

**FM: 3/2/187**

**COMPTROLLER OF ACCOUNTS CIRCULAR - NO. 13**

**DATED 2010 SEPTEMBER 01**

**TO:**

**ALL PERMANENT SECRETARIES AND HEADS OF DEPARTMENTS**

**SUBJECT:**

**UPGRADE OF THE CHEQUE WRITING SYSTEM AND MATTERS RELATING THERETO**

The Treasury Division, Ministry of Finance, is in the process of upgrading the current Cheque Writing System (CWS) to a web enabled version known as the Government Payment System (GPS). This centralised system has the additional functionalities of Electronic Funds Transfer (EFT) and automated cheque reconciliation. The EFT module will be activated with the passing of the e-payment legislation.

2. The automated cheque reconciliation function will gradually replace the existing manual system once all the cheques issued are captured in the system. The new system will ***automatically match cheques issued with cheques cleared*** and produce a report showing the unpaid cheques.

3. Ministries and Departments would still be required to verify the physical cheque received against the computer generated report from the GPS and Paid Cheque Listing from the Central Bank of Trinidad and Tobago (CBTT). Any discrepancies should be reported immediately to the Treasury Division.

4. You will no doubt be able to appreciate that there will be some discrepancies between the automated GPS reports and the manually prepared reports until such time as all cheque data is in the GPS database. This process will be implemented in the new financial year.

**Development of User Manuals and Training of Personnel**

5. The Treasury Division has developed user manuals and trained all staff involved in the cheque preparation process for each agency in the use of the GPS including the event of a communication failure.

6. The majority of Ministries/Departments have since made the transition to the GPS while the remaining few will go live shortly as Government Wide Area Network (GWAN) connectivity is completed by National ICT Company Limited (iGovTT).

## **Risk Management Measures**

### **i. Business Continuity Plan**

#### **a. Communication Failure between Accounting Units and Treasury Central Site**

7. With the introduction of this new system the Treasury Division has developed and introduced a Business Continuity Plan in the event of a communication failure between the Accounting Units and Treasury Central Site at level 18, Eric William Financial Complex. Personnel were already trained in the procedures to be followed in the event of a failure. Basically, this involves the Accounting Units collecting all relevant information prior to the failure and proceeding to the Treasury Central Site to complete the transaction. At the Central Site a verification procedure is implemented to reconcile the data on the system with the records presented by the Accounting Unit staff. Once both records have been satisfactorily matched the transaction process can commence.

8. Our Business Continuity Plan has already proven to be effective in those circumstances. In this regard, the affected Ministries/Departments were able to access their work on the cheque system at the Treasury Central Site.

#### **b. Complete Shut Down of the System at the Treasury Central Site**

9. In order to mitigate the risk associated with a shut down of operations at the Treasury Central Site, the Treasury Division is in the process of implementing a hot site which will be fully operational by the end of September 2010.

## **Benefits from the Upgrade**

10. As mentioned before, one of the immediate impacts of this system is the automatic matching of cheque issued data with cheques cleared data and producing an unpaid cheque report. This information will be automatically uploaded in the General Ledger at the Treasury Division and will therefore appear on the respective Ministry/Department Treasury Card for which they are required to reconcile on a monthly basis. This will now eliminate the need for the submission of the cheque issue information on the upper section of the Expenditure Notification (EN).

## **Risk Management Procedures for Accurate and Reliable Processing**

11. In order for the automated system to produce accurate data certain risk management procedures must be adopted as it has been observed that certain Ministries/Departments have engaged in practices with respect to the under mentioned processes which have implications for

the accuracy of the information posted to the General Ledger (Ministry/ Department Treasury Cards).

- a. Cancellation of Erroneously Prepared Cheques;
- b. Cancellation and Replacement of Cheques;
- c. Reprinting of Spoilt Cheques;
- d. Procedure for the Endorsement and Deposit of Erroneously prepared cheques e.g. double signing of authorised signatures on Cheques;
- e. Understated and Overstated Cheques.

### **Cheque Procedures**

#### **a. Cancellation of Erroneously Prepared Cheques**

12. As a general rule erroneously prepared cheques are to be deposited in favour of the Comptroller of Accounts instead of being cancelled. Where as Ministries/Departments have sought to comply with this directive there appears to be some inconsistency in the approach. The approved approach is outlined in paragraphs 15 and 16.

#### **b. Cancellation and Replacement of Cheques**

13. What has been observed is that Ministries/Departments do not always enter the replacement information on the system which results in it being treated as a new issue. This has the effect of inadvertently inflating expenditure, possible double encashment and reconciliation issues. The exception to this rule is when erroneously prepared cheques are to be replaced. As previously indicated in Comptroller of Accounts Circular No. 27 of 1998 the reasons for the cancellation and replacement of cheques were outlined.

#### **c. Reprinting of Spoilt Cheques**

14. With respect to the reprinting of cheques the procedure is also outlined in Comptroller of Accounts Circular No. 27 of 1998. Despite the clear guidelines given in this Circular there have been instances where cheques that were deemed *spoilt*, have been encashed or the Reprinter has requested a reprint and did not cancel the previous cheque resulting in two cheques in the system.

#### **d. Procedure for the Endorsement and Deposit of Erroneously prepared Cheques**

##### ***Endorsement***

15. The accepted practice requires that only the original signatories to the cheque can make amendments to the cheque. In discussions with the Central Bank of Trinidad and Tobago (CBTT) it was agreed that in view of the fact that the cheques are being deposited to CBTT and not in circulation at commercial banks the following procedures are accepted.

- i. The Accounting Officer must nominate two officers one of which is the Head of the Accounting Unit and another at Range 30C and above as the persons authorised to endorse cheques for deposit.
- ii. The specimen signatures of these officers must be sent to the CBTT, Comptroller of Accounts and the Auditor General's Department.
- iii. A single line must be drawn through the payee's name and the words '*Comptroller of Accounts*' inserted above the line.
- iv. The officers authorised to endorse cheques must insert their signature and date at the end of the line.

##### ***Deposit***

16. The process for the depositing of these cheques is as follows:

- a. Prepare a deposit voucher crediting:  
Head: 111- Treasury Deposits  
Sub-head: 71- Recovery of Expenditure- Current Year;
- b. Ensure that proper details are recorded on the voucher giving the reason for the deposit;
- c. Ensure that the correct Expenditure Head is written in '*red ink*' as part of details on the voucher; and
- d. Ensure that these cheques are deposited within seven (7) days.

#### **e. Understated and Overstated Cheques**

17. Where as there is no justifiable reason for errors of this type to occur, in the very remote possibility that they do, the following is submitted for your guidance:

18. In the instance of an **understated cheque**, a new cheque must be generated with **the same date as the first** for the difference in the amount. This amount must be included in the total issues on the Expenditure Notification (EN) for that date.

19. For **overstated cheques**, these erroneous cheques must **not** be cancelled, replaced or reprinted but must be deposited in favour of the Comptroller of Accounts in accordance with the directions provided at paragraphs 15 and 16 above.

20. A Notification of Credit will be issued by the Treasury Division for the full amount of the cheque to the respective Ministry/Department to adjust the accounting books and records. This will result in the Ministry/Department receiving a credit exceeding the original expenditure incurred in the Vote Book. The following steps are required to amend the books and records to reflect the expenditure incurred:

- i. An adjusting voucher and Schedule of Accounts must be prepared with the next consecutive voucher number in the Vote Book.
- ii. The voucher should be made out in favour of the *Comptroller of Accounts* with the stamp **“no cheque is to be issued”** placed on the voucher and signed.
- iii. It should be made out to reflect the **difference** in expenditure incurred as a result of the erroneously prepared cheque.
- iv. A note on the original entry in the Vote Book must be made to show the amendment.
- v. The original payment must be reprocessed from the voucher stage.

### **General**

21. The high incidence of erroneously prepared cheques resulting in the cancellation and re-issue clearly shows that monitoring was absent in the processing of payments. It must be reiterated that officers exercise due care and attention in the performance of one's duty to prevent such occurrences. Failure to identify these errors shows a lapse in the established internal controls. Errors of this nature, reported even under the new system, are totally unacceptable.

22. You are reminded that the system has been designed to reduce the likelihood of errors by having cheques printed only after **three (3) separate checks** have been made. It is imperative that in order to avoid/minimize the occurrence of errors on cheques, officers must exercise due care in the preparation of vouchers and cheques. Where errors occur however, Ministries/Departments are advised that in order to ensure proper recording and accounting for their expenditure, the procedures outlined in this Circular must be strictly observed.

## **Preparation of Cheques after Year End in Respect of the Previous Financial Year**

23. It has been observed that Ministries/Departments continue to prepare cheques after the close of the financial year in respect of the previous year. This is in contravention of Section 42 of the Exchequer and Audit Act Chapter 69:01 which states:

***'Unless special provision to the contrary is made in any Appropriation Act, every appropriation by Parliament of public moneys for the service of any financial year shall lapse and cease to have any effect at the close of that period, and, except as otherwise provided in this Act, the unexpended balance of any moneys withdrawn from the Exchequer Account shall be surrendered to the Exchequer Account'.***

The exception being replacement cheques for the previous financial year which would carry the date 30<sup>th</sup> September.

24. The GPS has being configured to ensure full compliance with Section 42 of the Exchequer and Audit Act. Subsequently, Ministries/Departments will not be able to generate a cheque in a current financial year in respect of a budgetary allocation of a previous financial year. In this regard, Accounting Officers are advised to ensure they receive all necessary approvals (e.g. Grants of Credit, releases, etc) in sufficient time to process cheque payments for financial year 2009/10 in a timely manner.

25. Accounting Officers are requested to ensure strict compliance with the requirements of this Circular. The contents must therefore be drawn to the attention of all Accounting and Auditing Personnel.

**Roland Shepherd**

Comptroller of Accounts