

PRO-FORMA INVOICE POLICY



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1.0 Introduction

- 1.1 This policy has been formulated to guide government agencies in processing payment using pro-forma invoice. The administration of the payments is done by the paying agencies whereas the approval for payment through pro-forma invoice should be obtained from the Treasury Section of the Ministry of Finance.

2.0 Background

2.1 Definition

A price quote that a potential seller gives to a potential buyer that details the sale price and any applicable commissions and fees. It is given in the form of an invoice. A Pro-forma invoice exists in order to give a potential buyer a precise figure of the final cost of a transaction.

It is also known as an estimated invoice sent by a seller to a buyer in advance of a shipment or delivery of goods. It states the kind and quantity of goods, their value, and other important information such as weight and transportation charges. For instance Pro-forma invoices are commonly used as preliminary invoices with a quotation, or for customs purposes in importation.

2.2 Vendors

It is a practise for some vendors to refuse providing agencies with invoices before the supply of goods and services thus provide pro-forma invoice. In such instances causes delay in the provision of the required services thus have impacts on the agencies achievement.

3.0 Scope

- 3.1 This policy applies to all government agencies that encounter situations whereby vendors only issue pro-forma invoice for the procurement of goods and services.

4.0 Rationale

- 4.1 The rationale of this policy is to:

- (i) To validate payments through pro-forma invoice.
- (ii) Ensure that payments of goods and services through pro-forma invoice are properly verified before payments are authorised;
- (iii) Ensure that proper internal control measures are in place to avoid duplication of payments; and
- (iv) Provide guide to all accounting heads and accounting officers in handling payments through pro-forma invoice.

5.0 Requirements of the Finance Instructions

- 5.1 Finance Instruction 14 (7) states that agencies must have procedures in place to ensure that invoices or statements are not paid twice and that fraudulent claim are detected.
- 5.2 Finance Instruction 14 (8) further states in circumstances where it is necessary to make an advance payment for goods through shipment form overseas, and for contractual agreements if stated as such, approval must be sought from the Chief Accountant [CA T].
- 5.3 The concept of providing proper guideline for payments through pro-forma invoice is in accordance with the above quoted sections of the FI whereby internal control needs to be in place whilst processing of payments through pro-forma invoice.

6.0 Terms and Conditions

- 6.1 All agencies making payment of goods and services through pro-forma invoice are required to obtain approval from the Ministry of Finance on a case by case basis except in cases where pro-forma invoice is issued by one Government Department to another Government Department.
- 6.2 In such cases, contents of Finance Circular 01/10 of 12/01/10 must be strictly adhered to.
- 6.3 The agencies requests are to be submitted to Ministry of Finance with the inclusion of the following:
 - The allocation in which the payment of goods and service is going to be funded from.
 - The documents submitted for payments are properly verified and approved by authorizing officers.
 - The certification from the receiving officer that goods and services have been partially or fully received.
 - Agreement with the supplier of goods and services if partial payments are to be made via pro-forma invoice.
 - Details of the number of partial payments to be made indicating the amount already paid and the outstanding amount.
 - The reasons of having the payment of goods and services to be processed through the use of pro-forma invoice; and
 - Endorsement of the Head of Department.
- 6.4 The agencies Accounting Head are required to put in place internal control measures to avoid duplications of payments or loss of government funds.

7.0 Responsibility of the Ministry of Finance

- 7.1 It is the responsibility of the Chief Accountant CA (T) of the Ministry of Finance to verify that all documents submitted for approval are properly authorized and in accordance with the Financial Regulations on a case by case basis.
- 7.2 It is the responsibility of the CA (T) of the Ministry of Finance to obtain required information from agencies to ascertain the nature of the payment through pro-forma invoice.
- 7.3 It is the responsibility of the CA (T) of the Ministry of Finance to implement appropriate verification procedure to act as control measures in providing approval for payments to be processed through the use of pro-forma invoice.
- 7.4 It is the responsibility of the CA (T) to file copies of correspondence relating to all approved request for payments through the use of pro-forma invoice by agencies for audit purpose.

8.0 Responsibility of the Requesting Agency

- 8.1 It is the responsibility of the requesting agency to obtain approval from the CA (T) for payments to be process through the use of pro-forma invoice on case by case basis.
- 8.2 It is the responsibility of the requesting agency to put in place stringent internal control measures to ensure that no duplication of payments or fraudulent activity arises from such payments.
- 8.3 It is the responsibility of the requesting agency to ensure that funds are available for payments made through the use of pro-forma invoice.
- 8.4 It is the responsibility of the requesting agency to reconcile partial payments to ensure that payments are not duplicated or over payment.
- 8.5 It is the responsibility of the requesting agency to ensure that normal procedure for payments is followed as stipulated in section 14 of the FI after approval is given by the CA (T).
- 8.6 It is the responsibility of the requesting agency to properly file the approval given by CA (T) for audit purposes.
- 8.7 It is the responsibility of the requesting agency to pay any other cost associated to payment process through the use of pro-forma invoice.

9.0 Penalties/Corrective Action

- 9.1 **Negligence:** Failure to follow the procedures of approval for the use of pro-forma invoice.
Penalty: A documented warning to the officer. Should a second failure occur, another warning will be issued with receipt to be acknowledged and disciplinary action to be processed by the agency.
- 9.2 **Fraud:** This is a deliberate action on the part of the officer involved in making fictitious transaction to defraud government. Intentional use of the pro-forma invoice for personal use or for another is fraudulent and prohibited.

Penalty: Immediate instigation of disciplinary action in accordance with financial regulations and procedures, as appropriate may be pursued.

- 9.3 **Surcharge:** An officer who is directly or indirectly responsible for the misappropriation of government funds through pro-forma invoice.
Penalty: Surcharge action to be imposed on the officers found to responsible.