



## PAYMENTS

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### LEARNING OBJECTIVES

By the end of the session, participants will be able to:

- Review and certify payment applications for supply of goods
- Provide necessary documentation to support invoices for payment
- Follow procedures for making payment for supply of goods

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### What is Payment

- This is one of the primary obligations of the Contract Administrator following the delivery of the goods by the Supplier
- This is to ensure the Supplier is paid the value of the goods actually delivered at the costs agreed in the contract
- Contract Administrator ensures no payment for goods not delivered.

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### Initiation of Payment by Contract Administrator

- Supplier to deliver the goods ordered by Procurement entity to designated point by specified date as required by the applicable **INCOTERMS**
- **Inspection** of the goods supplied by an inspection team, which includes the Store-keeper and User department among others
- Goods accepted and taken on charge by Stores Unit by preparing a Stores Receipt Voucher(SRV) if there is strict compliance with the specification, amount and quantity as contained in the GIFMIS generated Purchase Order(PO), the Supplier's invoice and waybill
- Copy of SRV together with, PO and invoice are forwarded to the Accounts department/ **Controller and Accountant General's Department** for payment to be made to the Supplier
- A pre-audit is undertaken by the Internal Audit Unit

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## Payment Clauses

Under GCC Clause 16: The method of payment is as follows:

- The method and conditions of payment to be made to the Supplier under the Contract shall be specified in the **SCC**.
- The Supplier's request(s) for payment shall be made to the Purchaser in writing (Claimed)

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## Payment Clauses Cont.

- Payments shall be made promptly by the Purchaser, but in no case later than **twenty eight (28) days** after
  - (i) the acceptance of an Invoice or claim by the Purchaser or
  - (ii) as agreed by the parties.

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## Payment Clauses Cont.

- The Purchaser shall pay to the Supplier interest on any outstanding amount at the prevailing interbank rate where the Purchaser has received an accepted invoice or certificate from the Supplier but has failed to make payment within the number of days stated in the Data Sheet and where such period is not stated, payment remains outstanding for more than twenty-eight (28) days after the agreed due date.

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## Payment Clauses Cont.

- Under SCC Clause 11 (GCC Clause 16):  
**Advance Payment:** Forty (40) percent of the Contract Price shall be paid within twenty eight (28) days of signing of the Contract against a simple receipt and a bank guarantee for the equivalent amount and in the form provided in the Tender documents or another form acceptable to the Purchaser. **Not Applicable**

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## Payment Clauses Cont.

- **On Delivery:** One Hundred (100) percent of the Contract Price shall be paid on receipt of the Goods and upon submission of the documents specified in GCC Clause 10.

The total contract price to be paid shall not be subjected to exchange rate fluctuations at the time of payment

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## Documents For Payment

The Contract Administrator must request for the following document for payment:

- Copy of Contract Document
- Copy of Waybill
- original invoice from the Supplier;
- original of the Inspection Report;
- original of Stores Receipt Voucher (SRV);
- Any document for payment issues

Contract Administrator forward the above to the Accounts Department for processing.

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## Documents For Payment

Accounts Department or the authorised persons prepare PO through the GIFMISS Payment System or any established payment systems.

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## The GIFMIS Payment System

### Introduction

- As part of the broader PFM reforms programme, Government decided to deploy GIFMIS for the management of all public funds:
  - ✓ Consolidated Funds (CF),
  - ✓ Internally-Generated Funds(IGF),
  - ✓ Statutory Funds(SF)
  - ✓ Donor Funds(DF)
 across MDAs and MMDAs in the country.
- The use of GIFMIS for processing financial transactions at MDAs and MMDAs started in 2012.
- It is a legal requirement to use GIFMIS for processing public financial transactions under section 25(6) of the new PFM Act, 2016 (Act 921).
- The objective is to improve efficiency, comprehensiveness and transparency in Public Financial Management through the GIFMIS platform (Objective II of the PFM Strategy, 2015- 2018).
- GIFMIS is jointly funded by four development partners- the (i). World Bank (ii). DFID of UK (iii). European Commission-EU (iv). Danish International Development Agency-DANIDA.

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**Government of Ghana Public Announcement on the GIFMIS System, in December,2013 reads as follows:**

- *"The Ministry of Finance has observed with concern the indiscriminate award of contract by Ministries, Departments and Agencies without due regard to their budgetary allocation.*
- *With effect from 1<sup>st</sup> January, 2014, the Ministry is determined to safeguard the integrity of the budget by ensuring that all contract awards are informed by the budgetary allocation and cash ceiling.*
- *Thus, beginning from January, 2014, the general public is being informed that this Ministry will recognize contracts as valid if only they are duly authorized by PURCHASE ORDER(PO)generated from the GIFMIS SYSTEM.(Please refer to paragraph 937 of 2014 Budget Statement and Economic Policy.)*
- *By this announcement the general public especially contractors and suppliers should take note and ensure their contracts follow the due process to be assured of prompt payment"*

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- From the above announcement, it can be concluded that procurement planning, budget approval, purchase order/contract award and contract administration (in terms of payments and reporting) must all be linked to the GIFMIS platform.
- If the particulars of a Contractor, Supplier, Consultant or any other identified procurement service provider are not linked to the GIFMIS Platform from the time of contract award and subsequent approval on GIFMIS, the service provider will not be recognized for payment during contract administration.

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### **Definition of GIFMIS (PFM Act 2016, (Act921) Section102)**

“Ghana Integrated Financial Management Information System means the electronic platform used by the Government to :

- ✓ manage commitments made against appropriation,
- ✓ process payment
- ✓ record revenue and expenditure transactions
- ✓ produce monthly, quarterly and annual financial reports.”

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### **Aims of GIFMIS**

- To establish an **INTEGRATED ICT-based Public Financial Management(PFM) Information Systems** in Ghana at the MDAs located at National, Regional and District levels and MMDAs to improve efficiency in public financial management including Consolidated Fund, IGF, Statutory Funds and Donor Funds.

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## **Expected Outcome of GIFMIS**

With the introduction of GIFMIS we expect to achieve the following:

- Improved budgetary, financial management and reporting processes
- Provide accurate, timely and reliable financial information to Central Government and Decentralized Institutions and Organizations
- Uniformity in accounting and reporting with the introduction of a common Chart of Account and Database.
- Improvement in accountability, control, monitoring and auditing of Governmental finances.
- Ensure that, Ministries, Department and Agencies (MDA's/MMDA's) spend within their budgetary allocations

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## **Key Users of GIFMIS**

1. Vote controllers
2. Spending Officers
3. Budget Officers
4. Accountants
5. Procurement officers
6. Store officers
7. Treasury officers
8. Administrators and HR Managers
9. Internal Auditors
10. External auditors

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### **GIFMIS Budget Reforms At MOF**

The key budget reform initiatives under the GIFMIS include:

- Switch from Activity Based Budgeting (ABB) to Program- Based-Budgeting (PBB)
- To directly link planned expenditures to clearly determined results
- Installation of a new budget software
- To seamlessly integrate the Budget Preparation software with the Financial Accounting System

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### **Budget Preparation**

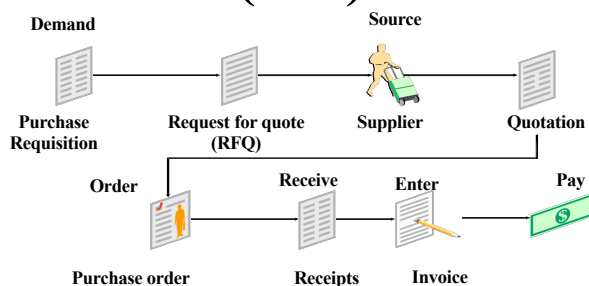
The budget preparation steps include:

1. Budget circular and instructions issued by MoF to all MDAs/MMDAs (FAR 152 & 153)
2. MDAs/MMDAs prepare and submit their budget proposals/estimates to MoF (FAR 156)
3. MoF holds budget hearing with MDAs/MMDAs (FAR 161)
4. MoF consolidates MDAs/MMDAs budgets into a National Budget Estimates and submits/presents it to Parliament for approval
5. Parliament debates the Budget and approves it for execution

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## GIFMIS Procure To Pay Process (P2P)

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### GIFMIS Detailed Business Processes

- **Step-by-Step Business Processes (P2P)-For Procurable Items (T &T etc)**
  1. User Department **Submit a Memo** through their head **to the Chief Director (CD)** for approval (Manual)
  2. Upon approval of the Memo, **Warrant is prepared and approved on the GIFMIS**. For Goods and Services warrants will now be done in bulk.  
No more specific warrants per Memo.  
The release for May was done on GIFMIS successfully.
  3. Once the Warrant is approved a **Requisition is then booked on GIFMIS** by the User Department.
  4. **Route the Requisition through an approval hierarchy for approval** by the Spending Officer based on the limit for approval
  5. **Select Supplier** (manual) – Tendering Process.
  6. Once a supplier is selected, the Procurement Department **prepares PO**

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7. The **PO is routed for Approval on GIFMIS** once its approved budget is encumbered.
8. **Print PO on GIFMIS**
9. **Give a copy of printed PO to the supplier** (manual)
10. **Supplier delivery** (manual)
11. **Goods inspected and taken on charge** (manual) by Internal Auditors and Stores.
12. **Enter results/details on the system** (i.e. create SRA). Stores will enter the results to be delivered by Internal Auditor
13. **Collect and book invoice on the system**
14. **Match invoice to SRA/PO**
15. **Invoice Approval**
16. **Payment for the transaction**

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### **Expenditure Process (P2P)**

- **Type of Purchase Orders on GIFMIS**
  - a. Standard Purchase Order
  - b. Contract Purchase Order
  - c. Planned Purchase Order
  - d. Blanket Agreement
- **Standard Purchase Orders:**
  - ✓ For one-time purchase of various items.
  - ✓ When you know the details of the goods or services you require, estimated costs, quantities, delivery schedules, and accounting distributions.
  - ✓ If you use encumbrance accounting, the purchase order may be encumbered since the required information is known.
- **Contract Purchase Orders:**
  - ✓ You create contract purchase agreements with your suppliers to agree on specific terms and conditions without indicating the goods and services that you will be purchasing.
  - ✓ You can later issue standard purchase orders referencing your contracts, and you can encumber these purchase orders if you use encumbrance accounting.

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- **Planned Purchase Order**
  - ✓ Is a long-term agreement committing to buy items or services from a single source.
  - ✓ You specify tentative delivery schedules and all details for goods or services that you want to buy, including charge account, quantities, and estimated cost.
  - ✓ You can issue scheduled releases against a planned purchase order to place the actual orders.
  - ✓ **If you use encumbrance accounting, you can use the planned purchase order to reserve funds for long term agreements.**
  - ✓ You can also change the accounting distributions on each release and the system will reverse the encumbrance for the planned purchase order and create a new encumbrance for the release.
- **Blanket Purchase Agreements**
  - ✓ Appropriate when you know the detail of the goods or services you plan to buy from a specific supplier in a period, but you do not yet know the detail of your delivery schedules.
  - ✓ You can use blanket purchase agreements to specify negotiated prices for your items before actually purchasing them.
  - ✓ can be created for a single organization or to be shared by different business units of your organization.
  - ✓ You can issue a blanket release against a blanket purchase agreement to place the actual order as long as the release is within the blanket agreement effectivity dates).
  - ✓ If you use encumbrance accounting, you can encumber each release.

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## QUESTIONS AND DISCUSSIONS

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