



DEPARTMENT OF FINANCE
Office of the Secretary

FINANCE INSTRUCTION 03/2018

26th FEBRUARY 2018

SUBJECT: STRATEGIC BUDGET COMMITTEE

1.0 INTRODUCTION

1.1 Authority

This Financial Instruction (hereafter FI), is issued under Section 117 of the **Public Finances (Management) Act**, 1995 whereby the Finance Departmental Head may issue Financial Instructions that are necessary or desirable for carrying out or giving effect to this Act and in general for the better control and management of public monies and public property.

1.2 Legality & Enforcement

Pursuant to section 4 (1) of the **Public Finances (Management) Act**, the Finance Secretary has control and direction of all matters relating to the management of the financial affairs of the State.

2.0 PURPOSE

2.1 Operationalisation of the Secretariat to the Strategic Budget Committee

This Instruction is designed to ensure that the Secretariat to the Strategic Budget Committee (hereafter the SBC) operates effectively to support and implement the determinations and ratifications pursuant to the **Public Money Management Regularization Act 2017**.

3.0 SECRETARIAT TO THE STRATEGIC BUDGET COMMITTEE

3.1 Secretariat of the Strategic Budget Committee

(1) The Secretariat of the Strategic Budget Committee will be created by a Treasury Instruction. It shall operate as a branch within the Non-Tax Revenue Division (hereafter NTRD), of the Department of Finance.

(2) The Secretariat shall be headed by the First Assistant Secretary of NTRD. All staff of the Department of Finance assigned to the Secretariat, shall answer to the First Assistant Secretary of NTRD, through the responsible First Assistant Secretary.

(3) The Secretariat shall consist of officers from the Department of Finance, such staff as I assign to it from time to time.

3.2 Compliance with Treasury Instructions

The Secretariat shall operate so as to comply with the Treasury Instructions issued from time to time, pursuant to Section 8 of the ***Public Money Management Regularization Act 2017***.

4.0 MANAGEMENT OF THE IMPLEMENTATION OF THE PUBLIC MONEY MANAGEMENT REGULARIZATION ACT 2017.

4.1 Bank Accounts

The Secretariat shall, cause to be opened at the Bank of South Pacific (BSP);

- (a) Revenue accounts that mirror in number the total number of all accounts held by all public and statutory bodies (hereafter called the 2017 Revenue Accounts);
- (b) One revenue account for every public and statutory body (hereafter called the 2018 Revenue Accounts);
- (c) One operating account for every public and statutory body (hereafter called the 2018 Operating Accounts), except for the public and statutory bodies that are configured on the Integrated Financial Management System (hereafter called IFMS);
- (d) One Trust Account for all of the public and statutory bodies that are configured on IFMS and one bank account under that Trust Account for every public and statutory body (hereafter called the 2018 Revenue Remittance Trust Accounts), configured on IFMS;
- (e) One holding account (hereafter called the 2018 Holding Account).

4.2 Notification of Bank Accounts

The Secretariat shall notify all public and statutory bodies of their respective 2018 Revenue Accounts, 2018 Operating Accounts and 2018 Revenue Remittance Trust Accounts) and require the public and statutory bodies to adjust their financial processes accordingly.

4.3 End of FY 2017 – 2017 Revenue Accounts

(1) Subject to this section, the Secretariat shall cause to be -

- (a) Transferred from all banks in PNG into the 2017 Revenue Accounts the balances of all bank accounts held by all public and statutory bodies; and

(b) Close all non-Trust Account bank accounts held by public and statutory bodies other than the operating accounts configured on IFMS.

(2) This section does not apply to the bank accounts of Trust Accounts that hold donor funds.

(3) Subject to this Section, from the funds held in each 2017 Revenue Account, the Secretariat shall cause to be transferred -

(a) all expired appropriations to the 2018 Holding Account, other than funds transferred from the bank accounts of Trust Accounts which are appropriations, formerly held in the bank accounts of Trust Accounts, that were authorized by an Appropriation Act to be paid into the bank account of a Trust Account, which shall be transferred back to the bank account of the Trust Account;

(b) of all other funds, 90% of the balance to the 2018 Holding Account, and 10% of the balance to the single 2018 Operating Account of the public or statutory body, except where the public and statutory bodies are configured on IFMS, in which case the 10% shall be transferred to the 2018 Revenue Remittance Trust Accounts for that public or statutory body.

(4) Sub-section (3) shall be executed on a pro-rata basis, in that, of the funds held in each 2017 Revenue Account, the Secretariat shall cause to be transferred that proportion of appropriations and other funds as the appropriations and other funds in the account bear to the respective proportions of the total appropriations and other funds paid into the original account in FY 2017, in compliance with the following formulae:

Formula 1 – Appropriations

$$X = Y * (Z/A)$$

Where –

X = the amount of appropriations to be transferred from a 2017 Revenue Account

Y = the balance of the 2017 Revenue Account

Z = the total appropriations paid into the original account in FY 2016

A = the sum of all deposits paid into the original account in FY 2016

Formula 2 – '90/10'

$$B = (Y-X) * 90\%$$

Where –

B = the amount of funds to be transferred from a 2017 Revenue Account to the 2018 Holding Account, after payment out of appropriations

X = the amount of appropriations to be transferred from a 2017 Revenue Account from Formula 1

Y = the balance of the 2017 Revenue Account

4.4 Management of FY 2018 Revenue Accounts

(1) From the funds held in each 2017 Revenue Account, the Secretariat shall cause to be transferred 90% of the balance to the 2018 Holding Account, and 10% of the balance to the single 2018 Operating Account of the public or statutory body, except where the public and statutory bodies are configured on IFMS, in which case the 10% shall be transferred to the 2018 Revenue Remittance Trust Accounts for that public or statutory body.

(2) The Secretariat shall cause the transfers referred to in Sub-section (1) above to be effected at the intervals of not more than every working week.

4.5 Management of the 2018 Holding Account

(1) From the funds held in the 2018 Holding Account, the Secretariat shall cause the funds to be transferred to the Consolidated Revenue Fund

(2) The Secretariat shall cause the transfers referred to in Sub-section (1) above to be effected at the intervals of not more than every working week.

5.0 DATE OF IMPLEMENTATION

This Finance Instruction is effective as of the date of signing by the Secretary.

6.0 HELP DESK

Should you require further information the following officers should be contacted: SBC Secretariat, Department of Finance, Waigani, N.C.D, Phone number: 328 8570 / 799 86000 or email: ntrd@finance.gov.pg.



Dr. KEN NGANGAN PhD CMA CPA
Secretary

Date: 27 / 02 / 2018