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INTRODUCTION

1. This chapter contains the policy and procedures relating to accounting and control for Accounts Payable and Disbursements

NPP CORPORATE CREDIT CARD PROGRAM - MAXIMUM USAGE

2. Use of the NPP Corporate Credit Card (CCC) shall be maximized; no payments to suppliers shall be issued via cheque, electronic fund transfer, or public financial coding if payment may be made via CCC. As detailed in [Chapter 12](#) (Credit Cards), the CCC program initiated in July 1998 has reduced accounts payable costs and in addition, the current service provider, Bank of Montreal (BMO), has introduced rebates which are disbursed to the NPP entities that use the CCC.

ACCOUNTS PAYABLE

3. In circumstances where it is not feasible to process payments by CCC, payment by alternate means (cheque or Electronic Funds Transfer) shall be initiated. As per [Chapter 7](#) (Security of Non-Public Funds), under no circumstances shall cash disbursements be made from cash receipts.
4. Accounts payable records that clearly and fairly present liabilities to suppliers shall be maintained. Separate accounts payable records shall be maintained for each standalone entity (CANEX, messes, Base Fund, etc.)
5. Suppliers' payment terms are to be utilized to the greatest advantage possible. The practice of clearing all supplier accounts on one given date each month is not an acceptable means of exercising cash management. In this regard, the following guidelines are provided:
 - a. **Cash Discounts.** While the cash discount terms offered on any one purchase may not be significant (in terms of absolute dollars), the total of all such discounts for a year can represent a material sum. Therefore, procedures shall be introduced to ensure that cash discounts are, in fact, realized and invoices offering such terms are settled on the due discount date. Keep in mind ;
 - b. **Extended Terms.** On occasion, purchasing authorities may succeed in obtaining terms that provide for payment over an extended period. Such accounts shall not be settled earlier than required; and
 - c. **Normal Terms.** In most instances, suppliers offer 30-day payment terms. Such accounts shall not be settled earlier than required.
6. When payment is not made on time, the cash discount lost is charged to the Cash Discounts Lost expense account, which forms part of the general Income Statement of the entity and not on the Income Statement of the particular outlet. This procedure is based on the practice that all cash discounts will be taken and lost discounts are attributable to the overall administration of the entity.
7. Accounting staff shall not record entries for which properly approved documents have not been received. Upon discovery of invalid and/or fraudulent entries, the incident shall be reported to the RAM through the NPPAM and appropriate action taken up to and including

dismissal if warranted.

8. The roles and responsibilities for the National Accounts Payable Office, NPPAM, and Accounting Clerk are outlined at [Annex A](#) including the requirement for a cursory review to ensure the expenditures are in compliance with all relevant policies and the processing of emergency cheques.

UNOBTAINABLE RECEIPTS

9. A signed and dated declaration from the individual that provides the details and circumstance of the expenditure(s) and why the receipt(s) are unobtainable may replace the receipt(s) in circumstances where receipts for expenditures are lost, accidentally destroyed or otherwise unobtainable. [Annex B](#) is provided as an example.

POST-PAYMENT VERIFICATION

10. NPPAMs shall perform a post-payment verification (PPV) at the end of each calendar month. PPVs shall be performed on a random sampling of all disbursements (including payments made through credit cards and claims processed for reimbursement) to assess compliance and that the required supporting documentation (including copies of contracts and/or agreements or other obligation instruments as applicable) are retained on file. In the event that an error has been detected, then corrective action shall be taken immediately and individuals shall be educated on the appropriate procedure. All supporting documentation of PPV shall be maintained at the local level.

CONTINUOUS AUDIT

11. Staff of the Associate Deputy Minister (Review Services), (ADM(RS)) uses data analytics to continually monitor NPP supplier records and payment transactions to identify possible errors, duplications, or transactions that do not fit predetermined criteria. For instance, the data analytic process identifies possible duplicate payments, payments to suppliers that only have a PO Box number as their address and other anomalies. Once identified as potential areas of concern these transactions are further investigated by ADM(RS) and compliance staff. Appropriate action is then initiated if warranted. Data analytics is performed on a regular basis and captures 100% of the NPP payment transactions.

PAYMENT APPROVAL FOR INVOICES VIA EMAIL

12. The approval of invoices via email is authorized using the process at [Annex C](#) (Payment Approval for Invoices via Email). The NPPAM should take, on occasion, reasonable steps to ensure authorizing emails are authentic, such as contacting the email sender for confirmation. In order to avoid the risk of duplicate payments, original invoices approved through e-mail are not to be forwarded to NPP local accounting offices. The payment approval via email process does not negate the use of the NPP CCC as the first method of payment for any external supplier/contractor.

PROCESSING INTERNAL PAYMENTS

13. To avoid additional administration and finance costs, internal payments between NPP entities shall be made via transfer voucher (TV) IAW [Chapter 9](#) (Consolidated Banking System) and [Chapter 12](#) (Credit Cards) rather than by cheque, EFT or NPP Credit Card. All other procedures for processing supplier invoices apply.

MANUAL CHEQUES

14. All manual cheques (payroll, petty cash reimbursement, accounts payable items, etc.) must be accompanied by the applicable accounting sources documents (invoices, purchase receipts, request for cheques, etc.) when presented for signature.
15. Personnel appointed as cheque signers must satisfy themselves regarding the validity of cheques presented for signature. Particular attention should be given to large amounts and unknown suppliers (payees). The cheque signers must review and initial the supporting documentation at the time of signing the cheque and, once signed, all receipts and invoices presented with the cheques, must be marked "PAID" to prevent duplicate payment. For manual units, documents must also reflect the cheque number and date. If staff resources are available, the signed cheques shall be mailed to the supplier by someone other than the clerk who raised them.
16. Procedures for emergency manual payments can be found at [Annex D](#). RAMs shall review the utilization of the emergency cheque procedure on a quarterly basis to evaluate usage and prevent abuse

RECONCILIATION OF SUPPLIER STATEMENTS

17. Supplier reconciliations are a good means of internal control as they can reveal duplicate billings, goods received but not invoiced, the status of credit memos, etc. Proper reconciliation can therefore avoid the loss of funds through timely resolution of discrepancies.

[Annex A](#) - Roles and Responsibilities for Processing Supplier Invoices

[Annex B](#) - Unobtainable Receipt Declaration Example

[Annex C](#) - Payment Approval for Invoices via Email

[Annex D](#) - Procedures for Emergency Manual Payments