

ANY REPLY OR SUBSEQUENT REFERENCE SHOULD BE ADDRESSED TO THE FINANCIAL SECRETARY AND THE FOLLOWING REFERENCE NUMBER QUOTED -

Telephone No 92-28600-16
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MINISTRY OF FINANCE AND THE PUBLIC SERVICE
30 NATIONAL HEROES CIRCLE
P.O. BOX 512
KINGSTON
JAMAICA

September 15, 2016

Circular No. 25
File No. 107/022
Public Expenditure Policy Coordination Division

Permanent Secretaries
Heads of Departments

Re: Departmental Advances

Permanent Secretaries and Heads of Departments are advised of the changes herein relating to Departmental Advances which becomes effective on October 1, 2016.

Departmental Advances are generally defined as payments made by Ministries and Departments from budgetary funds for goods and services not yet received. For many years, Departmental Advances have been a cause of considerable concern in the terms of accountability and reporting. Attached are revised guidelines on Departmental Advances designed to address both issues. These guidelines must be strictly adhered to and Ministries and Departments must seek guidance from this Ministry on clarifications and technical assistance needed in implementing the guidelines.

Permanent Secretaries and Heads of Departments must ensure that this circular is brought to the attention of all relevant officers.

Everton McFarlane
Financial Secretary (Assigned)

SUMMARY – CHANGES TO DEPARTMENTAL ADVANCES

(A) ADVANCE PAYMENT																				
<p>1. Commitment - Departmental Advance</p> <p style="margin-left: 20px;">a. No Change</p>																				
<p>2. Clear Commitment to Payment (new Payment NP or Purchase Order Payment PP)</p> <p style="margin-left: 20px;">a. Charge the payment to GL 8001 – Expenditure Control Account</p> <p style="margin-left: 20px;">b. Enter in the “ Dep/Adv “ Segment the Advancee code</p> <p style="margin-left: 20px;">c. Enter in the Segment “ Adv/Dep Type” the relevant Advance Type (i.e. 01 -09)’ (NB Do not use Advance Type “00” as the system will recognise the payment as full expenditure.</p>																				
<p>3. Certify/Authorise Advance Payment</p> <p style="margin-left: 20px;">b. No Change</p> <p style="margin-left: 20px;">c. Check that the Advancee and Advance Code are correct</p>																				
<p>4. Update Payment – NO Change</p>																				
(B) CONVERTING CURRENT YEAR OUTSTANDING ADVANCES (GL # 3050) as at September 30th 2016 to new System																				
<p style="margin-left: 20px;">a. Generate List of Advances (GL 3050) as at September 30, 2016 (i.e. Closed Period 6)</p> <p style="margin-left: 20px;">b. Prepare Journal Voucher and post in Period 7 – (October 2016) as follows:-</p> <table style="margin-left: 40px; border: none;"> <tr> <td style="width: 60%;">Expenditure Control (GL 8001) Debit</td> <td></td> </tr> <tr> <td>Advance Type 01-09</td> <td></td> </tr> <tr> <td>Advancee ????????</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Advance Control Credit</td> </tr> <tr> <td></td> <td style="text-align: right;">Advance Type 01-09</td> </tr> <tr> <td></td> <td style="text-align: right;">Advancee ????????</td> </tr> </table>	Expenditure Control (GL 8001) Debit		Advance Type 01-09		Advancee ????????			Advance Control Credit		Advance Type 01-09		Advancee ????????								
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(C) CONVERTING PRIOR YEAR OUTSTANDING ADVANCES (GL #3053) as at September 30th 2016 to new System																				
<p style="margin-left: 20px;">a. Generate List of Advances (GL 3053) as at September 30, 2016 (i.e. Closed Period 6)</p> <p style="margin-left: 20px;">b. Prepare Journal Voucher and post in Period 7 – (October 2016) as follows:-</p> <table style="margin-left: 40px; border: none;"> <tr> <td style="width: 60%;">Accumulated Fund (GL 6004) Debit</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Prior year Advances (GL3053) Credit</td> </tr> <tr> <td></td> <td style="text-align: right;">Advance Type 01-09</td> </tr> <tr> <td></td> <td style="text-align: right;">Advancee ????????</td> </tr> </table> <p style="margin-left: 20px;">c. Prepare 2nd Journal Voucher and post in Period 7 – (October 2016) as follows:-</p> <table style="margin-left: 40px; border: none;"> <tr> <td style="width: 60%;">Expenditure Control (GL 8001) Debit</td> <td></td> </tr> <tr> <td>Advance Type 01-09</td> <td></td> </tr> <tr> <td>Advancee ????????</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Expenditure Control Credit</td> </tr> <tr> <td></td> <td style="text-align: right;">Advance Type 00</td> </tr> <tr> <td></td> <td style="text-align: right;">Advancee 0000000000</td> </tr> </table>	Accumulated Fund (GL 6004) Debit			Prior year Advances (GL3053) Credit		Advance Type 01-09		Advancee ????????	Expenditure Control (GL 8001) Debit		Advance Type 01-09		Advancee ????????			Expenditure Control Credit		Advance Type 00		Advancee 0000000000
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(D) ADVANCE RECOVERIES with effect from October 1 (Period 7 and onward)																				
<p>1 Current Year Advances Recovered</p> <p style="margin-left: 20px;">a. Use appropriate Expenditure receipt Event making the following entry</p> <table style="margin-left: 40px; border: none;"> <tr> <td style="width: 60%;">Cash Account Debit</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Expenditure Control Account GL#8001 CREDIT</td> </tr> <tr> <td></td> <td style="text-align: right;">Advance Type 01-09</td> </tr> </table>	Cash Account Debit			Expenditure Control Account GL#8001 CREDIT		Advance Type 01-09														
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Advancee ????????????

- b. Lodge Cash to AGMR for transfer to the CPA

2 Prior Year Advances Recovered

- a. Receive cash as Miscellaneous Revenue
- b. Lodge cash to AGMR for transfer to Consolidated Fund
- c. Prepare journal to clear the Prior Year Advance recovered as follows:

Expenditure Control Account GL#8001 Debit
Advance Type -00
Advancee 0000000000

Expenditure Control Account GL#8001
Advance Type 01-09
Advancee ????????????

(E) ADVANCE CLEARANCE

1 Current Year & Prior Year Advances - Clearance

- a. Receive and Check invoice, Bill, Statement etc.
- b. Prepare journal to clear the Advance as follows:

Expenditure Control Account GL#8001 Debit
Advance Type -00
Advancee 0000000000

Expenditure Control Account GL#8001
Advance Type 01-09
Advancee ????????????

(F) WRITE OFF OF ADVANCES

- a. Obtain relevant Approval from Accounting Officer/ Head of Dept. or the Financial Secretary where appropriate
- b. Prepare journal to clear the Advance as follows:

Expenditure Control Account GL#8001 Debit
Advance Type -00
Advancee 0000000000

Expenditure Control Account GL#8001
Advance Type 01-09
Advancee ????????????

REVISED GUIDELINES
ON
DEPARTMENTAL
ADVANCES

ISSUED BY
MINISTRY OF FINANCE AND THE PUBLIC
SERVICE

October 17,
2016

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Everton McFarlane
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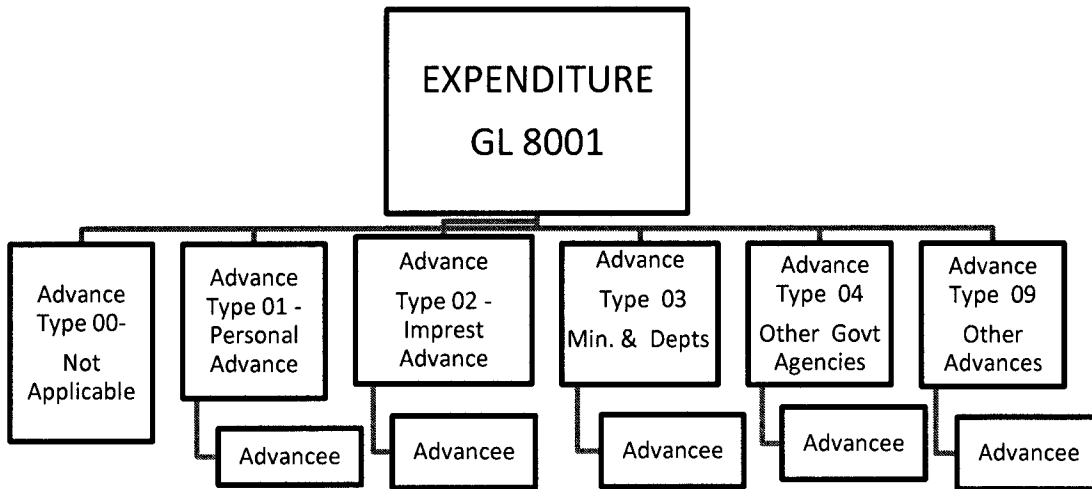
1. INTRODUCTION

- 1.1 This document provides revised guidelines on Departmental Advances which becomes effective on October 1, 2016.
- 1.2 These revised guidelines have become necessary due to the following:
 - (a) Government's adoption of Cash International Public Sector Accounting Standards (IPSAS)¹.
 - (b) The profound effect Departmental Advances have on MDAs' Appropriation Account and their unspent balance to be surrendered to the Consolidated Fund.

2. ADVANCES VS. EXPENDITURE

- 2.1 Departmental Advances are payments made for goods and services **not yet received** and for which a person is held accountable. This person shall be called the "Advance" who must within a reasonable time provide the relevant bills, invoices, statement of account as well as the unspent cash in order for the advance to be cleared from the books of the MDA.
- 2.2 Departmental Advances may arise from overpayments or other loss to Government for which recovery is made from the culpable officers.
- 2.3 Expenditures are payments made for goods and services bought from warrant funds whether such goods and services have been actually received.
- 2.4 All amounts spent from warrant funds shall be deemed to be expenditure. This shall include payments made for goods and services not provided for in the Estimates of Expenditure but approved by Ministry of Finance and the Public Service pending Parliamentary approval,
- 2.5 Ministry of Finance and the Public Service (MoF&P) advances from Contingencies Provision shall not be treated by the MoF&P as Departmental Advances. It shall remain as an independent general ledger account.
- 2.6 Departmental Advances shall with effect from October 1, 2016, no longer be a separate general ledger account, instead it shall be a sub-classification of the Expenditure Control general ledger account as shown below:

¹ (NB. Cash IPSAS does not recognise the concept of Departmental Advances and treats all payments from warrant funds as expenses).



2.7 With effect from October 1, 2016, all specific Departmental Advance events in the FinMan will be disabled.

2.8 Departmental advance payment must be posted, charging general ledger account 8001 – Expenditure Control Account. However the segments for advance type and advancee must be entered accordingly.

2.9 The system shall recognise all payments posted to Advance Type “00” as straight expenditure and those posted as Advance Type 01, 02,03 ,04 and 09 as an “ expenditure advance”.

2.10 Where Advance Type 00 is used the segments for Advancee must be filled with zeroes i.e. “not applicable”.

3. CLASSIFICATION OF ADVANCES

3.1 Departmental Advances shall be classified as follows:

Type	Description
01	Personal Advance
02	Imprest Advance
03	Advance to Other Ministries and Departments
04	Advance to Other Government Agencies/Public Bodies
09	Other Advances

3.2 The amounts posted under advance types at (01- 09) will be charged by the system as an expenditure payment but posted automatically to an advance subsidiary ledger under Expenditure. This sub-ledger will be used by the system to generate FS 11 - list of Departmental Advances and FS10 – Departmental Advance Summary.

3.3 Amounts posted using Advance Type code “00” will not be recorded in the Advance Subsidiary Ledger as the system will recognise it as a “non-advance” expenditure.

4. ADVANCEE VS PAYEE

4.1 Every advance payment must have the following:

- (a) An “Advancee” who is the person/organisation that is accountable for the advance;
- (b) A “Payee” who is the person to be paid the advance.

4.2 The Advancee and the Payee can be the same but must be entered separately on the FinMan System.

4.3 The Advancee shall be either a public officer or a public organisation or a person or organisation that has a contractual relationship with the Government such as a contractor as in the case of contract mobilisation.

5. EXPENDITURE STATEMENT

5.1 Expenditure by Activity and Object Statement shall have the following changes:

- (a) The “Current Month’s Expenditure” and the “Total Expenditure to Date” columns will reflect a combination of what previously was recorded as expenditure plus advances.
- (b) The “Total Advances Outstanding To Date” column will be derived from GL#8001 Advance Types to 01 –09 but will be a “memorandum column” as its figures will not affect the amount in any other column on the statement..
- (c) The “Balance on Warrant” and “Balance on Approved Budget” columns will exclude the figures in the Advance column i.e. (b) above.

6. CLEARING CURRENT YEAR ADVANCES

6.1. Departmental Advances must be cleared to expenditure as soon as possible. Only in extenuating circumstances should Departmental Advances be rolled over to a next financial year.

6.2. The entries for the clearance of Departmental Advances shall be as follows:

DEBIT	CREDIT
Expenditure Control Account GL#8001 Advance Type -00	Expenditure Control Account GL#8001 Advance Type 01-09 Advancee

6.3. The clearance of Departmental Advances as shown at (6.2) will have no effect on the overall expenditure balance. It shall be a mere credit in the Expenditure - Advance sub-ledger to the relevant account and a debit to the non-advance expenditure.

6.4. The following are the steps in the clearance of Departmental Advances:

- (i) Check thoroughly bills, receipts, statements, etc. submitted for clearance of advances ensuring that they are all authentic, valid and correct and that the advance was used solely for the purpose(s) for which it was given.
- (ii) Prepare the appropriate journal voucher for the clearance of the advance ensuring that the correct codes are debited and credited. The advance codes to be credited must be the identical codes used when the advance was made. To obtain the string of advance codes it may be necessary to print a history of the advance account that is being cleared.
- (iii) Post the journal voucher using the Journal Processor.
- (iv) The balance on the advance after clearance by journal must be paid over to the cashier by the Advancee.

6.5. A personal advance shall not be issued to an officer if they have an outstanding advance except in extenuating circumstances where approval is granted by the Accounting Officer or Head of Department.

7. ADVANCE RECEIPTS

7.1 Cash received from an Advancee in respect of an advance issued in the current financial year must be posted in the FinMan Receipt Processor making the following entry:

DEBIT	CREDIT
Cash GL# 3030	Expenditure Control Account GL#8001 Advance Type 01-09 Advancee

7.2 The amount received at (7.1) must be lodged to Accountant General for Miscellaneous Revenue for transfer by the AGD to the Central Payment Account (CPA).

7.3 Departmental Advance recovered in respect of advances that were made in a previous financial year must be received as a Miscellaneous Revenue receipt and lodged to Accountant General for Miscellaneous Revenue as per (9.2).

8. CARRYING FORWARD ADVANCES

8.1 Departmental Advances not cleared at the end of the financial year must be carried forward to the next financial year until cleared,

8.2 The FinMan system shall automatically roll over all prior year advances as a schedule under the Expenditure Control Account GL#8001 of the new financial year. (See Example below)

Expenditure Control GL# 8001

Example of Schedule of Departmental Advances Brought Forward as at April 1st

Advance Type	Advance Account		Amount
	Account #	Account Name	
01	14523580	Hilary Clinton	1,500
01	25369873	Donald Trump	10,200
02	25879123	Cashier Jones	3,000
03	35675896	Ministry of Economic Growth	150,000
04	12587987	Urban Development Corporation	1,500,000
09	36912578	China Harbour	800,000
		Total	2,464,700

8.3 Departmental Advances (i.e. GLs 3050 & 3053) rolled over will not affect any General Ledger account balance of the current financial year. They shall exist as “shadow sub-ledger” under the Expenditure Control Account.

8.4 Prior year Departmental Advances represent public funds which the relevant accountable officers must clear as quickly as possible from the MDA’s books. The clearance shall be done in the manner prescribed in Section 6.

8.5 Departmental Advances that are on the books for more than two (2) years arising from the fact that bills, invoices, etc. required for clearing the advance cannot be found, may be cleared upon a written and signed declaration by an appropriate officer stating that the goods and services were properly received in accordance with Section 1.1 (viii) of MOF Circular # 15 dated June 10, 2013.

9. CLEARING PRIOR YEAR ADVANCES

9.1 The clearance of prior year advances shall be done in the manner prescribed by Section 6. Such advances when cleared shall not affect the overall balance on the Expenditure Control Account of the current financial year.

9.2 Prior year advances cleared by refund of cash must be processed as follows:

- (a) Receive the funds in the current financial year as a Miscellaneous Revenue receipt and lodge same to the Accountant General for Miscellaneous revenue Bank Account
- (b) Prepare journal for clearance of the advance based on the receipt at (a) and post to the FinMan system in the current financial year in the manner prescribed at (6.2).

10. LOSSES TRANSFERRED TO ADVANCES

10.1 Losses of cash, overpayments and other losses may be charged to an Departmental Advance account by a journal making the following entry:

DEBIT	CREDIT
Expenditure Control Account GL#8001 Advance Type 01-09 Advantee	Expenditure Control Account GL#8001 Advance Type -00

11. ADVANCES OF CLOSED MDA

11.1 Departmental Advances of a closed MDA cannot be transferred to another MDA. Such advances must be fully cleared from the books of the said MDA.

11.2 The responsibility for clearance of the Departmental Advances of a closed MDA shall be that of the Ministry that assumed majority of the responsibilities of the closed MDA unless the Financial Secretary has assigned such responsibility to another Ministry.

11.3 Persons that are directly accountable for outstanding advances of a closed MDA (i.e. Advancees) shall remain accountable for such advances notwithstanding their reassignment to another MDA,

12. SALARY IN ADVANCE (VACATION LEAVE)

12.1 "Salary in advance" is an advance made to a public officer in respect of net pay for vacation leave not exceeding two (2) months which is paid prior to the officer embarking on leave.

12.2 Salary in advance must be treated as a Departmental Advance in the Expenditure sub-ledger and is recoverable each month from the payroll run of the respective month(s).

12.3 Travel allowance in advance for vacation leave shall not be permissible.

13. WRITE OFF OF ADVANCES

13.1 Departmental Advances with debit balance maybe written off in the following circumstances:

- (a) Death or bankruptcy of the Advancee;
- (b) The Advancee or his/her agent cannot be located;
- (c) The organisation or entity accountable for the advance is defunct;
- (d) Exhaustive efforts have been made to clear the advance which has proven futile and documentary evidence exists to show the efforts made.
- (e) The Advancee is another Government entity and is on books for more than two (2) financial years due to inadequate funds of the Advancee to repay the advance or balance thereof.
- (f) The advance amount is immaterial and not cost effective to expend any further effort to recover/clear same. e.g. Under \$1,000

13.2 Departmental Advances with credit balances that satisfy the conditions at (13.1) may be set off against the advances with debit balances to derive a net write off.

13.3 Where the net write off is a credit balance this shall represent a physical transfer of funds by the entity to Miscellaneous revenue.

13.4 The following are the thresholds regarding the authority for write off of advances:

Advance Amount	Write Off Authority
\$250,000 and below	Accounting Officer
\$250,001 to \$15,000,000	Financial Secretary
\$15,000,001 and above	Minister of Finance

13.5 Write off of Departmental Advances must be done by journal in accordance with Section 6 or 9.

14. CONVERSION TO NEW SYSTEM

14.1 All outstanding Departmental Advances as at September 30,2016 that were made in financial year 2016-17 must be transferred from GL 3050 –Departmental Advance to GL 8001 Expenditure Control Account through journal voucher making the following entry:

DEBIT	CREDIT
Expenditure Control Account GL#8001 Advance Type 01-09 Advancee	Advances Control Account GL# 3050 & 3053 Advance Type -01 -09