

Government of Seychelles expenditure and payment policy

Control of expenditure from public funds by public sector organizations is essential to ensure transparent and accountable practices in government. It is for that reason that the approval and commitment mechanism of each public sector organization must be run according to strict principles to ensure that the government becomes more efficient and adopts an efficient mechanism for settling payments to its creditors

1. Introduction

All Government ministries, departments and agencies (MDAs) should use good commercial practices in managing the flows of expenditure and commitments they operate with. It is therefore required that all contractual agreements and procurement of goods and services are initiated within the approved appropriation estimates for the fiscal year. Thereafter, all procurement of goods and services and contractual agreements must be committed in the (MDAs) respective Treasury Information System (TIS) at the point of approval so as to properly account, record and manage the MDAs budget. A Local Purchase Order (LPO) must be submitted in all instances to the vendors except for payments;

1. of utilities; water, telephone, internet and electricity, in which a utility bill is received from the service providers
2. which are covered under contractual agreements

2. Rational

This policy aims to promote MDAs to;

1. Pay suppliers on time
 - All payments should be in accordance with the terms set out in the contract or agreement
2. Give clear guidance to suppliers
 - The procurement of goods and services must be accompanied by clear guidance on payment procedures and policy of government on settlement of payments
 - Maintain the agreed payment terms at all times
 - Advise suppliers when an invoice is being contested
 - Address any disputes and complaints promptly

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- Settle quickly when a contested invoice gets a satisfactory response

3. Encourage good practices.

- Whereby timeliness of payment ensures an efficient cash management by the vendor
- the promotion of favorable pricing and discounts for government MDAs that settles early

PROMPT OR EARLY PAYMENT DISCOUNT

(a) The intent of the policy is that a governmental MDA should take advantage of an offer for an early payment discount. An MDA shall when possible negotiate a prompt payment discount with a vendor.

(b) An MDA may not take an early payment discount a vendor offers unless the governmental entity makes a full payment within the discount period.

(c) If an MDA takes an early payment discount later, the unpaid balance accrues interest beginning on the date the discount offer expires.

(d) An MDA, when paying for the goods or service purchased under an agreement that includes a prompt or early payment discount, shall submit the necessary payment documents or information to the Treasury sufficiently in advance of the prompt or early payment deadline to allow the Treasury to pay the vendor in time to obtain the discount.

3. Payment settlement deadlines:

3.1. MDAs internal processing

MDAs are required to ensure that the payment period does not exceed 30 calendar days after the MDAs receive the invoice. This is to allow a standard routine procedure of acceptance or verification of documentation by an MDA.

However to promote fair and efficient practices: MDAs must ensure the following timelines in settling their invoices to their suppliers and vendors. ***All invoices must as such reach Treasury or the Financial Planning and Control Division by the following deadlines:***

- i. For commercial transactions (procurement of goods and services) invoices should be settled within 10 working days (or 14 calendar days)

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- ii. For relatively small capital projects must not exceed 10 working days (or calendar 14 days). This will allow sufficient time for inspection of projects by the implementing agency.
- iii. For large infrastructure projects must not exceed 15 working days (or 21 calendar days).

Since all Infrastructure projects are managed centrally by the Finance department this should allow the department 7 working days for sample auditing, inspection and processing the payment to Treasury

- iv. All other contractual obligations for goods and services should be settled as mutually agreed in the respective contracts. ***Clauses should be inserted in all government contracts to be guided by this policy.***

3.2. Treasury final settlement of payment

- Treasury will then settle all invoices submitted by the MDAs within 3 working days. Sufficient time should be given to ensure proper scrutiny of the payment vouchers by undergoing the necessary control procedures.
- As per current policy, all invoices are to be settled directly in the bank account of the vendor or contractor through a bank transfer. In this instance payments can be expected to be settled within the next day.
- All suppliers and contractors are required to provide an email address, through their client MDA so as to receive an automatic remittance advice informing them at the instance the payments are transferred to their bank accounts.
- Government employees, suppliers and contractors are required to have an operational commercial bank account, or must open one in doing business with government.

4. Definition of time for payment by the Governmental MDA;

A payment by a governmental MDA under a contract or upon issuing a government Local Purchase Order (LPO) is defined to commence:

- a. For procurement of goods and services: the earlier of -
 - i. The date the governmental MDA receives the goods under the contract; or

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- ii. The date the governmental MDA receives an invoice for the goods or service under contract

b. for civil works:

- i. the date the performance of the service under the contract is completed as endorsed by the MDA with the contractor;

5. Internal payment procedures of MDAs

It is of imperative importance for the process flow of all documents in an MDA to be properly organized that it does not eventually lead to bottlenecks in processing. This might eventually lead to the accounts unit of an MDA to receive an invoice at the last instance and then expecting the accounts unit to rush with the payment so as to meet the respective deadline or for the accounts unit to be blamed for slow processing.

The internal approval process should be properly structured so that management do not also take a lot of time to approve an invoice.

6. Virement rules

Virement rules have already been relaxed so that budget allocation are not restricted strictly by line items. MDAs can now spend against 'Group Accounts' in a particular quarter so as to minimize the processing time of transactions and allow spending within a group instead of strictly against a line item.

This allows transactions to be processed more swiftly by minimizing on the number of virement request. The group accounts under which spending can occur within without carrying out line item virements for the purpose of this policy are:

- Office expenses
- Transportation and travel cost
- Maintenance and repairs
- Materials and supplies
- Other uses and Goods and Services
- Minor capital outlays

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7. settlement of payments to sub-contractors

TIME FOR PAYMENT BY VENDOR (a) A vendor who receives a payment from a governmental entity shall pay a subcontractor the appropriate share of the payment not later than the 10th day after the date the vendor receives the payment.

(b) The appropriate share is overdue on the 11th day after the date the vendor receives the payment.

TIME FOR PAYMENT BY SUBCONTRACTOR (a) A subcontractor who receives a payment from a vendor shall pay a person who supplies goods or a service for which the payment is made the appropriate share of the payment not later than the 10th day after the date the subcontractor receives the payment.

(b) The appropriate share is overdue on the 11th day after the date the subcontractor receives the payment.

8. INTEREST ON OVERDUE PAYMENT

Any payment that is not effected within the payment timeframe will be subjected to an interest charge. The interest charge shall be borne by the respective MDAs through its allocated budget and will become payable for payments exceeding 30 calendar days.

A payment begins to accrue interest on the date the payment becomes overdue.

(b) The rate of interest that accrues on an overdue payment is 0.05 percent per day of the total invoice amount

(b) Interest on an overdue payment stops accruing on the date the governmental entity or vendor produces the payment to Treasury

(c) Is not suspended during any period that a payment law prohibits the agency from paying the vendor.

(d) Stops accruing on its distribution date; and

(e) No interest accrues or may be paid under this section on a payment if the total amount of interest that would otherwise have accrued is equal to or less than Rs250.00

9. EXCEPTIONS

(a) Except as provided the interest does not apply to a payment made by a governmental entity, vendor, or subcontractor if:

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(1) there is a bona fide dispute between the MDAs and a vendor, contractor, subcontractor, or supplier about the goods delivered or the service performed that causes the payment to be late;

(2) there is a bona fide dispute between a vendor and a subcontractor or between a subcontractor and its supplier about the goods delivered or the service performed that causes the payment to be late;

(3) the terms of a government contract, grant, regulation, or statute prevent the governmental entity from making a timely payment with government funds; or

(4) the invoice is not mailed to the person to whom it is addressed in strict accordance with any instruction on the purchase order relating to the payment.

10. CLAIMS AND DISPUTES

DISPUTED PAYMENT;

(a) A governmental entity shall notify a vendor of an error in an invoice submitted for payment by the vendor not later than the 3rd day after the date the entity receives the invoice.

(b) If a dispute is resolved in favor of the vendor, the vendor is entitled to receive interest on the unpaid balance of the invoice submitted by the vendor beginning on the date that the payment for the invoice is overdue.

(c) If a dispute is resolved in favor of the governmental entity, the vendor shall submit a corrected invoice that must be paid. The unpaid balance accrues interest as provided by this chapter if the corrected invoice is not paid by the appropriate date.

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11. Advance and Interim payments

All transactions should follow good commerce principles.

- Where possible a minimum of three Quotations must be sought to ensure value for money
- A government Local Purchase Order (LPO) must be issued for any intended procurement
- An invoice must be submitted by the vendor
- Goods must be delivered and payment effected simultaneously after verifying that the goods delivered are correct and a goods received note (GRN) issued

11.1. Advance Payments

1. Advance payments to contractors (i.e. payments made before equivalent value is received in return) should be exceptional, and should only be considered if a good value for money case can be made for them (e.g. a price discount commensurate with the value of the funds in question) and if all reasonable steps have been taken to protect public funds.
2. As a minimum an appropriate risk analysis and proportionate due diligence should be undertaken before agreeing to any advance payment and consideration should be given to the requirement of a performance bond.
3. Procurement rules which protect the right of all potential suppliers to compete on equal terms must be complied with - it would not be acceptable, for example, to offer advance payments to the successful contractor to secure a further price advantage.
4. Any advance payment arrangement would require the prior approval of the relevant central finance and procurement function(s).

2. The following are excluded from the scope of these guidelines:

- service and maintenance contracts requiring payments at the point the contract commences provided a service is already available and can be called on from the date of payment;
- grants or grants in aid to sponsored bodies or pre-funding of other public sector bodies, including voluntary and community bodies, subject to the proviso that no payments should be made in advance of **need**;
- Minor services such as training courses, conference bookings or magazine subscriptions.

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- For all transactions above Rs. 1 million, it is required that bank guarantees or insurance are provided by the vendors if an advance payment is required.
- Alternatively MDAs must negotiate payment schedules by installment and contracts are drawn up for this purpose or as stipulated in writing by the suppliers' 'condition of offer' or 'condition of sales'.
- For all capital projects, a contract must be drawn for such purposes.
- Transactions below the value of Rs. 1 million should also ensure prudent practices and apply same practices where it is deemed necessary.

11.2. Interim Payments

- v. Interim payments are made at a prescribed stage or at intervals during the progress of a project. Interim payments may have an element of prepayment and so public sector organisations should consider them carefully before agreeing to them.
- vi. However, if they are genuinely linked to work completed or physical progress satisfactorily achieved, preferably as defined under a contract, they may represent acceptable value for public funds. The following points should be considered before agreeing to interim payment arrangements:
 - whether the contractor's reduced need for working capital should be reflected in reduced prices;
 - contracts might describe interim payments as payments on account towards the total price rather than a final payment for the part of the work done - this will make them subject to review and recoverable if necessary; and
 - interim payments should be related to value received and delivery of tangible outputs, including transfer of ownership of assets, rather than simply the passage of time.

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Definition:

"Goods" includes supplies, materials, or equipment.

"MDAs" means a ministry, department or agency

"Payment" means money owed to a vendor.

"Service" includes utilities and consultancy works.

"Subcontractor" means a person who contracts with a vendor to work or contribute toward completing work for a governmental entity.

"Vendor or supplier" means a person who supplies goods or a service to a governmental entity or another person directed by the entity.