292,880)	-1.20
Domestic Repayments	55,861,236	1,167,460		2,087,406	55,861,236	-	0.00
Roll-Over of Bills	212,592,500	-		12,592,500	212,592,500	-	0.00
External Repayments	71,880,690	5,107,857		3,491,769	77,890,527	6,009,837	22.27
Principal Arrears	2,394,184	276,001		-	12,394,184	-	0.00
Domestic Principal	2,552,001	276,001		-	2,552,001	-	0.00
External Principal	9,842,183	-		-	9,842,183	-	0.00
Total Debt Repayments	552,728,610	8,551,318		23,171,675	568,738,447	6,009,837	4.54
TOTAL OUTFLOWS (3)	1,128,707,770	68,490,947		83,207,663	1,135,424,727	5,716,957	0.60
Net Cash Requirements (2) to (3)	196,253	8,515,255)		8,180,143	(7,794,051)	(7,990,304)	
Closing Balance						196,253)	
Cumulative Cash Requirements		8,515,255)		(7,794,050)			

CHAPTER 14. OTHER FINANCIAL TRANSACTIONS

There are many other transactions performed by the Treasury that are not directly disbursements for budget execution purposes. These are often referred to as “*below the line*” transactions and are either transactions that assist the staff and the community and are permitted by the Finance Act or transactions that relate to the cash management function. These are often classified as:

- Advances
- Investments
- Remittances as a service to employees (third party deposits)
- Fund accounts
- Short term loans

14.1 Advances

The Finance Act may provide for the authority to give advances to employees or to other governments or agencies based on payments made on their behalf. These advances affect the cash resources of the country and are recorded as asset or liability transactions. The Treasury itself processes these transactions, not a spending unit, though in some instances the transaction may be initiated on the request of a spending unit. The Treasury must be able to reconcile these transactions on a monthly basis and supply information on advances and loans given as well as the status of each. Year-end financial reports are also required for these activities.

Advances to employees may include salary advances and personal loans such as car loans. An advance to a government department may be made if payments are required ahead of the approved appropriation or ahead of the receipt of grant or loan funding. Cooperation with other countries may also take place through the advance of pension payments to those no longer living in the pension country.

Remittances to implement the budget are also advances, but they are for payments approved in the Appropriation Bill. They require the transfer of cash to a bank account that is not managed by the Treasury. In addition, they require a regular accounting for expenditures (appropriation accounting) by the spending Department and this accounting is specified in regulatory legislation. They include:

- Remittances to overseas missions. These require currency conversions so that the funds received can be immediately used in the mission country. Reporting of expenditures must be converted to local currency before input.
- Remittances to imprest accounts of Departments. These bank accounts give the flexibility to a Department to write an immediate check. Prior to centralizing salary payments these accounts were used extensively. Current use is very limited to small expenditures. However, if the Treasury has the ability to process payments quickly, and if there is a process for providing cash for small purchases, imprest accounts should be discontinued. Any amount of cash that has to be transferred from the Consolidated Fund

before it is needed for paying a supplier reduces the effectiveness of the Treasury to manage cash.

14.2 Remittances as a Service to Employees

As an employer, the Government may perform various payroll-related services such as making and managing deductions from salaries and remitting the cash to the appropriate agency. Handling payroll deductions—for social security or income tax or other purposes—requires rigorous accounting procedures to ensure that the deductions are made correctly, retained until transferred, and then transferred at the appropriate time.

14.3 Fund Accounts

The Treasury may also have responsibility for the management and control of funds held in trust on behalf of individuals or temporarily on behalf of other non-government agencies. One of the requirements of these trusts is that funds held in such circumstances should be invested in the best interest of the trustee. That is, they should be held in interest bearing accounts or in some other revenue generating form of investment.

It is the duty of the Accountant General to ensure that efficient systems are also in place to monitor, account for and report on such funds separately from those of Central Government.

14.4 Short term loans

Governments at times may need to finance a temporary short-fall of cash resources as part of their daily financial operations. Responsibility for such short-term financing requirements falls within the duties of the Accountant General and is usually outlined in the Finance Act.

Financing options available to meet such requirements include use of the overdraft facility and the issuing of Treasury Bills. The overdraft facility is sometimes known as the “Advances” account, the “Ways and Means” account or the “temporary borrowings” account. Interest is payable on the outstanding balance of this account with interest being calculated at the rate of the average interest rate on short-term borrowings for the month. Treasury Bills are short-term government paper issued to the private sector by the Accountant General or the Central Bank to raise funds to meet the short-term cash requirements of the Treasury.

123.

CHAPTER 15. INTERNAL CONTROL

Internal control is broadly defined as the system of laws, policies, regulations, procedures, systems, resources, and personnel that work together to optimize the achievement of the Government's mission and objectives. More narrowly, internal control of financial management requires that there be sound financial management practices, accountability, compliance with effective laws and regulations, accuracy in reporting and safeguarding of financial and physical assets of the Government so as to reduce opportunities for fraud, misuse or destruction of these assets.

The Accountant General is the official of the Ministry of Finance who performs “a supervisory function with respect to the collection, expenditure and accounting for public funds”¹⁴. The responsibility for developing an internal control system within MDAs is the responsibility of the Accountable Officer, who is with top manager of the entity (Permanent Secretary, Financial Secretary).

15.1 Internal Control Framework

Internal control procedures dealing with financial management generally address the following areas:

- effective custodianship over the Government's physical and financial assets;
- reliable financial information in all financial reporting; and
- compliance with government laws and regulations.

Although procedures may exist, management has the responsibility to evaluate how well they are working. The following guidelines identify some of the issues that are typically considered when internal control procedures are developed:

124. Authority. The authority of each official must be identified in legislation or regulations. If that official cannot perform as required, a procedure for delegation must also be described.
125. Segregation of duties. In developing internal control procedures, especially in the case of financial transaction management, segregation of duties means that no processing of a financial transaction is handled by one person from start to finish. For accepting cash, for example, it means that the personnel who receive the cash do not record the cash totals from backup documents. For disbursements, this might mean that different personnel request payments, authorize payments and sign checks. For managing bank accounts, this might mean that separate personnel sign checks from those who reconcile bank statements.
126. Checklist identifying processes. Transactions must be processed according to a checklist of completed actions. For example, in the case of a disbursement after a

¹⁴ Article 5(1) of the Finance (Administration) Act, St. Lucia.

purchase order has been used to obligate budget funds, the sequence might proceed something like the following: 1) a check for satisfactory receipt of the ordered goods, 2) a receipt of the invoice, 3) a comparison of the invoice to the obligation record, 4) a notification that cash is available, 5) signatures on the cheque, and 6) the release of the cheque to the supplier by the Treasury.

127. Accountability of assets. If accounting is to provide a valid basis of accountability for an asset, the accountant should have neither physical custody of the asset nor access to it. Moreover, the custodian of the asset should not maintain, or have access to, the accounting records. When one employee maintains the record of the asset that should be on hand, and a different employee has physical custody of the asset, the custodian of the asset is not likely to convert the asset to personal use. The separation of accounting responsibility from the custody of assets is especially important for cash and inventories because these assets are very vulnerable to unauthorized use or misappropriation.

128. Documentation procedures. Documentation provides evidence that transactions and events have occurred. By adding signatures to documents (or initials), individual(s) responsible for the transaction can be identified. Documentation of transactions should be made when the transaction occurs. Documentation of events, such as those leading to the adjustment of entries, generally takes place when adjustments are made.

Several procedures should be established for documents. Firstly, whenever possible, documents should be pre-numbered and all documents should be accounted for. Pre-numbering helps to prevent a transaction from being recorded more than once, or, conversely, to prevent a transaction from not being recorded. Secondly, documents that are source documents for accounting entries should be promptly forwarded to the Accounting Department to ensure timely recordings of the transaction and event. This control measure contributes directly to the accuracy and reliability of the accounting records.

Physical, mechanical and electronic controls.

Use of physical, mechanical and electronic controls is essential. Physical controls relate primarily to the safeguarding of assets. Mechanical and electronic controls safeguard assets and the reliability of accounting records. Examples of **physical controls** include:

- safes, vaults and safety deposit boxes for cash and other important documents
- locked warehouses and storage cabinets for inventories and other records
- computer facilities with pass key and password access

Examples of mechanical and electronic controls include:

- alarms
- television monitors and sensors
- time clocks

Independent Internal Verification.

Most systems of internal control provide for independent internal verification. This principle involves the review, comparison and reconciliation of data prepared by one or several employees. To obtain maximum benefit from independent internal verification:

129. The verification should be made periodically or on a surprise basis.
130. The verification should be done by an employee who is independent of the personnel responsible for the information.
131. Discrepancies and exceptions should be reported to the management level that can take appropriate corrective action.

Independent internal verification is especially useful in establishing whether internal control processes are an integrated practice rather than something which is performed periodically to get a positive audit report. The reconciliation of the cash register tape with the cash in the register is an example of this internal control principle. Another common example is the reconciliation, by an independent person, of the cash balance per books with the cash balance per bank.

To illustrate the objectives of internal control with respect to cash, the following example is taken from Price Waterhouse¹⁵:

- *Cash receipts* – To ensure that all cash intended for the organization is received, promptly deposited, properly recorded, reconciled, and kept under adequate security.
- *Cash disbursement* – To ensure that cash is disbursed only upon proper authorization of management, for valid business purposes, and that all disbursements are properly recorded.
- *Payroll* – To ensure that payroll disbursements are made only upon proper authorization to bona fide employees, that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are complied with.
- *Grants, gifts, and bequests* – To ensure that all grants, gifts, and bequests are received and properly recorded, and that compliance with the terms of any related restrictions is adequately monitored.

Computer Controls Differ from Manual Controls

Traditional internal controls may no longer be sufficient or appropriate for handling transactions generated by the computer. There is now a need for those responsible for internal control to understand the underlying computer systems well enough to ensure that the appropriate controls are present within the system, and also how to test that the controls are operating effectively.

The advantage of computerized controls is that they are consistent—the same transactions will either be processed consistently correctly or consistently incorrectly. However, difficulties may

¹⁵ Price Waterhouse's booklet, *Effective Internal Accounting Control for Nonprofit Organizations: A Guide for Directors and Management*.

arise when unusual transactions are processed through the system. If the controls were not developed with a wide enough scope to accommodate such transactions, the result is often unexplained or unnoticed errors in the operating results.

It is essential that staff receive proper training when a manual system is computerised. They need to understand more than how to run the computer, including how the computer processes information. This eliminates the feeling that they need to continue the manual processes to check the accuracy of the computer.

Unauthorised access to data is also a significant risk for organisations. Increasing use of technology, such as local area networks (LANs), wide area networks (WANs) voice-mail, Internet and e-mail, creates additional risks to physical security. Sensitive information is now potentially available online for access by a sophisticated hacker, especially if password and other access controls are not carefully established and monitored. As technology constantly changes, so too must the controls over physical security and logical access to data.

Password control within the organisation is critical to the protection of data. Too often employees share passwords to facilitate workflow, resulting in a breakdown of controls. Employee access to data should be tailored to each individual, providing access only to the data and/or programs that are essential for the employee's job responsibilities.

One of the areas where the Treasury must take care is with respect to access to the financial management information system. In SmartStream, access to specific modules and specific operations of the computerized system is controlled by position-specific passwords. The assignment of these passwords must be described in a regulation or instruction so that only those authorized by nature of their position may obtain a password. The giving out of the password must also be a secure process that ensures password security. It is preferable, therefore, that passwords are issued in person by an authorized manager of the information system with firm instructions that these be changed to a secure protected password as soon as the user accesses the system.

15.2 Accountable Officers

In accordance with the PMF Act (s.10), a Public Officer shall be designated as an Accountable Officer by the House of Representatives in the annual or supplementary estimates, or by resolution, in respect of:

- Each expenditure vote or part of an expenditure vote;
- Each head or part of a ahead of statutory expenditure identified in the annul or supplementary budget estimates; and
- Each head of a revenue or part of a head of revenue in the annual estimates.

Where a person is designated as an Accountable Officer he or she shall be liable for the entity's responsibilities under the PFM Act, the PFM regulation and other applicable laws and instructions. Consistent with these responsibilities, the Accountable Officer shall:

132. Be responsible, to the respective minister for the preparation of the annual and supplementary estimates, and execution of the budget within the medium-term budget framework;
133. Ensure that the entity has adequate systems in place for the management of public finances , consistent with this Act, and the medium term framework of the entity;
134. Ensure that public resources of the entity and transparent use, and that expenditures are incurred as intended by the annual budget and appropriation in a transparent and accountable manner;
135. advise the relevant Line Minister on the formulation of the annual and supplementary budgets, and in ensuring consistency between resource allocation and the policy objectives;
136. supervise and oversee all Statutory Bodies, Government owned and controlled corporations and special fund under the control of the entity;
137. ensure the effective control of, and accurate accounting for the disbursement of public moneys received by the entity for which he or she is the Accountable Officer.

15.3 Accounting Unit to support Accountable Officer on internal control

It is not practical or appropriate for the Accountable Officer to perform all roles within the control framework. Indeed, the segregation of duties requires otherwise. The PFM Act provides that an Accountable Officer may delegate in writing some or all of his or her responsibilities to a Public Officer who reports to such Accountable Officer provided however such Accountable Officer shall remain liable for his responsibilities.

Each Accountable Officer should establish an accounting function within their Ministry, to be known as an Accounting Unit. This Accounting Unit should comprise staff who are trained in the management and reporting of government accounts. For larger ministries, this should include staffing of the accounting unit with at least one certified accountant. The most senior member of the Accounting Unit shall be the Supervisor of Accounts for the ministry. The Supervisor of Accounts for each ministry shall have the following roles and responsibilities under delegation by the Accountable Officer:

138. Advise the Accountable Officer on all aspects of financial management within the ministry.
139. Assist the Accountable Officer by coordinating the preparation of the budget of the ministry.
140. Overseeing budget execution functions on behalf of the Accountable Officer, including approving payment vouchers.
141. Liaising with the Ministry of Finance regarding budget preparation and execution processes, ensuring that the ministry complies with instructions and other requirements.
142. Preparing budget execution reports, including those required by management as well as those required by regulation to be produced by the ministry.

15.4 Internal Audit

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the GoG. It assists Accountable Officers in accomplishing their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, internal control.

In accordance with the PFM Act (s.63), there shall be established in each MDA, a system of internal audit for examining accounting systems, internal controls, risk management and governance processes of the MDA to promote a robust internal control framework.

Each Accountable Officer shall be responsible for establishing and maintaining an internal audit capacity appropriate to the needs of the MDA. In those circumstances where an internal audit unit is not operational in an MDA that MDA, and its Accountable Officer, shall be serviced by a central internal audit unit operating within the AGD.

The duties and responsibilities of the internal auditor shall include:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities, to achieve the organization's stated goals and objectives. This includes:

143. Evaluating risk exposure relating to achievement of the organization's strategic objectives.
144. Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
145. Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
146. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
147. Evaluating the effectiveness and efficiency with which resources are employed.
148. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
149. Monitoring and evaluating governance processes.
150. Monitoring and evaluating the effectiveness of the organization's risk management processes.
151. Performing, consulting and advisory services related to governance, risk management and control as appropriate for the organization.

152. Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
153. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Accountable Officer (or Accountant General in the case of centralized IA function).
154. Evaluating specific operations at the request of the Accountable Officer (or Accountant General in the case of centralized IA function), as appropriate.

The internal audit activity will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the GoG's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of each MDAs records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

At least annually, an internal audit plan shall be submitted for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management. The/ Each internal audit unit will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant

deviation from the approved internal audit plan will be communicated to Accountable Officer (or Accountant General in the case of centralised IA function).

A written report will be prepared and issued by the internal audit unit following the conclusion of each internal audit engagement and will be distributed as appropriate.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

DEFINITIONS

“Accountant General” means the Public Officer appointed to the post of Accountant General under the direction of the Permanent Secretary;

“Accountable Officer” means any Public Officer designated as such under section 10 of the Law on Public Finance Management;

“Annual estimates” means the annual estimates of revenue and expenditure, both recurrent and capital;

“Appropriation” means an authority from Parliament to pay money out of the Consolidated Fund or other public fund to meet the estimates of expenditure in a financial year by an appropriation Act or a Supplementary Appropriation Act and, where the context requires, includes expenditures authorized to be made out of the Consolidated Fund under this or other relevant Act without further action by Parliament and the term “appropriate” shall have a corresponding meaning;

“Appropriation Act” means an Act of Parliament the purpose of which is an appropriation of public money out of the Consolidated Fund pursuant to section 77 (2) of the Constitution;

“Central Government” means every branch, ministry, department, agency of Government, and includes all special funds established and maintained by Government under the Consolidated Fund pursuant to the PFM Act;

“Collector of Revenue” means any person responsible for collecting money, securities or other negotiable instrument for or on behalf of Government;

“Commitment” means the entering into a legally binding agreement that will result in payments or other liabilities for the Government or a covered entity under the PFM Act;

“Consolidated Fund” means the Consolidated Fund established pursuant to section 75 of the Constitution;

“Covered Entity or Entities” means entities covered under section 3 (2);

“Department” includes a non-ministerial department of Government, a ministerial department of Government and a unit of Government;

“Expenditure Vote” means a sum appropriated to a service (a ministry or non-ministerial department) authorized by an Appropriation Act;

“Government agency” includes every ministry, department, independent establishment, division, bureau, board, commission, institution, authority, organization of the Government of Grenada

including parishes, local authorities or political or governmental sub-divisions of the Government of Grenada;

“Government borrowing” means any short, medium, and long term borrowing, loans or financial contracts, including finance leases and securities issues contracted by the Government;

“Government property” means all assets whether movable, immovable, or intangible, or financial assets in any form, owned by the Government of Grenada;

“Line Ministries” means generally, all Ministries other than the Ministry of Finance of Grenada;

“Line Ministers” means generally, the Ministers who are heads of Line Ministries;

“Minister” means the Minister responsible for Finance;

“Ministry” means the Ministry with responsibility for Finance;

“National Budget” means the Budget approved by Houses of Parliament;

“Negotiable instruments” includes a cheque, a draft, a traveler’s cheque, a bill of exchange, a postal note, a money order or any other similar instruments;

“Permanent Secretary” means the Permanent Secretary of the Ministry with responsibility for Finance;

“Prescribed” means prescribed by Regulations, instructions, directives, or orders as the case may be;

“Public Accounts” means the accounts referred to in section 67;

“Public Accounts Committee” means the committee appointed pursuant to the relevant Standing Order of the House of Representatives;

“Public Body” means a Statutory Body, or a Government owned or controlled Company;

“Public money” means revenues; money borrowed by the Government of Grenada through any means including through the issue or sale of securities; grants received by Government; money in the custody or under the control of the Government; money held, whether temporary or otherwise by whether alone or jointly with any other person, money held on trust for, or otherwise for the money lent by Government to a person pursuant to the PFM Act and other relevant legislation;

“Public Officer” has the meaning assigned to it under the Constitution;

“Public property” means property of any kind in the custody or under the control of the Government;

“Receiver of revenue” means the Accountant General or any Public Officer designated by the Accountant General for the purpose of receiving public money, securities or other financial instruments;

“Revenue” means all taxes, tolls, imposts, levies, rates, duties, fees, penalties, royalties, surcharges, forfeitures, rents and dues, proceeds of sale, repayment of loans, and all other receipts of the Government from whatever sources arising, over which Parliament has the power of appropriation;

“Securities” means bonds, debentures, promissory notes, treasury bills and other claims evidencing debts and includes assets commonly known as securities;

“Special fund” means a special fund provided for under section 45;

“Statutory expenditure” means expenditure charged on the Consolidated Fund by the Constitution or any other enactment that provides that the expenditure is so charged in each year;

“Supplementary Appropriation Act” means an Act providing for the issue from the Consolidated Fund of the sums necessary to meet the supply year and for the appropriation of those sums to

“Supplementary estimates” means the supplementary estimates of expenditure, both recurrent and capital.

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Appendix 1: International Public Sector Accounting Standards (IPSAS)

IPSAS 1, Presentation of Financial Statements, sets out the overall considerations for the presentation of financial statements, guidance for the structure of those statements and minimum requirements for their content under the accrual basis of accounting.

IPSAS 2, Cash Flow Statements, requires the provision of information about the changes in cash and cash equivalents during the period from operating, investing and financing activities.

IPSAS 3, Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies, specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors, defines extraordinary items and requires the separate disclosure of certain items in the financial statements.

IPSAS 4, The Effects of Changes in Foreign Exchange Rates, deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for determining which exchange rate to use for the recognition of certain transactions and balances and how to recognize in the financial statements the financial effect of changes in exchange rates.

IPSAS 5, Borrowing Costs, prescribes the accounting treatment for borrowing costs and requires either the immediate expensing of borrowing costs or, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

IPSAS 6, Consolidated Financial Statements and Accounting for Controlled Entities, requires all controlling entities to prepare consolidated financial statements which consolidate all controlled entities on a line by line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.

IPSAS 7, Accounting for Investments in Associates, requires all investments in associate to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.

IPSAS 8, Financial Reporting of Interests in Joint Ventures, requires proportionate consolidation to be adopted as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. However, IPSAS 8 also permits - as an allowed alternative - joint ventures to be accounted for using the equity method of accounting.

IPSAS 9, Revenue from Exchange Transactions, establishes requirements for the accounting treatment of revenue from exchange transactions. Non-exchange revenue, such as taxation, is not addressed in this standard. Non-exchange revenue is to be dealt with as a separate project.

IPSAS 10, Financial Reporting in Hyperinflationary Economies, describes characteristics of an economy that indicate whether it is experiencing a period of hyperinflation and provides

guidance on restating the financial statements in a hyperinflationary environment to ensure useful information is provided.

IPSAS 11, Construction Contracts, deals with both commercial and non-commercial contracts and provides guidance on the allocation of contract costs and, where applicable, contract revenue to the reporting periods in which construction work is performed.

IPSAS 12, Inventories, establishes the accounting treatment of inventories held by public sector entities and deals with inventories held for sale in an exchange transaction and certain inventories held for distribution at no or nominal charge. The IPSAS excludes from its scope work-in progress of services to be provided at no or nominal charge from recipients because they are not dealt with by IAS 2 Inventories and because they involve public sector specific issues which require further consideration.

IPSAS 13, Leases. This IPSAS is based on IAS 17 *Leases*. The IPSAS establishes requirements for financial reporting of leases and sale and leaseback transactions by public sector entities, whether as lessee or lessor. The PSC decided that because the IPSAS on Leases and the proposed IPSAS on Property, Plant and Equipment are closely related, it was preferable that the two IPSASs be released at the same time. Accordingly, the release of this IPSAS has been deferred to later in 2001.

IPSAS 14, Events After the Reporting Date. The IPSAS is based on IAS 10, Events After the Balance Sheet Date (revised 1999) but has been amended where necessary to reflect the public sector operating environment. The Standard establishes criteria for deciding whether the financial statements should be adjusted for an event occurring after the reporting date. It distinguishes between adjustable events (those that provide evidence of conditions that existed at the reporting date) and non-adjustable events (those that are indicative of conditions that arose after the reporting date).

IPSAS 15, Financial Instruments: Disclosure and Presentation. The IPSAS is based on IAS 32 *Financial Instruments: Disclosure and Presentation* (Revised 1998). The Standard includes requirements for disclosures about both on-balance sheet and off-balance sheet (statement of financial position) instruments, and the classification of financial instruments as financial assets, liabilities or equity. Some respondents noted that the IPSAS would have only limited application for public sector entities which did not hold financial assets, liabilities or equity. The PSC has included as an appendix to the IPSAS a guide to assist entities in identifying the requirements of the Standard that will apply to them.

IPSAS 16, Investment Property. Based on IAS 40 *Investment Property* (issued 2000) and provides guidance on identifying investment properties in the public sector. The Standard:

- requires that investment property initially be recognized at cost and explains that where an asset is acquired at no or nominal cost, its cost is its fair value as at the date it is first recognized in the financial statements;
- requires that subsequent to initial recognition, investment property be measured consistent with either the fair value model or the cost model; and

- includes transitional provisions for the initial adoption of the IPSAS.

IPSAS 17, Property, Plant and Equipment. Establishes the accounting treatment for property, plant and equipment, including the basis and timing of their initial recognition, and the determination of their ongoing carrying amounts and related depreciation. It does not require or prohibit the recognition of heritage assets.

IPSAS 18, Segment Reporting. Establishes principles for reporting financial information about distinguishable activities of a government or other public sector entity appropriate for evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets. This Standard defines provisions, contingent liabilities and contingent assets; and identifies the circumstances in which provisions should be recognized, how they should be measured and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing, and amount.

IPSAS 20, Related Party Disclosures. Requires disclosure of the existence of related party relationships where control exists and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are identifying which parties control or significantly influence the reporting entity and determining what information should be disclosed about transactions with those parties.

IPSAS 21, Impairment of Non-Cash-Generating Assets, Prescribes the procedures that an entity applies, to determine whether a non-cash-generating asset is impaired, and to ensure that impairment losses are recognized. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

IPSAS 22, Disclosure of Financial Information about the General Government Sector. Establishes requirements for governments that choose to disclose information about the general government sector and that prepare their financial statements under the accrual basis of accounting.

IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers). Addresses: Recognition and measurement of revenue from taxes Recognition of revenue from transfers, which include grants from other governments and international organizations, gifts and donations. How conditions and restrictions on the use of transferred resources are to be reflected in the financial statements.

IPSAS 24, Presentation of Budget Information in Financial Statements. Applies to entities that adopt the accrual basis of financial reporting. It identifies disclosures to be made by governments and other public sector entities that make their approved budgets publicly available. Also, it requires public sector entities to include a comparison of budget and actual amounts in

the financial reports and an explanation of any material differences between budget and actual amounts.

IPSAS 25 Employee Benefits. Acts out the reporting requirements for the four categories of employee benefits dealt with in the IASB's IAS 19 *Employee Benefits*. These are short-term employee benefits, such as wages and social security contributions; post-employment benefits, including pensions and other retirement benefits; other long-term employee benefits; and termination benefits. The new IPSAS also deals with specific issues for the public sector, including the discount rate related to post-employment benefits, treatment of post-employment benefits provided through composite social security programs, and long-term disability benefits. IPSAS 25 is effective for reporting periods beginning on or after 1 January 2011.

IPSAS 26 Impairment of Cash-Generating Assets. Some public sector entities (other than government business enterprises, which would already be using full IFRSs) may operate assets with the main purpose of generating a commercial return (rather than providing a public service). IPSAS 26, which is based on IAS 36 *Impairment of Assets*, applies to such assets. It sets out the procedures for a public sector entity to determine whether a cash-generating asset has lost future economic benefit or service potential and to ensure that impairment losses are recognized in its financial reports. Non cash-generating assets, those used primarily for service delivery, are addressed separately in IPSAS 21 *Impairment of Non-Cash-Generating Assets*. IPSAS 26 is effective for reporting periods beginning on or after 1 April 2009.

IPSAS 27 Agriculture. Prescribes the accounting treatment and disclosures related to agricultural activity, a matter not covered in other standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets. IPSAS 27 is primarily drawn from the IASB's IAS 41 *Agriculture*, with limited changes dealing with public sector-specific issues. For example, IPSAS 27 addresses biological assets held for transfer or distribution at no charge or for a nominal charge to other public sector bodies or to not-for-profit organizations. IPSAS 27 also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual. IPSAS 27 is effective for annual financial statements covering periods beginning on or after 1 April 2011, with earlier application encouraged.

IPSAS 28 Financial Instruments: Presentation. Draws primarily on IAS 32, establishing principles for presenting financial instruments as liabilities or equity, and for offsetting financial assets and financial liabilities.

IPSAS 29 Financial Instruments: Recognition and Measurement. Draws primarily on IAS 39, establishing principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

IPSAS 30 Financial Instruments: Disclosures. Draws on IFRS 7 and requires disclosures for the types of loans described in IPSAS 29. It enables users to evaluate: the significance of the financial instruments in the entity's financial position and performance; the nature and extent of

risks arising from financial instruments to which the entity is exposed; and how those risks are managed.

IPSAS 31 Intangible Assets. Covers the accounting for and disclosure of intangible assets. It is primarily drawn from IAS 38 *Intangible Assets*. It also contains extracts from the SIC 32 *Intangible Assets-Web Site Costs*, adding application guidance and illustrations that have not yet been incorporated into the IAS. At this point, IPSAS 31 does not deal with uniquely public sector issues, such as powers and rights conferred by legislation, a constitution, or by equivalent means; the IPSASB will reconsider the applicability of the standard to these powers and rights in the context of its conceptual framework project, which is currently in progress.

IPSAS 32 Service Concession Arrangements: Grantor. Provides for the recognition, measurement, and disclosure of service concession assets and related liabilities, revenues, and expenses by the grantor. The criteria in IFRIC 12 *Service Concession Arrangements* for determining whether the operator controlled the asset used in a service concession arrangement are also used in IPSAS 32 to assess whether the grantor controlled the asset. IPSAS 32 also creates symmetry with IFRIC 12 on relevant accounting issues (i.e. liabilities, revenues, and expenses) from the grantor's point of view. In addition, IPSAS 32 is consistent with SIC-29 *Service Concession Arrangements: Disclosures*.

IPSAS 33 First-time Adoption of Accrual Basis IPSASs. Addresses the transition from either a cash basis, or an accrual basis under another reporting framework, or a modified version of either the cash or accrual basis of accounting. Consequently, the IPSASB states that the new IPSAS is not aimed at IFRS convergence. Nevertheless, the IPSASB did consider the transitional exemptions included in IFRS 1 *First-time Adoption of International Financial Reporting Standards* in developing the standard.

IPSAS 34–IPSAS 38. Issued in January 2015, this series of standards are based on the 'package of five' standards issued by the IASB in May 2011 dealing with consolidation, joint arrangements, the equity method, separate financial statements and disclosure. However, the IPSASB made a number of amendments to the IASB's pronouncements to tailor them for the public sector.

Guidelines:

No. 1. Withdrawn

No. 2 Applicability of International Standards on Auditing to the Audits of Financial Statements of Government Business Enterprises.

Appendix 2: Year-end Task List

Task
General – Pre Year-End
Update PO's with blank effective date
Budget
Provide a file of all new accounts (full UDAK) for end of year just completed.
Provide a file of all accounts (full UDAK) that are no longer valid for end of year just completed
Validate the balances for the Printed Estimates – summarized by ITEM
Validate the balances for the Printed Estimates
Provide the estimates for Revenue by Item
Purchasing
Add Day Calendar
Review all open POs and clean all that are open (close, cancel or close short)
Print report on all Purchase Orders with status other than “Complete”
Review and make changes to any policies that might need adjusting for processing of transactions in the new financial year.
Make sure no PO is in an ‘OUT’ status.
Run query to count number of open PO lines at year-end.
Payables
Resolve all matching exceptions
Approve and pay all outstanding invoices
Complete Bank Reconciliation
Run AP Trial Balance as of end of year just completed

Reconcile AP Trial Balance as of end of year just completed
Cancel all unpaid invoices as of end of prior year.
Run report for Uncleared Cheques.
Set-up Payables policies for the BTL accounts: Add users if necessary Add Payables where necessary Update security Add / update Approver List
Cashiering
Verify that all Cashiering transactions were generated and posted to Ledger.
Ledger
Correct BTL accounts that are flagged as EXPENSE or REVENUE.
Flag UDAK keys with close date end of year for those accounts that are no longer required:
Close / delete accounts with close date end of year for those accounts that were entered in error and are invalid.
Add new data points to validation structures for new programs and subprograms.
Add Calendar for years two next years
Run Ledger Trial Balance as of end of year for GOG
Set-up and run Ledger yearend job
Run Ledger Trial Balance for Period 1 for GOG
Change dates on all Ledger Posting Requests to end of year
Change Ledger Periods back to allow for prior year journals.
Funds Control
Run report for FUND_CHECK to list Budget, Commitments, Encumbrances, Expenses, Available balances for year prior to doing FC year-end.

Run report for FUND_CHECK to list, Encumbrance balances for year prior to doing FC year-end.
Policy set-up
Set-up Funds Control Policy for year coming year
Setup 'Funds Control Accounting Relationship' window for those accounts that were switched.
FUNDS rollup structure
Modify FC roll-up structure if necessary.
Run a query to determine active accounts in Ledger that's not in Funds Control.
Delete old errors from fund_error_messages table
Run Structure Explosion for AVAIL_FUND coming year
Release quarterly allocation budget:
Release additional budget based on Finance Warrant
Take a full database back-up

This list is indicative and does not list all tasks