



# **P E F A**

**Public Expenditure and Financial Accountability**

## **2018 PEFA MID-YEAR REPORT FOR PFM REFORMS IMPLEMENTATION & MONITORING**

30<sup>th</sup> June 2018

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## ACRONYMS

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ADB	Asian Development Bank
AFS	Annual Financial Statement
ANAO	Australian National Accounts Office
APC	Authority to Pre-commit
BPNG	Bank of Papua New Guinea
CBOR	Consolidated Budget Operating Rules
CPA	Certified Public Accountants
CRF	Consolidated Revenue Fund
CSDRMS	Commercial Services Debt Recording Management System
CSI	Case Selection and Investigation Division
DDA	District Development Authority
EU	European Union
FAR	Fixed Assets Register
FBO	Final Budget Outcome
FC	Financial Controllers
FCD	Financial Control Division
FED	Financial Evaluation Division
FFR	Financial Framework Review
FI	Financial Instruction
FMD	Financial Management Division
FMIP	Financial Management Improvement Program
FMIP	Financial Management Improvement Program
FMM	Financial Management Manual
FRCD	Financial Reporting and Compliance Division
FTB	Finance Training Branch
GAAP	Generally Accepted Accounting Principle
GST	Goods and Services Tax
HR	Human Resource
IA	Implementing Agency
IFMS	Integrated Financial Management System
IFMS	Integrated financial Management System
KATS	Kina Automated Transfer System
MTBF	Medium Term Budget Framework
MTBO	Medium Term Budget Outlook
MTBS	Medium Term Budget Strategy
MYEFO	Midyear Economic and Fiscal Outlook Report
NDoE	National Department of Education
NDoH	National Department of Health
NPC	National Procurement Commission
NTRD	Non Tax Revenue Division
NTRD	Non Tax Revenue Division
PCaB	Provincial Capacity Building Program
PDC	Public Debt Committee
PDFMD	Provincial and District Financial Management Division
PE	Personnel Emoluments
PEFA	Public Expenditure and Financial Accountability
PEFA	Public Expenditure and Financial Accountability
PFMA	Public Financial Management System
PFTAC	Pacific Financial Technical Assistance Centre
PPP	Public Private Partnership
PSTB	Provincial Supply and Tenders Board
PTDT	Provincial Treasurers and District Treasurers
ROSC	Record of Observance of Standards and Codes in Accounting and Audit
SIGTAS	Standard Integrated Government Tax Administration System
SNA	System of National Accounts
SNG	Sub National Government
SOE	State Owned Enterprise

SPID	Structural Policy and Investment Division
TAs	Technical Advisors
WB	World Bank
WoG	Whole of Government
WPA	Waigani Public Accounts
YTD	Year to Date

### Purpose

1. **The purpose of this report is to provide the Mid-year Report for 2018 through the PEFA Secretariat under the Department of Finance on the progress of the implementation of the Public Financial Management reforms in the Public Expenditure and Financial Accountability (PEFA) Road Map 2015 – 2018.** The report serves to highlight key priority areas that were implemented by 13 key national departments and agencies. The 13 Government agencies that are implementing the PFM Reform Activities under the PEFA Road Map are Department of Finance, Department of Treasury, Internal Revenue Commission, Customs, Auditor General's Office, Department of Personnel Management, National Planning, Central Supplies and Tenders Board, National Statistical Office, Education, Health, Provincial Affairs and National Economic and Fiscal Commission. The purpose of the report is to provide evidence of the progress made against the reforms in the PEFA Road Map 2015 - 2018.
2. **The National Government conducted a Public Expenditure and Financial Accountability (PEFA) assessment between 2014 and 2015 led by the Department of Finance.** The PEFA Framework was applied to assess the strengths and weaknesses of the public financial management system across government. The final report was cross examined by the International Monetary Fund, a Reviewers Panel comprising of Development Partners, Private Sector and Government representatives. It then passed a quality assurance check by the International PEFA Secretariat. The Government then prepared a PFM Road Map based on the weaknesses arising from the final report, **PEFA Road Map 2015 - 2018 and Assessment**. This report is the 2018 Mid-year Report on the implementation of PEFA Road Map, as sanctioned by the National Executive Council as major policy, institutional and operational PFM reforms in October 2015. The 2016 Midyear and Annual Reports including the 2017 Midyear and Annual Reports have previously been issued.
3. **The PFM Reform monitoring is aimed at ensuring that the critical weak link areas are strengthened so that the policies of government are implemented as intended and achieve their objectives.** The resulting impact is for the government to achieve an open and orderly PFM system. The outcome is three fold; Achieving aggregate fiscal discipline by effectively controlling the budget and fiscal risks; Achieving strategic resource allocation involving planning and executing the budget in line with government priorities aimed at achieving policy objectives; and ensuring efficient service delivery using budgeted revenues to achieve the best levels of public services within available resources.

### Methodology in Monitoring

4. **The Department of Finance designed a set of monitoring instruments for National Government Agencies in the Road Map to report against the implementation of PFM reforms.** Key objectives in Public Financial Management Reform Monitoring Framework are;
  - I) Revision and implementation of PFM Legal Framework.
  - II) Strengthen revenue and expenditure planning and budgeting aligned to approved strategies and plans for a credible and policy oriented budget.
  - III) Improve budget execution and control, management, asset and liability management and quality of financial reporting.
5. The instruments contained in the Reform Monitoring Framework include the;

- i. **Logical framework**
- ii. **Schedule 1: PFM reform summary – by Agency**
- iii. **Schedule 2: Agency activity summary**
- iv. **Schedule 3: Detailed progressive update year-to-date – by division or program**

All activities outlined in these forms originate from the PEFA Road Map 2015 – 2018.

- 6. The Reporting Schedules were issued to the Implementing Agencies prior to the Reform Monitoring Group meeting.** All Implementing Agencies were required to populate Schedules 2 and 3 and resubmit to the DoF for consolidation by the first week of July for the Midyear Report and the final updated report was due to be submitted in the last week of November for the Annual Report. During the year consultations were held with agencies on the Road Map. DoF met with DoT, IRC, DNPM, CSTB, DPLGA, NEFC, NDoH and NDoE. We noted delays in submission of the final reporting schedules from NSO, CSTB and DNPM. Despite repeated follow up no response was received from NSO.

## Structure of Reporting

- 7. The report has been compiled according to reforms surrounding the three underlying Outcomes of an open and orderly Public Financial Management System and five main objectives of a PFM system.**

Aggregate Fiscal Discipline is realised when;

- Actual aggregate expenditure is within the annual approved aggregate expenditure budget for that financial year. In terms of revenue, annual actual aggregate revenues collected in the financial year is at or above the annual approved aggregate revenue budget for that financial year.
- The budget is executed with effective control while managing fiscal risks.
- The government budget is realistic and is implemented as intended.

Strategic Resource Allocation is realised when resources are strategically allocated and executed based on approved policies, plans, budget and processes.

Efficient Service Delivery: This outcome is realised when delivery of services are performed within budgeted revenues achieving its intended objective; when public services are delivered within available resources.

- 8. Five main objectives having a direct impact in achieving these Outcomes are Macroeconomic management, Revenue budget planning and management, Macroeconomic statistics, Public financial management and Performance of service delivery.** The report is being outlined accordingly;

### Outcome 1: Aggregate Fiscal Strategy

The underlying strategies leading to achieving aggregate fiscal strategies are;

- A. Macroeconomic Management
- B. Revenue Policy Planning, Budgeting, Administration, and Management
- C. Macroeconomic Statistics

### Outcome 2: Strategic Allocation of Resources

The underlying strategy leading to achieving strategic allocation of resources is a prudent and orderly;

- D. Public Financial Management

### Outcome 3: Efficient Service Delivery

The underlying strategy is efficiency in the;

E. Performance of Public Service against Service Delivery

9. **A summary of the reporting schedules will follow each Outcome.** The PEFA Road Map contains a platform of impact areas for implementation over the three years following the 2015 PEFA Assessment against periods 2011, 2012 and 2013. The PEFA assessment revealed a host of strengths and critical weak link areas that require immediate, to medium and long term intervention. This 2018 Mid-year Report contains the results of the second and half year of PEFA Road Map implementations.
10. **This is aimed at strengthening the 7 Pillars of the Public Financial Management System consistent with the 2016 PEFA Framework.** The 7 pillars directly impact the following 3 main outcomes of the PFM system.

The 7 **Pillars** of the PEFA Framework have PFM Reforms being implemented by National Government Agencies.

#### **Pillar 1. Budget reliability**

Aggregate expenditure, expenditure composition and revenue outturn.

IA - Department of Treasury

#### **Pillar II. Transparency of public finances**

Budget Classification, Budget Documentation and Public access to fiscal information.

IA- Department of Treasury

Transparency of Public Funds measuring Central Government Operations outside of financial reports, transfers to subnational governments

IA- Department of Finance

Performance information on service delivery.

IA are the National Economic and Fiscal Commission, DPLGA, Departments of Health and Education

#### **Pillar III. Management of assets and liabilities**

Fiscal risk reporting (monitoring SOE's and SNG's fiscal positions, Debt Management and Public asset management (financial asset monitoring).

IA – Department of Treasury

Public investment management.

Public asset management (Non-financial Asset monitoring and transparency of asset disposal)

IA – Central Supply and Tenders Board

#### **Pillar IV. Policy-based fiscal strategy and budgeting**

Macroeconomic and fiscal forecasting, Fiscal strategy, Medium term perspective in expenditure budgeting, Legislative scrutiny of budgets and the Budget preparation process.

IA – Department of Treasury

Medium term perspective in expenditure budgeting, Budget Preparation Process

IA – Departments of National Planning and Monitoring, Finance and Treasury

#### **Pillar V. Predictability and control in budget execution**

Revenue planning, budgeting administration, accounting for revenue and Revenue arrears.

IA – Department of Finance (Non-Tax Revenue), Internal Revenue Commission and PNG Customs Service.

Predictability of in-year resource allocation, Expenditure arrears, Payroll controls, Internal controls on non-salary expenditure and Internal audit.

IA – Departments of Finance and Treasury (in-year resource allocation)

Procurement, Asset management and monitoring

IA – Central Supply and Tenders Board.

#### **Pillar VI. Accounting and reporting**

Financial data integrity (bank accounts reconciliation, Advance/suspense accounts and integrity of reports) and Annual Financial Reports

IA – Department of Finance and Office of the Auditor General

In year budget reports

IA – Department of Treasury

#### **Pillar VII. External scrutiny and audit**

External audit and Legislative scrutiny of audit reports

IA – Office of the Auditor General



## Executive Summary

- 11. The PFM Reform Monitoring Group (RMG) is comprised of 13 Government Agencies with the Department of Finance and PM&NEC as a Member of the National Management Committee.** The PFM RMG convened several meetings and consultations since 2016 and the last RMG Meeting for 2017 was held in July 2017. Most of these meetings were chaired by the Secretary for Finance. Member agencies of the PFM RMG are DoF (Chair), DoT, DNPM, DPLLGA, PMNEC, AGO, IRC, PNG Customs Service, NEFC, NDoH, NDoE and NSO, DPM and CSTB, hence a total of 13 agencies.
- 12. Each agency is a key implementing partner to the reforms in the PEFA Road Map.** Great strides have been made by the Department of Finance with the support of senior executive management, the Secretary, Dr. Ken Ngangan and the Minister for Finance and Department of Implementation and Rural Development, Hon. James Marape. The PFM reforms impact on policy reforms, review of legal framework and operational reforms. These reforms have been endorsed by the National Executive Council and are consistent with the PFM Road Map 2015 - 2018.
- 13. The Department of Finance has led the Financial Framework Review Technical Working Group comprising of Central Agencies, hence AGO, DJAG, Works, Health and Education Departments, CSTB and CLRC in reviewing the financial legislative Framework as planned and as scheduled.** The major reform activity is the Financial Framework Review (FFR). The FFR is the review of the Public Financial Management Act (1995) and subsequently, the review of the Financial Management Manual and the consolidation and streamlining of Finance Instructions. The objective of the FFR is to enable the Act to be more conversant with international best practice. The PFMA Amendent Bill was passed in the August 2016 sitting of Parliament with consequential amendments to other related legislations and became effective 1<sup>st</sup> January 2017. As a consequence of the PFMA amendments, the FFR have undertaken a whole scale review of whole of government Trust Accounts.
- 14. The Department of Finance and Treasury as the PFM Oversight agencies have 7 and 4 divisions respectively implementing the PFM Reform activities as per the PEFA Road Map.** The divisions in Treasury implementing the PFM Reforms include Budget Operations, Macroeconomic Policy, Structural Policy and Investment and Financial Management divisions. Whilst the 7 divisions in Finance implementing the reforms are Financial Management Improvement Program, Financial Reporting and Compliance, Financial Control, Internal Audit and Compliance, Non Tax Revenue, Corporate Service and Provincial and District Financial Management Division.
- 15. The Integrated Financial Management Systems has been rolled out to all 43 government departments and agencies and 7 statutory authorities as at 31st December 2017.** All central agencies and national departments have been implemented and run successfully on IFMS whilst 7 statutory authorities are also using IFMS. The remaining Statutory Authorities will have IFMS implemented in 2018. The IFMS roll out to the Provincial Governments & LLGs' has also progressed well, with the East New Britain pilot province scheduled for full completion in the first quarter of 2018. It is planned that the IFMS provincial roll out will be completed at the end of 2019.
- 16. Other reforms implemented by the Department include the transformation of the national government procurement operations.** Targeting major procurement, the government is moving to establish a National Procurement Commission to replace the Central Supply and Tenders Board. Capacity issues and other operational challenges have limited the performance of CSTB to a certain extent. The new procurement policy has been developed and subsequently endorsed by NEC after going through various consultations. The NEC have approved the drafting of Procurement Legislation. All other mandatory requirements have

been met, hence the drafting instruction of National Procurement Policy and the draft legislation was finally passed in Parliament in August 2018.

- 17. The National Governments Cash Flow forecasting operations are being reviewed by DoF with the assistance of PFTAC.** This is to enhance monitoring and reporting operations of cash liquidity in the Waigani Public Accounts and the weekly transfer of data on the availability of cash flow for determination of weekly forecasting to the Department of Treasury. A Finance Instruction 1/2016 was issued to that effect in June 2016.
- 18. Macroeconomic statistics have not been released since 2006.** However, as at 31<sup>st</sup> December 2017, the National Statistical Office, in implementing its reforms under its PNG Statistical Development Strategy released an updated report on Papua New Guinea's National Accounts Data 2007 - 2014. This report is based on nominal GDP (current price GDP) and the Real GDP (constant price GDP) The report indicated an increase in the level of current price GDP from K28.3 billion to K56.6 billion within the year 2007 to 2014 while the constant price GDP reported an increase of K37.0 billion to K53.7 billion within the year 2006 to 2014. GDP at constant prices of 2013 grew by an average of 5.8% over the years from 2007 to 2014. Over the period from 2006 to 2014, current price GDP increased by 121.7% and constant price GDP increased by 56.3%. The current price GDP increased at a greater rate than the constant price GDP as it includes both increases in volume and in prices, whereas constant price GDP only includes changes in the volume of goods and services produced in PNG. The GDP report, as such, implies sufficient economic growth in 2016. At the time of this report NSO did not provide any progressive updates up to 30<sup>th</sup> June 2018. As such the above Macroeconomic statistics data is only for the year ended 31<sup>st</sup> December 2016.
- 19. The Department of Treasury is implementing major medium term policy reforms through the PFM Road Map.** Two policy reforms include a Medium Term Budget Framework and a Medium Term Budget Outlook. Integration of a unified Investment and Recurrent Budget is ongoing by unifying the budgetary process and the actual budget. Budget formulation process is still being performed by departments, SOE's and statutory authorities.
- 20. Transfer of revenue to WPA between IRC and PNG Customs Services has been effective.** IRC is currently enabling daily transfers. Accounts reconciliation reports by IRC can now be produced upon request. PNG Customs Service transfers from a weekly basis are now performed on a daily basis.
- 21. Development Partners support through the provision of Technical Specialists has been requested by the DoF to support in various PFM reforms in the PEFA Road Map.** Highlighted areas included are the review of the procurement system, capacity building program and in drafting of the audit act. Development Partners formed a Development Partners Working Group on Public Financial Management in 2014. This core working group comprising of the European Union, Department of Foreign Affairs – Government of Australia, the World Bank and the Asian Development Bank, European Union and UNDP held their third meeting in June 2016 with the DoF and the first meeting with Donors for 2018 was held on the 10<sup>th</sup> October 2018. The objective of the meeting was to discuss the progress of the PFM reforms under the PEFA Road Map, the current support towards the PFM reforms and the way forward in supporting the reforms. Good progress has been made against the PFM reforms by government and Development Partners have equally supported the reforms through the provision of technical expertise in various capacities of the PFM portfolio since the launching of the report in September 2015.
- 22. In compiling of the reporting forms for IA (Implementing Agencies) provided their feedback in reasonable time.** However, significant delays were experienced from some agencies but data were finally provided except for National Planning Department, CSTB and National Statistical Office for this Report. There was an information mismatch in the columns for KPIs and Means of Verification. However for the purpose of the 2018 Mid-year report, these issues have been resolved.

- 23. Progress in implementing activities supporting macroeconomic management and managing fiscal risks is slow with long term activities in medium term planning and staffing issues.** Revenue planning, budgeting, forecasting and management has made excellent progress with new units created in IRC and DoF. National Accounts Data is 50% on target with the release of 2015 GDP report. The capacity development plan has not been developed as yet.
- 24. In the activities leading to PFM, DoF has completed a good number of activities.** Good Progress is being made in IFMS rollout, Financial Framework Review, Banking Framework and the Cash Flow Forecasting. As per Secretary's directive on the 8<sup>th</sup> of September 2017 Finance Training Branch and PCaB will work in collaboration with the IFMS Project team in training and post implementation support to the rollout of IFMS. A comprehensive training plan for Finance encompassing input from FTB, PCaB, IFMS and FRCD is yet to be finalized. Under FFR the PFMA (Amendment) Bill 2016 has been passed in Parliament in August 2016 and became effective 1 January 2017. Consequential amendments on other legislations to PFMA were also passed in Parliament. There has been no progress on an advanced level training program for public sector auditors with the IIA. Further the asset management policy is yet to be finalized and implemented from FRCD in consultation with IFMS.
- 25. Work has not commenced on multiyear planning for migration of investment programs into the recurrent budget by DNPM.** A HR staffing and payroll audit plan was developed by DPM but yet to be rollout. Increasing the number of personnel in Performance Auditing at AGO is slow. The evaluation of service delivery by NEFC, DPLLGA, NDoH and NDoE has been completed. Consultations have been completed between the stakeholders and DoF and a sub-committee was formed. The TOR has been developed and part of the evaluation process is for officers to travel to four districts in the country on fact findings exercise after the 2017 NGE. The officers have travelled to the four districts of the four regions of PNG and successfully conducted the survey and evaluation of the front line service delivery unit. The report on the sub-national survey is at the final stage of completion hence the report will be presented in the next RMG meeting.

## OUTCOME 1: AGGREGATE FISCAL STRATEGY

### A. Macroeconomic Management

#### Unified Annual Budget

- 26. The Department of Treasury is implementing the Budget using the 2014 Government Finance Statistics cash reporting framework.** The integration of budgets is ongoing between the Investment budget and the operational (recurrent) budget. The budget formulation process however is currently being performed by individual agencies then submitted to the DoT and DNPM for collective decisions on the appropriate budget estimate ceilings.
- 27. The DoT released the Consolidated Budget Operating Rules (CBORs) in February 2015.** At this stage, the formulation of the budget still remains under separate agencies and cannot be unified or brought under a single agency pending sensitive areas that need to be addressed first, such as manpower transfers and re-allocating responsibility for aspects of the budgeting process. The CBORs<sup>1</sup> outline reforms in the budget process using the two stage approval process. This process allows Government Departments, SOEs and SA to prepare one integrated budget submission for operational and capital expenditure for consideration and with multi-year budgeting estimates for three forward years. The estimates for capital projects

<sup>1</sup> Department of Treasury, Consolidated Budget Operating Rules 2015

are based on sectoral plans. Subnational projects are funded under the SIP. The PEFA Road Map notes this planning process under the DNPM as the 3 Step Approach for prioritisation of capital projects. This approach is the same approach noted in the CBORs.

28. **The two-stage budget approval process includes an “initial concept approval” and a “budget business case” after approval has been granted to the concept.** This then leads to the “final government approval stage”. The CBORs state that capital projects must only be implemented by DoW. Activity 14.1 has seen the formal adoption of this budget planning process in the 2018 budget. However, the full extent for absorption of capital projects into the recurrent budget is not clearly mapped in the 2018 Budget according to Activity 14.2 under DNPM.

### Managing Medium Term Fiscal Risks

29. **Work is yet to commence on the Medium Term Budget Framework and Medium Term Fiscal Outlook.** Preliminary discussions have commenced between Department of Finance and Department of Treasury. It is anticipated that Government Agencies will have a ceiling for the Budget year and the three forward years and should be incorporated in the Budget Circular. It should also include major policy decisions and programmes. IFMS would include budget estimates for each of four years, the budget year and three “forward” years beyond the budget year. A review of the existing budget process and IFMS System configuration changes will be required. Forecasts of fiscal aggregates (on the basis of main categories of economic and functional or sector classification) are prepared for at least three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences explained.
30. **Demarcation of economic items of contingency items was not implemented in the 2017 Budget.** There needs to be clear demarcation in the description of the contingency under the economic item for contingencies. Treasury Department reported that the Secretary’s advance vote under the Division 207 is used as a contingency to cater for unbudgeted expenditures such as natural disaster or other emergency and unforeseen expenditures. Within each government’s agencies’ programs and operational activities, the economic item 227 acts as contingency to support funding shortfalls. So basically provisions were made for contingency in the Budget.

### Revenue Planning and Cash Flow Management

31. **The 2018 MYEFO revealed that K5, 553.3 million of total aggregate revenue collected as at 30<sup>th</sup> June 2018 was below the actual expenditure of K5, 878.2 million, a fiscal deficit of K324.9 million<sup>2</sup>.** The mid-year fiscal performance shows only a modest deterioration in fiscal conditions, which is significant given the impact of the February earthquake on expenditure and revenue trends. At end June 2018 the fiscal deficit was K324.9 million or 0.4 per cent of GDP with a revenue outturn of K5,553.3 million and an expenditure outturn of K5,878.2 million. The extensive revenue measures approved in the 2018 Budget have generally been implemented and the lift in gas production in late 2017 has supported higher resource tax collections in 2018. Fiscal expenditures are significantly lower than budgeted at mid-year, being only 39.9 per cent of budgeted spending levels, with higher personnel emoluments and utility payment trends being offset by strict control of warrants over other discretionary spending heads. Total net borrowing in the first half of 2018 amounted to K812.9 million, with external financing accounting for K631.0 million (largely the proceeds from the Credit Suisse final tranche) and domestic financing accounting for K181.9 million.
32. **Reconciliations of accounts by IRC and PNG Customs to pool cash into WPA is anticipated to be performed on a daily basis.** PNG Customs was reconciling and transferring on a weekly basis. The consequential amendment was made to PFMA requiring

<sup>2</sup> Mid-Year Economic and Fiscal Outlook 2018, Page 5

full transfer of revenue collections to WPA by other revenue collecting agencies through Revenue Sharing and or Withholding arrangements. Hence, MVIL and Worker's Permit Trust Account Revenue Collection Arrangements is that all collections are deposited into CRF.

Medium term planning and revenue forecasting will require system configuration in IFMS in order to enable forward planning of medium term plan estimates.

- 33. A Forward Estimates Planning Committee on Revenue Estimates is a platform for joint revenue planning and budgeting by Treasury, IRC, PNG Customs, Department of Finance and Bank of Papua New Guinea.** The Department of Treasury is taking the lead in formulating this Committee. It will be responsible for ensuring that revenue budget estimates are realistic considering all macroeconomic factors and fiscal risks to the Budget, in the short to medium term. The Forward Estimates Committee on Revenue Budgeting and Planning is yet to be formed. This was to be formed by November 2015 and is still pending. This committee would allow for joint consultations between key agencies on the determination of realistic revenue estimates and midterm forecast. . However, the only working committee is PDC (Public Debt Committee), hence PDC meets weekly to provide update on cash flow of Waigani Public Account in order for effective management of cash flow to meet government's competing cash demands.

### Improving Debt Management Practices

- 34. The total debt to GDP ratio based on the 2017 nominal GDP is 31.9 percent.** That is 1.9 percent above the legislated debt limit of 30% according to the Fiscal Responsibility Act. The level of Total Central Government Debt at the end of June 2018 totalled K24, 371.2 million or 29.8 per cent of GDP, an increase of K, 812.90 million (or 7.4 per cent) over 2017 actuals. With the implementation of Government directives and, given seasonal monthly trends, it is projected that the 2018 Budget deficit will be K1, 987.2 million, in line with the 2018 Budgeted amount. At the same time the Government's key priorities are expected to be fully funded. This results in a debt to GDP ratio of 31.2 per cent, lower than the budgeted 32.2 per cent but similar to the 2017 ratio of 31.2 per cent. Debt at these levels remains well within the range of 30-35 per cent of GDP as prescribed in the Fiscal Responsibility Act which places the debt ratio on a clear downward path to achieve the 30.0 per cent target by 2022, again as prescribed in the MTFS 2018-22.

The Department of Treasury is tasked with improving debt sustainability analysis. All loan funding, On-lend, and State Guarantee and PPP project proposals have been evaluated in line with the Medium Term Debt Strategy and Medium Term Fiscal Strategy prior for funding approval through the normal budgetary process.

- 35. High priority considerations are given to the development of a comprehensive data base on government loans, guarantees and Public, Private Partnerships by the end of 2017.** The current CSDRMS has now been upgraded to cater for recording on-lending and State Guarantees. Due to capacity issues in staffing and manpower constraint State Guarantees have not been effectively recorded in the upgraded version of CSDRMS. The national PPP Policy and Act has been released however certain issues need to be resolved before it will be fully implemented, hence PPP framework will be fully implemented by 2019.
- 36. With the on-lending policy approved in 2013 for managing public debt,** the Asian Development Bank supported the DoT with the development of a framework for the Guarantee Policy and Centralised Borrowing in April 2016. This has been translated into a Guarantee Policy and a Borrowing Policy. These government policies will strengthen the process through which state entities could apply for loans and guarantees. Treasury has a State Guarantee Policy that was formulated in 2016 and was implemented since 2017. The records of all the

State Guarantees is maintained by the Financial Management Division (FMD) in the Operations Wing in Treasury.

Treasury has an on – Lending Policy that guides the State in terms of providing Government Lending to State Owned Enterprises (SOEs/KCH ).

Treasury also has a Community Service Obligation Policy which is to assist SOE's in terms of providing service delivery in a transparent manner to the people in collaboration with the State.

Treasury has a Dividend Policy that was approved in 2015. The Policy is to guide State Owned Enterprise's (SOE's) and Statutory Authorities (SA) in terms of paying dividends to the State. Treasury is currently working on the revised version of the policy which will be submitted to NEC in 2017, for approval.

CSDRMS has also been upgraded to cater for recording, On-lending and State Guarantees. The On-Lending and Guarantee Policies will ensure borrowing is centralized to ensure financing is undertaken on commercial terms and all Government assets and liabilities are consolidated to determine the State's net worth. All records will be kept by FMD of Department of Treasury as is the appropriate Division that deals with the State's Debt management.

### **Improving Expenditure Management**

**37. The total 2018 aggregate approved expenditure budget was K14, 717.9 million, however the actual outcome for the first half of 2018 was 5,878.2 million for Expenditure and net lending<sup>3</sup>.**

To ensure the budget deficit remains on track in 2018 and the Medium Term Fiscal Strategy (MTFS) is maintained, the Government has issued a number of directives to departments and agencies. These comprise:

- The Government has instructed Organisational Staffing Personnel Emoluments Audit Committee (OSPEAC) and the Department of Finance to introduce some hard budget ceilings for employment levels and off-line payments to ameliorate these adverse underlying trends and to bring this expenditure category (excluding the unbudgeted pay increase) back on track;
- Following a number of audits on utility and rental charges, the Government has introduced measures to control this expenditure and to bring it back on track by end 2018;
- The Government has established a high-level Task Force (Treasury, IRC, Customs and Finance) focused on improving compliance and the pass through of departure tax and import excise collections;
- The Government has instructed IRC to accelerate the establishment of the Large Taxpayer Office in IRC;
- The Government has instructed IRC to implement fully the 2018 Budget changes to the policy on export duty on old-growth logs;
- The Government has instructed the Treasury and Finance Departments to conduct, as a priority, discussions with state entities to re-examine dividend inflows, particularly relating to LNG dividends to Government; and
- The Government has instructed the Treasury Department to find additional savings in the goods and services expenditure areas across all non-essential priority areas and in non-essential capital works programs that are funded by the Government.

With the implementation of these Government directives and, given seasonal monthly trends, it is projected that the 2018 Budget deficit will be K1,987.2 million, in line with the 2018 Budgeted amount. At the same time the Government's key priorities are expected to be fully funded. This results in a debt to GDP ratio of 31.2 per cent, lower than the budgeted 32.2 per cent but similar to the 2017 ratio of 31.2 per cent. Debt at these levels remains well within the range of

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<sup>3</sup> MYEFO 2018



30-35 per cent of GDP as prescribed in the Fiscal Responsibility Act which places the debt ratio on a clear downward path to achieve the 30.0 per cent target by 2022, again as prescribed in the MTFS 2018-22.

**38. As at 31 June 2018, total warrant authorisation was K5, 878.2 million from the total annual budget of K14, 7179. million, 40% of the total 2018 budget is expended**

The likely expenditure overruns will result from the;

- Effects of compensation of employees (PE).
- Increase of donor grants related expenditures.

**39. As at 31 December 2017 the GoPNG funded expenditure outcome for National Departments, against the Supplementary Budget, was lower by K550.7 million and for Commercial and Statutory Authorities (CSA) was lower by K34.1 million.** Similarly, the total expenditure outcome for the Autonomous Bougainville Government (ABG) was K165.2 million, which was K53.4 million or 24.4 per cent lower than the 2017 Supplementary Budget. These savings reflect substantial reductions to goods and services outlays to these areas. In contrast Provincial Government expenditure was higher by K406.3 million, mainly driven by an overspending on PE. Efforts such as the roll out of the IFMS are ongoing at the provincial level to better control PE and overall expenditure.

**40. Budget funded trust accounts have been established since 2005 for Major National and Provincial Investment Projects to give time to agencies to properly plan and implement projects.** A total of K12, 313.1 million (inclusive of the 2018 Budget Appropriations), has been appropriated to Budget Funded Trust Accounts since 2005 for implementation of priority budget expenditure programs. These trust accounts have largely been funded from additional mineral revenue in supplementary and annual budgets.

The purpose of holding funds in Trust Accounts is to spread spending over time to help manage inflationary pressures in the economy and to give time to agencies to properly plan and implement projects across budget years. The opening balance of the Budget Funded Trust Accounts as at 1st January 2018 was K140.1 million. Expenditure incurred by 30th June totalled K30.8 million with K0.01 million received within the same period; thus, the closing balance as at 30th June 2018 was K108.6 million.

**41. As at the reporting date, the Trust appropriations for the 2018 Budget cannot be projected in detail as all these funds were and could still be allocated directly to the department and agencies concerned reflecting the changed arrangements under the new PMMR Act.** The 2017 National Elections balance at start of 2018 period was K0.2 million. K0.1 million was paid to service providers for outstanding election-related services rendered. Tuition Fee-Free (TFF) expenditure of around K29.1 million out of the K89.8 million allocated was paid between 1st January and 30th June 2018.

*Asia-Pacific Economic Cooperation (APEC) 2018*

Given that Papua New Guinea is hosting the APEC 2018 Summit, a trust account was established to manage APEC-related expenditures. However, the respective account reports were not available at the time this report was compiled.

**42. The DoT is required to maintain and monitor the cost of government decisions.** A central monitoring system to keep stock of all new and old government decisions is yet to be implemented. This will be applied to assess against policy changes, effects and costs on the resource envelope and fiscal space. Treasury maintains a register of government decisions through the existence of a "pressure list". However, this is for the current year and may need to include estimates over the medium term.

**43. The following is the progressive update of PFM reforms from the Department of Treasury.**

## Department of Treasury

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

2018	MID - YEAR	AGENCY		Period of Reporting: As at June 30th 2018		
	208	DEPARTMENT OF TREASURY		Divisions :	Budget Operations Division; Macroeconomic Policy Division; Structural Policy and Investment Division; Financial Management Division	
				Duration of PFM Road Map :	FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
I	Budget Reliability	PI - 1	Aggregate Expenditure Compared to Original Approved Budget	A	-	Ongoing Integration of Budgets
		PI - 2	Expenditure Composition Outturn compared to Original Approved Budget	D+	Yes	2017 Budget to contain a minimum listing of all off
		PI - 3	Aggregate Revenue Outturn Compared to Original Approved Revenue	B	Yes	budget revenue to all government agencies



2018	MID - YEAR	AGENCY		Period of Reporting: As at June 30th 2018		
		208	DEPARTMENT OF TREASURY	Divisions :	Budget Operations Division; Macroeconomic Policy Division; Structural Policy and Investment Division; Financial Management Division	
				Duration of PFM Road Map :	FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 4	Classification of Budget	C	Yes	Incorporate in annual budget Medium Term Revenue and spending estimates with
		PI - 5	Comprehensiveness of Budget Documentation	B	Yes	details for debt service and expected changes on costs of
		PI - 6	Extent of Reporting of Extra Budgetary Operations	D	Yes	service delivery (Education and Health etc)
		PI - 9	Public Access to Key Fiscal Information	D	Yes	Estimate cost of Government Decisions that have not been fully implemented
III	Asset and Liability Management	PI 10	Fiscal Risk Management	D	Yes	
		PI - 13	Management and Reporting on Debt and Expenditure Arrears	D	Yes	Strengthen debt management practices to minimise funding costs and risks
		PI - 14	Credible Fiscal Strategy	B+	Yes	

2018	MID - YEAR		AGENCY	Period of Reporting: As at June 30th 2018			
		208	DEPARTMENT OF TREASURY	Divisions : Budget Operations Division; Macroeconomic Policy Division; Structural Policy and Investment Division; Financial Management Division			
				Duration of PFM Road Map : FEB 2015 - DEC 2018			
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas	
	Policy Based Planning and Budgeting	PI - 15	Revenue Budgeting	C+	Yes	Establish a comprehensive database on government loans, guarantees and PPPs	
		PI - 16	Medium Term Perspective in Expenditure Budgeting	D	Yes		
		PI - 17	Orderliness and Participation in Annual Budget Preparation Process	C+	Yes		
	VI	Accounting, Recording and Reporting	PI - 18	Legislative Scrutiny of Annual Budget Law	D+	Yes	Establish a unit to monitor financial position and fiscal risk of SOE's, Statutory Bodies and Provinces
			PI - 21	Predictability in the Availability of Funds to Support Service Delivery	D+	Yes	

## DEPARTMENT OF TREASURY

### SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>6.</b>	<b>Enabling all revenues and expenditures through the budget</b>						
6.3	Demarcate clearly the Contingency Economic Items in the IFMS in 2017 Budget	Discussions are still progressing on Contingency Economic items between DoT and DoF.	The Secretary's advance vote under the Division 207 is used as a contingency to cater for unbudgeted expenditures. The economic item 227 acts as contingency to support funding shortfalls.	DoF/DoT	Budgets	Oct-17	Nov-17
<b>13.</b>	<b>Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.</b>						
13.1	Continued integration of the recurrent and development budgets	Budget submissions are provided to both DNPM and Treasury-collective decisions are made. Budget reforms for consolidating investments and operations budget is consistent with the DoT issued CBORs.	At this stage, the national budget is not fully integrated as a unified Budget. That is evident in both Treasury and Planning briefing Budget Committees such as NEC separately rather than a fully integrated budget briefing by the joint departmental budget team with Capital and Operational Budget on one matrix.	DoT	Budgets	Jan-16	Jan-17
13.2	Improve coverage of the budget to include information on all revenues of all government agencies - SOEs, SNGs, and a rudimentary balance sheet for general government.	All extra budgetary revenues included in the Budget through approval of Consequential Amendments Bill 2016.	Finance –Revenue and Treasury MEPD will provide insights on National Governments agencies revenues. However, for the provincial	DoT	Budget	Jan-16	Nov-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			and LLGs, revenue figures are provided every year in annual projections in their annual budget estimates to Treasury.				
13.3	The 2017 budget should contain at minimum a listing of all currently "off budget" revenue to all government entities.	Summary of all off budget revenue from all government departments, SNG and CSA in the 2017 Budget	<p>Finance –Revenue and Treasury MEPD will provide insights on National Governments agencies revenues.</p> <p>That additional unbudgeted revenue must be approved by the Treasurer in a revised budget to the Treasurer before they actually spend it.</p>	DoT	Budget	Jan-16	Sep-17
13.4	Prepare medium-term estimates of changes (increases or decreases) in program funding during every annual budget process to capture demographic (health/education) changes.	Summary Report at budget preparation stage of changes in Program funding for major capital projects, and medium term estimates	<p>There is no transfer of funds either from Capital to Operational or vice versa. All transfer movements are always within the respective fund sources. In most cases, transfers are usually done within operational funds to address funding shortfall and to ensure government agencies continue to perform their core mandated functions</p> <p>This has be approved by the Secretary or his delegate.</p>	DoT	Budgets	Jan-16	Sep-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
13.5	Prepare medium-term estimates of changes (increases or decreases) in program funding at annual budget process to capture the effects of costs of government decisions made in the past that have not yet been fully implemented.	Summary Report at budget preparation stage of changes in Program funding for major government decisions not fully implemented,	Monitoring of the cost and payment of government decisions is ongoing through a pressures list maintained by the DoT	DoT	Budgets	Jan-16	Sep-17
13.6	Prepare intensive revenue and expenditure estimates for publication in 2017 budget of medium term change estimates for education and health and any other public service for which existing government policy will require spending changes.	<p>Medium term forecast of revenues.</p> <p>Medium Term expenditure budgeting.</p> <p>A National medium term budget frame work that takes into consideration all budget sector/agencies fully costed medium term budget submissions/strategy</p>	<p>Treasury produces medium term forecasts for revenues and projections for expenditure in its annual budget document Volume 1 Economic and Development Policies document. The medium term forecasts for expenditures are tied to the MTDP2, fiscal policy and strategy of the Government. Hence the 2017 Budget including previous budgets reflect this approach. The budget is reviewed in the course of the budget year and any changes in existing government policies requiring spending changes are reflected in the supplementary budget as the case of 2015 and 2016 Budget.</p> <p>The 2 stage budget process has been developed and progressing to consider all budget sector/agencies fully</p>	DoT	EPD/Bud	Jan-16	Sep-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>costed medium term budget submissions and strategies.</p> <p>System requirements associated with proposed reforms to the Budget Process for PNG have been produced and discussed with IFMS since 2014.</p> <p>Need to get line agencies involved.</p>				
13.7	Establish a Forward Estimates Planning Committee by 2015 for consultative planning on revenue estimates	Functioning Forward Estimates Committee on Revenue by 2015	<p>A formalised FEC is yet to be established.</p> <p>Treasury has conducted regular consultations with DoF-NTRD, IRC and Customs to formulate revenue estimates for the budget year as well as reviewing the estimates during the year. Discussions between these agencies can be extended to include the medium term revenue estimates.</p>	DoT	EPD/Bud	Oct-15	Nov-17
13.10	Develop a plan to convert all existing trust accounts to a free cash balance status by July 2016 with estimates of the reduction in Government short-term borrowing costs that would result.	Approved plan on free cash balance from trust accounts	To address the issue of repayment of short-term borrowing cost, FMD in collaboration with other key stakeholders, undertook another approach. In 2015, an account called the Debt Repayment Account (DRA) was established with BPNG.	DoT DoF	FMD FCD	Mar-16	Nov-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			The primary purpose of the account was to build-up cash to help with the management and settlement of the Government's larger debt service obligations when they fell due.				
13.11	Reduce time lag for release of warrants and APC for major procurement	Number of APC's approved per quarter	Subject to BMC/PDC deliberation monthly and weekly.	DoT	Budgets	Jan-16	Dec-17
13.12	Develop MTBF by 2018	<p>Medium Term perspective in budgeting. Coverage and content of sector strategies.</p> <p>A National medium term budget frame work that takes into consideration all budget Sector/agencies fully costed medium term budget submissions/strategy by 2018.</p>	Agencies have been consulted to develop a medium term budget framework with the budget sectors and the agencies, however, issues relate to agencies coming with inflated cost that does not match the revenue envelope and the Government's Medium Term Fiscal Strategy. The DOT is working on addressing this through capacity building to train agencies to assist agencies to match their expenditures to revenue ceiling as a way forward to come up with a medium term budget framework that is consistent with the overall fiscal policy direction.	DoT	EPD/Bud	Feb-18	Nov-18
13.13	Develop a Medium Term Budget Outlook by 2020	<p>Revenue Budgeting. Medium term forecast of revenues.</p> <p>Medium Term perspective in</p>	The GoPNG National Budget have been guided by the Medium Term Fiscal Strategy (MTFS-5 years) since the first	DoT	EPD	Jan-2017	Dec-2017

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		<p>expenditure budgeting.</p> <p>Credible Fiscal Strategy. Preparation and use of macro-economic forecasts as basis for annual and medium term budgets.</p> <p>Approved MTBO by 2020</p>	<p>MTFS in 2008. The MTFS is the five year projections on revenue, expenditure, deficit and financing. The MTFS is based on 5 years macroeconomic forecasts and is also guided by the development policies of the Government. Guided by the MTFS the annual national budget is formulated each year. The MTFS also guides the multi-year budget approach adopted since 2014 and has been published in the Volume 1 budget document which provided medium term expenditure at aggregate level and at sectoral level. However the challenge lies in getting agencies to provide realistic budget outlook consistent with the revenue envelop. As mentioned, this requires capacity building.</p>				
13.16 A	A high priority should be the preparation by Treasury of a comprehensive database on government loans, State and guarantees (by end 2016)	Fully operational debt recording system for various debt portfolios - guarantees and loans	CSDRMS is being updated with the on-lent loans and state guarantees FMD is aware of.	DoT	FMD	Oct-15	Oct-18
13.16 B	A high priority should be the preparation by Treasury of a comprehensive database on Public Private Partnerships (PPPs) (by end	Fully operational debt recording system for Public Private Partnerships (PPPs)	The PPP Framework is important as it will enable the Government to assess and	DoT	SPID	Oct-15	Oct-19



Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	2016)		prioritize projects to ensure that they are achieved in the most cost efficient manner.				
13.17	Establishment of a unit to monitor the financial position and fiscal risks of SOEs, statutory bodies, and provinces which would regularly provide submissions to NEC on significant fiscal risks.	Establishment of a Financial Risk Management Strategy for SOE and Statutory Bodies.	SPD has an already established Public Investment Branch (PIB) which monitors the financial and fiscal position of SOE's.	DoT	SPID	Oct-16	Ongoing
13.18	Legislate and reinforce policies, procurement and reporting related to all Government Guarantees and Arrears to be covered by DoT	Approved policy on a centralised borrowing system  Approved policy on a Guarantees  Approved Framework for Guarantees and centralised borrowing	The On-lending Policy was developed and approved in 2013.  The Guarantee Policy was developed and approved in 2016.  Currently DOT is in the process of developing the Centralised Borrowing Policy. A Framework for the Centralized Borrowing has been completed with technical support from ADB in April 2018. There is, however, further financial assistance required for Technical Expertise to complete the formulation of the policy.	DoT	FMD	Jan-16	Nov-18

# DEPARTMENT OF TREASURY

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

Lead Division	BUDGETS DIVISION	Priority Action Areas	Reforms in Revenue Planning, Budgeting, Debt Management and monitoring of Fiscal Risks			
Branch	Economic Administrative Social Law & Justice Provinces(lead) CSA's	Activities 6 and 13	<p><b>6. Enabling all revenues and expenditures through the budget</b></p> <p><b>13. Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.</b></p> <ul style="list-style-type: none"> <li>Ongoing Integration of Budgets</li> <li>2017 Budget to contain a minimum listing of all off budget revenue to all government agencies</li> <li>Estimate cost of Government Decisions that have not been fully implemented</li> </ul> <p>Incorporate in annual budget Medium Term Revenue and spending estimates with details for debt service and expected changes on costs of service delivery (Education and Health etc)</p>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
6.	<b>Enabling all revenues and expenditures through the budget</b>					
6.3	Demarcate clearly the Contingency Economic Items in the IFMS in 2017 Budget	Details of Classification of Contingency Economic items	2017 Budget	Oct 2016 – Nov 2016	<p>The Secretary's advance vote under the Division 207 is used as a contingency to cater for unbudgeted expenditures such as natural disaster or other emergency and unforeseen expenditures.</p> <p>Within each government's agencies' programs and operational activities, the economic item 227 acts as contingency to support funding shortfalls. So basically provisions are made for</p>	

					contingency in the Budget	
<b>13.</b>	<b>Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.</b>					
13.1	Continued integration of the recurrent and development budgets	2016 Budget	<p>Printed concepts (test documents) for cross checking</p> <p>Minutes of Taskforce Meetings</p> <p>Annual Budget</p>	Jan 2016-Jan 2017	<p>YTD, there is a unified budget document reflecting both capital and operational budget under each agency.</p> <p>Work is in progress for capital and operational alignment</p> <p>Work is in progress for unified budget process.</p> <p>Introduction of the 2 staged budget process is the ongoing</p> <p>Unified Budget Process</p> <ul style="list-style-type: none"> <li>• Unified process.</li> <li>• Unified budget documents.</li> </ul> <p>Aligned capital and operational expenditure.</p> <p>The integration in budget publication as well as budget screening of proposals is conducted by both DNPM and Treasury.</p> <p>Budget layouts and agencies estimates for both the operations and Capital are captured under each specific program.</p>	At this stage, the national budget is not fully integrated as a unified Budget. That is evident in both Treasury and Planning briefing Budget Committees such as NEC separately rather than a fully integrated budget briefing by the joint departmental budget team with Capital and Operational Budget on one matrix.
13.2	Improve coverage of the budget to include information on all revenues of all government agencies - SOEs, SNGs, and	All extra budgetary revenues included in the Budget	Standard reporting template	Jan 2016 – Nov 2016	Finance –Revenue and Treasury MEPD will provide insights on National Governments agencies	<p>This activity is ongoing between DoF and DoT.</p> <p>2016 Budget included</p>

	a rudimentary balance sheet for general government.	Weekly Report to PDC	Volume one of Budget Books contains all revenues		revenues. However, for the provincial and LLGs, revenue figures are provided every year in annual projections in their annual budget estimates to Treasury.	coverage of all revenues from statutory bodies to the sub national Governments. However, provision of accurate revenue data to Treasury for budgetary purpose is an area to improve on.
13.3	The 2017 budget should contain at minimum a listing of all currently "off budget" revenue to all government entities.	Minimum listing of all agencies with "off budget" revenue in the 2017 budget	"Off budget" revenue information in the 2017 budget	Jan 2016 – Nov 2016	Finance –Revenue and Treasury MEPD will provide insights on National Governments agencies revenues.  However, for the provincial and LLGs, if there is an off budget revenue then, the provincial and LLGs revise the annual budgets to appropriate the additional revenue that was not part of the initial budget estimates.  That additional unbudgeted revenue must be approved by the Treasurer in a revised budget to the Treasurer before they actually spend it.	Discussions are ongoing between DoT and DoF.  Department of Treasury is working on it through the MEPD branch  Volume 1 Budget book records this at classification level but the detail should be with Department of Finance-Revenue section.
13.4	Prepare medium-term estimates of changes (increases or decreases) in program funding during every annual budget process to capture demographic (health/education) changes.	No transfer of funds either from Capital to Operational.		Jan 2016 – Sep 2017	There is no transfer of funds either from Capital to Operational or vice versa. All transfer movements are always within the respective fund sources. In most cases, transfers are usually done within operational funds to address funding shortfall and to ensure government agencies continue to perform	Expenditures in IFMS are lagging and not up to date resulting in reporting being lagged as well.

					<p>their core mandated functions</p> <p>This has be approved by the Secretary or his delegate.</p>	
13.5	<p>Prepare medium-term estimates of changes (increases or decreases) in program funding at annually budget process to capture the effects of costs of government decisions made in the past that have not yet been fully implemented.</p>	<p>"Pressures List" is a record of the approved government decisions that were made and/or announced and yet to be implemented.</p>	<p>Pressures List updated as at first quarter.</p>	<p>Jan 2016 – Jan 2017</p>	<p>Budget allocation recommendations are made to ensure core mandated functions of government agencies are sufficiently funded so they continue to provide goods and services to our people. All other political commitments and pressures list are just listed with a brief background for the attention of the decision makers.</p> <p>If the government decides to fund a commitment or pressures list that is off budget, then it is managed through the contingencies mentioned above.</p>	<p>Information on NEC Decisions are not readily available and presented to DoT hence difficult to keep track of decisions and commitments made by the government. However, we seek those information and get them.</p>
13.11	<p>Reduce time lag for release of warrants and APC for major procurement</p>	<p>Timely release of warrants from Treasury</p> <p>Timely receipt of Warrant Authorities from Agencies</p>	<p>Projects are implemented on a timely basis</p>	<p>Jan 2016 – Dec 2017</p>	<p>YTD, releasing of Warrant Authorities are still lagging due to cash flow situation experienced.</p> <p>Warrants release is always subject to a work plan provided by the responsible agency together with the availability of cash in Waigani Public Accounts.</p> <p>PDC has always managed the expenditure in terms of priorities. Release of Warrant Authorities are based on</p>	<p>Subject to BMC/PDC deliberation monthly and weekly.</p>

					revenue coming into the Public Account	
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Lead Division	Macroeconomic Policy Division	Priority Action Areas	13.0 Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.			
Branch	Fiscal and Monetary Policy	Activity 13	<ul style="list-style-type: none"> <li>Ongoing Integration of Budgets</li> <li>2017 Budget to contain a minimum listing of all off budget revenue to all government agencies</li> <li>Estimate cost of Government Decisions that have not been fully implemented</li> </ul> <p>Incorporate in annual budget Medium Term Revenue and spending estimates with details for debt service and expected changes on costs of service delivery (Education and Health etc)</p>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
13.	Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.					
13.6	Prepare intensive revenue and expenditure estimates for publication in 2017 budget of medium term change estimates for education and health and any other public service for which existing government policy will require spending changes.	Revenue Budgeting. Medium term forecast of revenues.  Medium Term perspective expenditure budgeting.  A national medium	2017 Budget IFMS reports to produce multiyear ceilings by agencies under each sector.	Jan 2016 – Dec 2017	Treasury maintains a matrix of “data base” for policy decisions with financial implications as a “pressure list” to monitor this Policy Decisions on a quarterly basis. But this is for the current year and may need to include estimates over the medium term.	Compliance by line agencies has been very slow. May be helped with IFMS rollout.  Treasury will need to establish a separate Data base or a central monitoring system to keep stock of all new and old government decisions yet to be implemented or policy changes and their effects or costs on the

		<p>term budget frame work that takes into consideration all budget sector/agencies fully costed medium term budget submissions/strategy</p> <p>An operational Database for government Policy Decisions</p> <p>An operational data base on costs of resource envelope over the medium term</p>	System Reports on costs of resource envelope over the medium term		<p>Multiyear Budget ceilings concept started in 2014 and is ongoing in 2016. System requirements associated with proposed reforms to the budget process are being discussed with IFMS.</p> <p>Treasury needs to get line agencies involved</p>	<p>resource envelope and fiscal space.</p> <p>Each Agency to have a ceiling for the Budget year and the three forward years. Incorporated in the Budget Circular. Should also include major policy decisions and programmes.</p> <p>IFMS must include budget estimates for each of four years, the budget year and three "forward" years beyond the budget year.</p> <p>Review of the existing budget process</p> <p>IFMS System configuration changes to cover medium term perspective</p>
13.7	Establish a Forward Estimates Planning Committee by 2015 for consultative planning on revenue estimates	<p>Functioning Forward Estimates Committee on Revenue by 2015</p> <p>3 x consultation meetings between DOT, Finance NTRD, IR and Customs annually to discussing medium term revenue estimates</p>	Minutes of meetings	<p>Original timeframe Oct 2015 – Nov 2015</p> <p>Now time frame Sep2016 – Nov 2017</p>	<p>DOT to inform the existing DoF-NTRD, IRC and Customs stakeholders regarding the discussions on forward year revenue estimates by August.</p> <p>Treasury has had regular consultations with DOF-NTRD, IRC and Customs to formulate annual revenue estimates for the budget year as well as reviewing the estimates during the year. However, discussions between these agencies can be extended to include the medium term as well as formation of the committee.</p>	<p>Forward year estimates are based more on the outlook of the economy. Revenue administrative agencies such as DoF-NTRD, IRC and Customs focuses more on collections during the budget year with little assessment done on the collections outlook for the medium term. This would now require DOF-NTRD, IRC and Customs not only focus on revenue collections for the budget year but to also conduct analysis on the outlook for the collections.</p>

13.12	Develop MTBF by 2018	<p>A national medium term budget frame work that takes into consideration all budget sectors and agencies fully costed medium term budget submissions or strategy</p> <p>Approved MTBF</p>	<p>Each Agency to have a ceiling for the Budget year and the three forward years</p> <p>Operational and Investment budget ceiling which will be administered by Treasury.</p>	Feb 2018 – Nov 2018	<p>Discussions are underway to get agencies and sectors to prepare a fully costed strategy that takes the form of a medium term budget frame work.</p> <p>May require review of the existing budget process</p>	<p>The functionality of setting operational and capital ceiling is present in IFMS but needs system configuration for medium term planning.</p> <p>Drafts to be reviewed and discussed.</p>
13.13	Develop a Medium Term Budget outlook by 2020	<p>Revenue Budgeting. Medium term forecast of revenues.</p> <p>Medium Term perspective in expenditure budgeting.</p> <p>Credible Fiscal Strategy. Preparation and use of macro-economic forecasts as basis for annual and medium term budgets.</p> <p>Approved MTBO</p>	<p>Medium term annual forecasting for all fiscal and economic data.</p> <p>Drafts (ceilings) from agencies will be reviewed and discussed.</p>	Jan 2020 – Dec 2020	<p>System requirements associated with proposed reforms to the Budget Process for PNG have been produced and discussed with IFMS since 2014.</p>	<p>Need to adopt the multiyear ceilings concept at the agency and sector level.</p> <p>Need to get line agencies involved.</p> <p>Compliance by line agencies has been very slow. May be helped with IFMS rollout.</p>



Lead Division	Financial Management Division	Priority Action Areas	13.0 Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.			
Branch	Loans and Execution	Activity 13	<ul style="list-style-type: none"> <li>Establish a comprehensive database on government loans, guarantees and PPP.</li> </ul>			
Activity No.	Activity	KPI	Means of Verification	Timeframe	Progress Update	Constraints and issues
13.	Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.					
13.10A	Develop a plan to convert all existing trust accounts to a free cash balance status by July 2016 with estimates of the reduction in Government short-term borrowing costs that would result.	Approved plan on free cash balance from trust accounts		Mar 2016 - Nov 2017	To address the issue of repayment of short-term borrowing cost, FMD in collaboration with other key stakeholders, undertook another approach. In 2015, an account called the Debt Repayment Account (DRA) was established with BPNG. The primary purpose of the account was to build-up cash to help with the management and settlement of the Government's larger debt service obligations when they fell due.	
13.16 A	A high priority should be the preparation by Treasury of a comprehensive database on government loans and State guarantees	Update a registry for State Guarantee and On-Lending loans at the Department of Treasury (DoT).  Currently, all debt data are recorded in the CSDRMS and IFMS respectively.	CSDRMS System Report  Registry Report	Jan – Dec, 2016	Treasury has a State Guarantee Policy that was formulated in 2016 and is to be implemented in 2017.  The records of all the State Guarantees is maintained by the Financial Management Division (FMD) in the Operations Wing in Treasury  Treasury has an On – Lending Policy that guides the State in terms of providing Government Lending to State Owned Enterprises (SOEs/KCH ).	The State's Debt Recording System was upgraded in 2018 and all on-lent loans and state guarantees are expected to be registered and updated in CS-DRMS by Oct 2018.

					<p>Treasury also has a Community Service Obligation Policy which is to assist SOE's in terms of providing service delivery in a transparent manner to the people in collaboration with the State.</p> <p>Treasury has a Dividend Policy that was approved in 2015. The Policy is to guide State Owned Enterprise's (SOE's) and Statutory Authorities (SA) in terms of paying dividends to the State. Treasury is currently working on the revised version of the policy which will be submitted to NEC this year 2017, for approval.</p> <p>CSDRMS has also been upgraded to cater for recording, On-lending and State Guarantees.</p>	
13.18	Legislate and reinforce policies, procurement and reporting related to all Government Guarantees and Arrears to be covered by DoT	Treasury has a State Guarantee Policy that was formulated in 2016 and is to be implemented in 2017. The records of all the State Guarantees is maintained by the Financial Management Division (FMD) in the Operations Wing in Treasury.	Reviewing the effectiveness of the enforcements (instructions etc).	Jan 2016 – Jan 2017	<p>The On-lending Policy was developed and approved in 2013.</p> <p>The Guarantee Policy was developed and approved in 2016.</p> <p>Currently DOT is in the process of developing the Centralised Borrowing Policy. A Framework for the Centralized Borrowing has been completed with technical support from ADB in April 2018. There is, however, further financial assistance required for Technical Expertise to</p>	Financial assistance required for Technical Expertise to complete the formulation of the policy.

					complete the formulation of the policy.	
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Lead Division	Sectoral Policy Division	Priority Action Areas	13.0 Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.			
Branch	Sectorial	Activity 13	<ul style="list-style-type: none"> <li>Strengthened debt management practices to minimise funding costs and risks</li> <li>Establish a comprehensive database on government loans, guarantees and PPPs</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
13.	Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.					
13.16 B	A high priority should be the preparation by Treasury of a comprehensive database on Public Private Partnerships (PPPs) (by end 2016)	The PPP Framework is outlined in the Act and is currently being progressed. Once operational the PPP Centre should be able to maintain a PPP database undertaken in the country as well as provide the information on PPP arrangements going forward.		Ongoing	The PPP framework is important as it will enable the Government to assess and prioritize projects to ensure that they are achieved in the most cost efficient manner. The Government will use PPPs – as a procurement mechanism to deliver quality standard public asset (infrastructure) services to the people.  Currently a work plan is being drafted for the full implementation of the PPP legislation in 2019 going forward.	The PPP Act was passed in 2014 and the law was gazetted in early 2018 but the Act is currently being reviewed for amendments as it is considered more bureaucratic and process driven.
13.17	Monitor the financial position and fiscal risks of SOEs, statutory bodies, and provinces which would regularly provide submissions to NEC on significant	Fully functional unit for monitoring of financial positions of SOE's, SNGs and SNGs	Statement F reporting is part of financial performance reporting which	Oct 2017 –	SPD has an already established Public Investment Branch (PIB) which monitors the financial and fiscal position of SOE's through KCH by using Dashboard	Timely submission of annual financial reports by the agencies for reporting of Statement F.

	fiscal risks.	This role also may apply to the unit in DoF – Statutory Authorities Monitoring branch. DoF can clarify and Update.	under the new PFMA will be the mandated responsibility of Finance. However the Reporting is presently being done by Treasury SPD and submitted to Finance.	Annually	reporting/monitoring. As well as provide financial reporting of certain Commercial Statutory Authorities to Finance through the reporting of the Statement F.	Capacity and staffing is an ongoing issue for continuity of initiatives.
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## B. Revenue Planning, Budgeting, Administration and Management

### Revenue Collection, Cash flow Forecasting and Management

- 44. Revenue receipts from IRC, Customs and Non-Tax Revenues account for 87% of the total budget for 2017 from operational and capital receipts recorded into WPA.<sup>4</sup>** IRC and Customs alone account for 79% of total revenue whilst Non-Tax accounts 8% of the total revenue.

Total Revenue and Grants projections for 2018 have been revised up by K213.2 million in the 2018 MYEFO, compared to the 2018 Budget estimates. As a result, the revised Total Revenue and Grants is projected at K12, 943.8 million compared to the 2018 Budget estimate of K12, 730.7 million.

These revised projections highlight improvements in Mining and Petroleum Tax driven by the increase in international commodity prices and the expansion of gas production in the final quarter of 2017. It also highlights an increase in Goods and Services Tax (GST) reflecting enhanced IRC compliance activities and reduced GST refunds due to GST offsets against other tax heads. It also reflects expectations that dividend and PMMR Act transfers targets will be achieved. Importantly, underlying tax and non-tax collection trends continue to improve in line with the new Medium Term Revenue Strategy operationalized in the 2018 Budget.

These trends represent a net improvement over the recent MYEFO reports that resulted in major unplanned adjustments to the budget and to the productivity of fiscal expenditures.

Excluding donor grants, which are unchanged from the budget estimate, tax revenue estimates have been increased by K182.5 million and other revenues by K30.6 million.

#### TAX REVENUE

Tax revenue collections in the first half of the year have been generally on par with budget projections for most tax heads except for salary and wages tax. In total projected increases in these taxes amount to an increase of K182.5 million on the 2018 Budget estimate of K9,639.4 million.

#### Taxes on Income, Profits and Capital Gains

Taxes on Income, Profits and Capital Gains (TIPCG) are projected to increase marginally by K2.8 million compared with the 2018 Budget estimate. This reflects projected increases in MPT, Corporate Tax and Interest Withholding Tax which more than offset a projected decrease in Salary and Wages Tax (SWT) by K119.2 million.

In the first half of the year, SWT collections amounted to K1,493.2 million, which is lower than expectations and clearly relates to some decline in employment in the non-mineral sector, significant GST refund offsets and delay in SWT payments from Statutory Bodies. The downward revision to SWT also takes into account anticipated positive compliance activities undertaken by the IRC, as well as the anticipated increase in the public wage bill as a result of the back-payment of the 3.0 per cent salary increment for public servants for 2017 and another 3.0 per cent for 2018.

- 45. IRC is seeking to have the reconciliation functions automated through IFMS accounting.**

PNG Customs Services has reconciled the backlog of accounts reconciliations for all their accounts. Trust Accounts reconciliations have been improved greatly minimized all serious backlogs to prior years and Months.

- 46. PNGCS transfers to WPA are now performed on a daily basis through the KATS System.**

PNGCS nationwide is now cashless and cheque less. All receipts are paid through electronic banking. This has given rise to an unprecedented increase in revenue collections compared to previous periods due to the improvements in automated export and import registration system

<sup>4</sup> Department of Treasury, 2018 MYEFO Report Page 30-33

through the ASYCUDA system. The system issues an import and or export company tax code number to tag and identify the commercial import or exporter as the taxpayer.

**47. PNGCS has prepared a Policy Paper on the cost of foregone revenue which exceeds K600.0 million.** This policy paper has since been approved by NEC and procedures are now underway for collecting foregone revenue.

**48. Consequential Amendments** to PFMA on 100% revenue collection of non-tax revenue to CRF before being disbursed through Budget Appropriation or NEC decisions on Revenue Sharing for non-tax revenue. By amendment of the PFMA in 2016 has given rise to the enactment of the Public Money Management Regularisation (PMMR) Act, 2017. The PMMR Act has removed all public body and statutory body their powers to retain public money.

It is anticipated that that by 2020 all Statutory bodies will be on the government payroll including their annual budget appropriations, by this it means all revenue collected by SA to partly fund their operation will be transferred in totality to WPA.

**49. In June of 2016, the DoF with the support of PFTAC released a draft Report on Cash Flow Forecasting System for GoPNG.** The forecasting system provides measures and mechanisms in strengthening weekly, monthly and yearly cash flow forecasting reports. It recommended that cash flow forecast should be categorised for recurrent (operational), investment programs (PIP) and debt financing. Furthermore, warrants should be released based on cash availability. Revenue forecast from IRC, Customs and Non Tax should be pooled on a daily basis.

**50.** At December 31<sup>st</sup> 2017, revenue forecast<sup>5</sup> against actual revenues collected were below forecast for IRC, Customs and Non Tax. Actual Salaries exceeded the forecast. Grants to Statutory Authorities and Provincial Governments were 10% less than the forecasted value. All other Operational and Capital Payments were less than the forecasted amounts resulting in savings. Hence, aggregate fiscal responsibility by controlling the issuance of warrant authorities needs to be undertaken.

### Revenue Budgeting and Planning

**51. It is imperative that the Forward Estimates Committee on Revenue planning and budgeting be formulated as soon as practicable and meet regularly to discuss realistic estimates.** This Committee was to have been formed in October 2015, according to the Activity 13.7. It would be responsible for realistic revenue planning and forecasting on annual and medium term budget estimates for revenue projections on a weekly, monthly quarterly and annual basis from IRC, Customs and Non Tax Revenue as well as other receipts for each financial year.

However, according to Treasury forward year estimates are based more on the outlook of the economy. Revenue administrative agencies such as DoF-NTRD, IRC and Customs focuses more on collections during the budget year with little assessment done on the collections outlook for the medium term. This would now require DOF-NTRD, IRC and Customs not only focus on revenue collections for the budget year but to also conduct analysis on the outlook for the collections.

**52.** The current process in annual revenue planning, budgeting and forecasting needs to involve the engagement of the stakeholders who are responsible for collection of these receipts in providing their annual revenue budget estimates.

**53. The Department of Finance undertook a cash pooling project and in May 2016 a draft report was released.** The Cash pooling project was undertaken with the support of PFTAC. The mechanism which was discussed already and currently pending with the BPNG is aimed at generating a pooling facility to establish a net cash position for government. This will be drawn from all receipts tax and non- tax revenue receipts. It is being planned and proposed that Cash balances

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<sup>5</sup> Department of Treasury, 2017 FBO Report Page 9-23

from trust accounts are to be moved through the Banking Framework Project from ANZ and Westpac to BPNG except for trust accounts in BSP.

A draft report was compiled in June 2016 and is still pending with BPNG to be effectively implemented.

#### **Revenue Arrears Management and Administration Compliance**

- 54. IRC has developed an effective revenue arrears or debt recovery plan through its debt modelling system.** It is being tested under the Standard Integrated Government Tax Administration System (SIGTAS) Roll out program. SIGTAS is an automated tax administration and management system management enabling tax payers and business houses to apply for tax identification numbers.
- 55. IRC developed a risk management plan which is currently being reviewed.** Following the approval of this plan an operational audit compliance plan would be developed. IRC follows a risk management process but this has to be documented. Tax Audit to finalise the Compliance Improvement Strategy.
- 56. A debt management system for revenue arrears in PNGCS is fully operational and is being managed by a debt management section.** Quarterly debt management reports are generated through the debt recoding system. A fully functional and updated Debt database is producing up to date revenue arrears management reports.
- 57. An appeals tribunal has not been established in PNGCS as yet.** As at June 2016, no appeals were received by PNGCS.
- 58. Reconciliation of Non-tax revenue receipts at WPA is currently not being performed for receipts from SNG.** Non Tax revenue is developing a Non Tax revenue arrears registry to record Non Tax revenue arrears to the state.
- 59. The following is the progressive report from IRC, PNG CS and DoF – Non Tax Revenue Divisio**

## 2: INTERNAL REVENUE COMMISSION

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

2018	MID YEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June, 2018		
	216	INTERNAL REVENUE COMMISSION		Divisions :	Corporate Services Division; Tax Audit Division; Policy and Advisory Division; Debt & Lodgement Enforcement Division; Case Selection & Intelligence Division	
				Duration of PFM Road Map :	FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
IV	Policy Based Planning and Budgeting	PI – 15	Revenue Budgeting	C+	Yes	Reforms in Accounts Reconciliation and risk management practices for internal revenue collection
V	Predictability and Control in Budget Execution	PI - 19	Revenue Administration Compliance	D+	Yes	Improve Accounts reconciliation Risk Management Process Strengthen Compliance Audits
		PI - 20	Accounting for Revenues	D+	Yes	Development an Audits Plan Establish a Risk Management Unit



# INTERNAL REVENUE COMMISSION

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>16.</b>	<b>Reforms in Accounts Reconciliation and risk management practices for internal revenue collection</b>						
16.1	Improve accounts reconciliations processes in order to avoid serious backlogs	An automated daily reconciliation report	<b>3.1 REVENUE ACCOUNTING SOLUTION SCOPING STUDY</b> The scoping study commissioned by Finance & Administration Division to look into solutions for all the issues identified was completed in September 2017 (Green Cloud Consulting Australia). The report is available on request. The aim of the scoping study was to find solutions to the following issues: i. Data export from SIGTAS and import into IFMS; ii. Timely and accurate reporting of tax payments received as reported in the daily Collector Statement (C/S) both in NCD and in the provinces, daily transfers based on the C/S, and transfer rules including compliance with Good & Services Tax Revenue Distribution Act 2003; iii. Bank reconciliation of all the revenue receiving and revenue distribution bank accounts (although the latter bank accounts have been set-up on IFMS and fully reconciled for 2016, a review is warranted);	IRC	Finance & Administration Division	Sep-15	Dec-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>iv. IRC internal and external reporting requirements: IRC management reporting needs; legally authorised external recipients reporting needs; timely and accurate reporting.</p> <p>Following the scoping study, a Project Plan was prepared in November 2017 (available on request). The Project Plan has been approved by DOF IFMS team. The implementation of the Project Plan is scheduled for the second week of January 2018.</p> <p><b>3.2 TAX RECONCILIATION SYSTEM</b></p> <p>For 2017, the reconciliation between SIGTAS tax receipts and the IRC revenue bank accounts have been performed using the Tax Reconciliation System (TRS); an internally generated Access database managed by the ASI SIGTAS (TRS) Advisor working with Revenue Accounting officers. The TRS reconciles SIGTAS taxpayer transactions with all the revenue receiving bank accounts (BSP, Westpac, ANZ, NY FED A/c) and the BPNG Admin Account. The 2016 reconciliation has been completed. Reconciliations for 2017 have been made up to the month of October 2017. However, the TRS is only</p>				

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>meant to be a temporary solution and will be replaced using SIGTAS and IFMS once the Project Plan has been successfully implemented. Presented below is the TRS bank reconciliation for the month ended 31st August 2018 (reconciliations for September and October available on request):</p> <p><b>3.3 TRUST ACCOUNT RECONCILIATIONS</b></p> <p>IRC manages and reconciles a total of 37 bank accounts, of which, 26 bank accounts are Trust Accounts. The trust accounts are set up in IFMS and are fully reconciled up to October 2017. Reconciliations for November 2017 are currently in progress and due to be completed by 11th December 2017. Presented below is the status of the bank reconciliations for the Trust Accounts:</p>				
16.2	Improve risk management processes, develop a structured risk management plan, Strengthen compliance audits and an develop audits plan	<p>An approved and fully operational risk management process and management plan</p> <p>An active audit compliance plan or strategy for IRC with support from risk profile.</p>	<p>IRC follows a risk management process but this has to be documented.</p> <p>Tax Audit to finalise the Compliance Improvement Strategy.</p>	IRC	<p>CSI</p> <p>Tax audit</p>	Nov-15	Dec-17
16.3	Update taxpayer education pamphlets and circulars, and other information	Number of taxpayers voluntary compliance through tax education and awareness	Taxpayer Education and Awareness Outreach through a more targeted approach is being progressed by	IRC	Policy &	Sep-15	Dec-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	dissemination to improve voluntary compliance with tax laws		<p>IRC with a focus to specific provisions of the Income Tax Act (ITA).</p> <p>Goodwill tours and Tax Awareness on recent legislation amendments is being planned throughout the major centres.</p> <p>The presence of IRC Tax Centres in the Regions is assisting with taxpayer education and awareness.</p>		Advice		
16.4	Review definition of 'revenue debt and arrears' within IRC legislation	Number of staff recruited for placement in the new division Automated debt recovery report	Part of the SIGTAS Rollout program.	IRC	Debt & Lodgement Enforcement	Jan-16	Dec-17
16.5	The IRC to establish a risk management division to manage risk to revenue	Capable staff have been Identified and placed in the division	<p>CSI division structure to be put in place to properly assign roles and responsibilities.</p> <p>Job descriptions to define tasks.</p> <p>Standard Operational Procedures being put in place.</p>	IRC	Case Selection & Intelligence	Mar-16	Dec-17

# INTERNAL REVENUE COMMISSION

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

Division	Corporate Services Division; Tax Audit Division; Policy and Advisory Division; Debt & Lodgement Enforcement Division; CSI Division	Priority Action Areas	<b>Strengthen Accounts Reconciliation and Risk Management Practices.</b> <ul style="list-style-type: none"> <li>• Improve Accounts reconciliation</li> <li>• Risk Management Process</li> <li>• Strengthen Compliance Audits</li> <li>• Development an Audits Plan</li> <li>• Establish a Risk Management Unit</li> </ul>			
Branch	<b>Large Business Audit &amp; International</b> <b>CSI – International and Domestic</b> <b>Taxpayer Education and Awareness</b>	Activity 16				
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
16.0	<b>Reforms in Accounts Reconciliation and risk management practices for internal revenue collection</b>					
16.1	Improve accounts reconciliations processes in order to avoid serious backlogs	An automated daily reconciliation	Able to provide reconciliation report upon request. But still needs more work in terms of timeliness and consistency and also the integrity of the information. More work is been currently done on this to improve.	Sep 2015 - Dec-2017	Partially achieved: <ul style="list-style-type: none"> <li>• Scoping study completed and Project Plan Prepared for implementation in Q1 2018,</li> <li>• Required resourcing to be funded by PGF/DFAT.</li> </ul>	Need to have IMFS accounting module configured and operational in order to automated reconciliations.
16.2	Improve risk management processes, develop a structured risk	Develop and apply a Risk Management	Risk identification able	Nov 2015 –	IRC in collaboration with the World Bank is in the process	Very minimal

	management plan, strengthen compliance audits and an develop audits plan	<p>Process</p> <p>Profile taxpayers that exhibit risk</p> <p>An active audit compliance plan for IRC.</p>	to be done by Division Audit Compliance Plan/Strategy	Dec 2017	<p>of implementing the Risk Based Audit (RBA) approach and currently piloting the automated risk assessment instrument that should be used as RBA to improve risk assessment and audit IT systems.</p> <p>Tax audit have started initial discussions to develop the plan. This will also be dependent on the risk based audit approach.</p> <p>Compliance strategy to be finalised.</p>	Meeting and communication breakdown.
16.3	Update taxpayer education pamphlets and circulars, and other information dissemination to improve voluntary compliance with tax laws	Improve taxpayer voluntary compliance through tax education and awareness	An informed taxpayer population.	Nov 2015 - Dec-2017	<p>Goodwill tours undertaken in Kokopo and Buka.</p> <p>General Tax Awareness in Port Moresby, Kokopo and Buka.</p> <p>Tax Agent liaison meeting held in Port Moresby, Kokopo</p> <p>Targeted tax awareness session conducted ENBP &amp; AROB</p> <p>Other Goodwill tours planned for Morobe and the Highlands Regions.</p>	<p>Resource constraints, suitable officers for this task to take place.</p> <p>More effort will be put into this activity in 2017 but again, this will be dependent on funding.</p> <p>Delays in the update of information.</p>

16.4	Review definition of 'revenue debt and arrears' within IRC legislation	Develop an effective debt recovery Plan and automate the debt recovery process	An active debt collection system in SIGTAS.	Jan 2016 Dec-2017	Part of the SIGTAS Rollout program.  PEFA team raised this item with our Legal Services for further explanation.	Lack of Funding on Capital funding to assist with rollout.  Staff training  Powers to write-off limited. IRC will be writing to increase power on the write-offs.  Delay from other stakeholders
16.5	The IRC to establish a risk management division to manage risk to revenue	Risk assessment to become a part of the IRC overall risk management system.  All core processes should define clearly the roles/responsibilities of each team/personnel involved in risk assessment	The implementation of the regular risk is conducted at central organizational level of IRC.  The IRC is implementing the basic OECD recommendations on Compliance Risk Management <sup>6</sup> for tax authorities.	Activity accomplished	The IRC follows the regular procedures of tax risk assessment covering the 5 main steps of the risk management cycle :  Identification - Analysis- Prioritisation-Treatment - Evaluation  The IRC aims to identify and respond to the most important compliance risks within core obligations of a taxpayer.  Case Selection & Intelligence Division Established in April 2016	Minimal Staff capacity. Need to recruit more personnel.  Data gathering is a key element in the risk assessment process. IRC is having problem getting external data from 3 <sup>rd</sup> party information holders including government. agencies.

## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

### 1. PNG Customs Service

2018	MID YEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June,2018		
		211	PNG CUSTOMS SERVICE	Divisions :	Trade and Revenue Division; Internal Audit Section; International and Public Affairs Section; Economic and Fiscal Division; Modernisation Division	
				Duration of PFM Road Map :	FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
IV	Policy Based Planning and Budgeting	PI – 15	Revenue Budgeting	C+	Yes	Reforms in Accounts Reconciliation and risk management practices for internal revenue collection
V	Predictability and Control in Budget Execution	PI - 19	Revenue Administration Compliance	D+	Yes	<ul style="list-style-type: none"> <li>• Improve accounts reconciliation</li> <li>• Full integration in Asycuda</li> <li>• Update Risk Management Plan</li> <li>• Strengthen Compliance Audits</li> <li>• Establish a centralised customs arrears tax data base</li> <li>• Establish a unit to management all revenue arrears</li> <li>• Improve timeliness of transfer of funds between BPNG, WPA and Customs through KATS system</li> <li>• Re-establish the Appeals Tribunal to clear unresolved cases</li> <li>• Provide a review on cost of foregone revenue</li> </ul>



## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITES

### PNG CUSTOMS SERVICE

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>16.</b>	<b>Reforms in Accounts Reconciliation and risk management practices for internal revenue collection</b>						
16.6	Improve accounts reconciliations processes in order to avoid serious backlogs	Trust Accounts reconciliation minimised by one month	<p>Most Accounts are reconciled.</p> <p>Reconciliation of all Trust Accounts updated to February 2016 with the exception of Revenue Subsidiary at BSP and Revenue Admin. At BPNG. Should settle them by next month.</p>	CUST	Trade and Revenue Division (TRA)	Sep-15	Jun-16
16.7	Improve risk management by reviewing the strategic risk management plan and developing a risk based audit plan to strengthen compliance audits. Fully integrate ASYCUDA system.	<p>Strategic Risk Management Plan Reviewed</p> <p>ASYCUDA system fully integrated.</p>	<p>The Internal Audit Section is managing risk and compliance through the ASYCUDA system in managing risks and compliance audits. The ASYCUDA system is an importer and exporter tax registration system</p> <p>A Strategic Risk Management Plan was developed in 2011 but needs review to date.</p>	CUST	Internal Audit Section	Sep-15	

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
16.8	Update client education pamphlets and circulars, and other information dissemination to improve voluntary compliance with customs laws. Establish a detailed plan.	<p>PNG Customs Service website fully operational and accessible.</p> <p>Number of Pamphlets distributed</p> <p>Number of Circulars issued</p> <p>Approved communication plan</p> <p>5 awareness workshops conducted</p>	<p>Awareness conducted in all Regions and a updated website</p> <p>There have been 3 awareness programs that PNGCS took part in for this year. We have plans for 2 more later this year. Pamphlets are always distributed during the awareness; we cannot put a figure on it.</p>	CUST	International and Public Affairs section	Sep-15	Dec-17
16.9	Establish a centralised customs tax arrears data base to capture all arrears established by different divisions of Customs - Post Clearance Audit, Enforcement, Intelligence and Debt Management	<p>Centralized customs tax arrears database fully operational</p> <p>Quarterly Customs Tax Arrears Report</p>	<p>Updated Debt database.</p> <p>PNGCS has a Debt Management Section with the TRA Division that is responsible for all PNG Customs debts.</p> <p>Latest quarterly report of April 2016, revealed a recovery of K2.4 million in Debts to be collected.</p>	CUST	TRA –DEBT MANAGEMNT SECTION	May-16	May-17
1610	Establish a centralized unit that manages all revenue arrears	The Debt Management section manages all debts for PNG Customs	A fully functional and updated Debt database is producing up to date revenue arrears management reports.	CUST	TRA	May-16	Dec-17
16.11	Improve timeliness of transfer of funds to WPA from KATS System with BPNG	Revenue is cleared and transferred promptly. Revenue is transferred on a daily basis	PNG Customs is now cashless and cheque less nationwide. Revenue is paid electronically from	CUST	TRA	Sep-15	Mar-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			bank to bank on a daily basis through the KATS System.				
16.12	Review penalties for non-compliance to accommodate increase in penalty rates to enhance international best practice in payment of revenues	Penalties for non-compliance are issued through a Demand Letter and should be paid within 21 days. That is stipulated in the PNGCS Debt recovery guidelines.  Consistent with international best practice	PNGCS has seen increased the level of compliance rise by stakeholders  Revenues are paid electronically from bank to bank	CUST	TRA	Nov-15	Jun-16
16.13	Establish an appeals tribunal to redress appeals and backlog of unresolved cases within 6 months	Fully functional appeals tribunal  Reduce backlog of cases to 1 month	There is no physical existence of a tribunal for PNGCS.  The Customs Act, 1951 has legislation for establishment of an Appeals Tribunal, however, the physical tribunal is yet to be set up.	CUST	Modernisation Division	Oct-15	Mar-16
16.14	Review existing policies and procedures on cost of foregone revenue	Policy Paper on review of cost of foregone revenue - confirmed  Policy Decision on approved review recommendations - confirmed  Procedures on obtaining foregone revenue- confirmed  Database on Foregone revenue	A Policy paper has been prepared on the review of the cost of foregone revenue and has been approved.  Procedures are now underway in collecting foregone revenue.  Foregone revenue is being published in the PNG Customs Service Annual Reports.	CUST	Economic and Fiscal Division	Jul-16	Jan-17

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

### PNG CUSTOMS SERVICE

Division	Trade and Revenue Administration	Priority Action Areas	Strengthen Accounts Reconciliation and Risk Management Practices.			
Branch(s)	Revenue Accounting Section Internal Audit	Activity 16	<ul style="list-style-type: none"> <li>• Improve accounts reconciliation</li> <li>• Full integration in Asycuda</li> <li>• Update Risk Management Plan</li> <li>• Strengthen Compliance Audits</li> <li>• Establish a centralised customs arrears tax data base</li> <li>• Establish a unit to management all revenue arrears</li> <li>• Improve timeliness of transfer of funds between BPNG, WPA and Customs through KATS system</li> <li>• Re-establish the Appeals Tribunal to clear unresolved cases</li> </ul> Provide a review on cost of foregone revenue			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
16.	Reforms in accounts reconciliation and risk management practices for internal revenue collection					
16.6	Improve accounts reconciliations processes in order to avoid serious backlogs	Trust accounts reconciliation delay by one month	Bank Reconciliation Reports	End of July 2016	Trust Accounts updated to February 2016 with the exception of Revenue Subsidiary account at BSP and Revenue Admin at BPNG. Both are expected to be settled by July.  Should settle them by next month  Due to funding constraints, we are engaging students who are on holidays to assist in reconciliation as job experiences within accounts section. There are about 5 students engaged.	The Accounts section of PNG Customs needs more officers to be recruited to assist in the process.  No funds to recruit officers even as casuals.

16.7	Improve risk management by reviewing the strategic risk management plan and developing a risk based audit plan to strengthen compliance audits. Fully integrate Asycuda system.	Revised and approved Strategic Risk Management Plan	Reviewed Strategic Risk Management Plan	Sept 2015 – Nov 2015  To be completed by 2017	A Strategic Risk Management Plan was developed in 2011 but needs to be reviewed.  Due to Divisional Priorities, we have not started the review yet. The customs internal Audit section is responsible for this.	No issues. Date extended to Nov 2016  Hopefully into early part of 2017
16.8	Update client education pamphlets and circulars, and other information dissemination to improve voluntary compliance with customs laws. Establish a detailed plan.	Number of workshops  Number of pamphlets and other circulars disseminated  Number of persons attended	Reports on client education awareness	December 2016	The International and Public Affairs Section are responsible for stakeholder awareness and they also update the PNG Customs Service website.  Customs is currently engaged in awareness in Goroka, then to Lae during the shows there. We had stalls there and the Lae stall was nominated as one of the best stalls.	No issues.  Awareness is ongoing for our stakeholders
16.9	Establish a centralised customs tax arrears data base to capture all arrears established by different divisions of Customs - Post Clearance Audit, Enforcement, Intelligence and Debt Management	Centralised Tax Arrears Data base operational	Reports of all arrears	May 2016 – May 2017	Managing the level of debt has greatly improved and through an operational database.  The 2015 debts has been reduced by 90%, 2016 the outstanding yet to be collected totals to 10% in outstanding revenue arrears..  The outstanding debt to date is at K679,898.04 a big reduction from the last report.	Manpower requirement to support debt recovery are a Senior Advising Officer Debts, an Advising officer and a recovery officer.  These are new positions created and personnel are yet to be recruited.  Will continue to recoup all outstanding

1610	Establish a centralized unit that manages all revenue arrears	An established centralised unit to manage revenue arrears	Structure of the Unit	By 2017	A well-functioning Debt Management section exists however additional manpower specific to arrears recovery are yet to be recruited.  New positions are considered under the new structure.	Require 3 more positions under the new structure  Considered for the new structure in 2017
16.11	Improve timeliness of transfer of funds to WPA from KATS System with BPNG	Prompt disbursement of revenue to WPA on weekly basis	Weekly reports on the transfer of funds	August 2016	PNG Customs is now cashless and cheque less nationwide. Revenue is paid electronically from bank to bank.  PNG CS has realized an unprecedented increase in revenue collections	No issues.  All good with increased revenues
16.12	Review penalties for non-compliance to accommodate increase in penalty rates to enhance international best practice in payment of revenues	Revised Penalties for non-compliance	Reports on Penalties for Non-Compliance	Already effective in May 2016	Revenue projections are expected to rise by 10% over the projected figure  The effect of non-compliance charges has led to an unprecedented increase in revenue collections	No issues.  May take it into consideration to increase penalties in 2017
16.13	Establish an appeals tribunal to redress appeals and backlog of unresolved cases within 6 months	Fully operational and functional Appeals Tribunal  Report of Appeals Tribunal	Established Appeals Tribunal	September 2016	The Customs Act, 1951 has legislation for establishment of an Appeals Tribunal; however, the physical tribunal is yet to be set up.  So far no appeals have been received.  The customs Modernization Division is tasked to establish	No issues.  Should be considered in 2017

					a Customs Tribunal	
16.14	Review existing policies and procedures on cost of foregone revenue	Policy and procedures on cost of foregone revenue designed and approved	Published in the PNG Customs Service Annual Report	June 2016	<p>2014 and 2015 Annual Reports are ready for NEC. It is through these reports that revenue foregone are published.</p> <p>The Database of foregone revenue is being managed by the Economic and Fiscal Division and is up to date.</p>	<p>None.</p> <p>Considerations are before Parliament to reduce exemption provisions by Treasury.</p>

## DEPARTMENT OF FINANCE

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

2018	MID - YEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June 2018		
	206	DEPARTMENT OF FINANCE		Division	:	NON TAX REVENUE
				Duration of PFM Road Map	:	FEB 2015 - DEC 2018
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
I	Budget Reliability	PI - 8	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	<b>Design and implement a new Government banking framework</b> <ul style="list-style-type: none"> <li>Timely Accounts Reconciliation</li> <li>Reduce time on transfer of Funds to WPA</li> <li>Cash Forecasting/mid-year cash forecast revisions</li> <li>Establish banking arrangements to use cash in accounts established using GoPNG funds outside WPA</li> </ul>
		PI - 9	Public Access to Key Information	D	Yes	
III	Asset and Liability Management	PI - 10	Fiscal Risk Management	D	Yes	
		PI - 11	Public Investment Management	D	Yes	
		PI - 12	Public Asset Management	D+	Yes	
		PI - 13	Management and Reporting on Debt and Expenditure Arrears	D	Yes	
V	Predictability and Control in Budget Execution	PI - 22	Effectiveness of Payroll Controls	D+	Yes	
		PI - 24	Effectiveness of Internal Controls for Non-Salary Expenditure	D+	Yes	
		PI - 25	Effectiveness of Internal Audit	D+	Yes	



## DEPARTMENT OF FINANCE

### SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>5.</b>	<b>Expenditure and Revenue Arrears Management</b>						
5.2	Develop a central non-tax arrears registry to maintain and monitor non-tax revenue arrears to the State	Fully functional non-tax arrears database.	NTRD has begun planning to register Non tax revenue arrears.	DoF	NTRD	Oct-15	Dec -17
<b>6.</b>	<b>Enabling all revenues and expenditures through the budget</b>						
6.1	Prepare NEC submission to have 100% revenue collections to be transferred to WPA	Consequential Amendments to PFMA on 100% revenue collection to CRF	Consequential Amendments on PFMFA Aug 2016 on Arrangements that 100% collections are deposited into CRF	DoF	NTRD	Aug 2016	Dec-17
6.2	Maintain revenue withholding sharing trust accounts and have 100% revenue collections transferred through CRF before sharing.	Consequential Amendments to PFMA on 100% revenue collections to CRF	Reverse arrangement on withholding Sharing Trust Accounts to have 100% revenue collections transferred through CRF before sharing	DoF	NTRD	Aug 2016	Dec-17
6.3	Demarcate clearly the Contingency Economic Items in the IFMS in 2016 Budget	Mapping 2014 GFS with current IFMS Chart of Account in 2016 Budget and replicating for 2017 and 2018 Budget.	Mapping 2014 GFS with current IFMS chart of Account to clearly identify the contingency economic items in IFMS in 2016 Budget. Working closely with the GFS 2014 Project Team headed by Department of Treasury.	DoF	NTRD	Aug 2016	Dec 17

# DEPARTMENT OF FINANCE

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT

Lead Division	Non-Tax Revenue	Priority Action Areas	Reforms in collection in Non-Tax revenue			
Branch(s)	Rates Review and Compliance Monitoring and Research	Activity 5 and 6 :	6. Expenditure and Revenue Arrears Management 7. Enabling all non-tax revenues through the budget			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
5.	Expenditure and Revenue Arrears Management					
5.2	Develop a central non-tax arrears registry to maintain and monitor non-tax revenue arrears to the State	Fully functional non-tax arrears database.	System Report	Oct 2015 – Oct 2017	PFMA 2016 amendments have been passed and endorsed by parliament in August 2016.  Sect 71D of PFMA Arrears Management and collection – Database interface in IFMS with PNG Customs, IRC and Dept of Treasury, IT support in IFMS ,collaborative approach to collect arrears and recourses support to collect arrears.  Working on TOR for establishment of database Tax arrears	<ul style="list-style-type: none"> <li>Lack of funding to conduct an extensive research into creating a database that contains all the required information.</li> <li>Lack of funding to create the actual database.</li> <li>Lack of a skilled IT personnel to develop the database.</li> </ul>

<b>6.</b>	<b>Enabling all revenues and expenditures through the budget</b>					
6.1	Prepare NEC submission to have 100% revenue collections to be transferred to Waigani Public Accounts	All revenue collections are transferred to CRF	Approved Consequential Amendment Bills 2016	Aug 2016 – Dec 17	<p>1: Amendment of the PFMA in 2016 has given rise to the enactment of the Public Money Management Regularisation (PMMR) Act, 2017.</p> <p>2: The PMMR Act has removed all public body and statutory body their powers to retain public money.</p> <p>3: By 2020 all Statutory bodies will be on the government payroll including their annual budget appropriations.</p>	<ul style="list-style-type: none"> <li>• Lack of funding for awareness workshops</li> <li>• Additional activities to the project requires well trained human resources.</li> <li>• Agencies unwilling to comply with PMMR Act.</li> <li>• Legal implications</li> </ul>
6.2	Maintain revenue withholding sharing trust accounts and have 100% revenue collections transferred through CRF before sharing.	All revenue collections are transferred to CRF	Approved Consequential Amendment Bills 2016	Aug2016 – Dec 17	<p>1: Similar to 6.1 above, the PMMR also addressed this because we are clawing back 90% revenue collections from the statutory bodies beginning January 2018 and give them back 10% and an additional amount base on need.</p>	<ul style="list-style-type: none"> <li>• Lack of funding for awareness workshops.</li> <li>• Extra activities requires manpower</li> <li>• Political influences impeding the PMMR Group to carry out their mandated task.</li> </ul>

					<p>2: We are also sweeping back</p> <p>Monies sitting in bank accounts from;</p> <p>(a) Expired appropriations</p> <p>(b) Left over funds in trust accounts from completed projects</p> <p>(c) Expired trust accounts</p> <p>(d) Investment deposits from statutory bodies and public bodies</p> <p>3: The sweeping exercise starts in quarter 1 2018</p>	<ul style="list-style-type: none"> <li>Agencies intentionally misleading their minister of the PMMR impact.</li> <li>Most, if not all agencies holding back appropriation for former years. All former years appropriation should go back to CRF.</li> </ul>
6.3	Demarcate clearly the Contingency Economic Items in the IFMS in 2016 Budget	Mapping 2014 GFS with current IFMS Chart of Account in 2016 Budget and replicating for 2017 and 2018 Budget.	2017 Budget	Feb 2017 – Dec 2017	<p>1. Joint work on this with Department of Treasury and IFMS team is on going.</p> <p>2: Revenue chart of accounts for national is completed after being cleansed to remove duplicate revenue heads, or economic items</p> <p>3: The GFS work with</p>	<ul style="list-style-type: none"> <li>The most and only current constraints faced by the PNG GFS Team is collection of reliable data from national departments, state owned agencies, provincial Governments and LLG to compile a GFS Chart of Accounts that is</li> </ul>

					<p>treasury is already completed in 2017 awaiting Treasury to finalise and inform the public implement the GFS 2014 in the IFMS budgeting and reporting.</p> <p>4: configuration of revenue chart of accounts using GFS 2014 in the IFMS rollout is to provinces and districts is in progress with ENPG being the first recipient.</p>	applicable to IFMS.
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## C. Macroeconomic Statistics

### Improving national accounts data collection, analysis and reporting

**60. Improving and maintaining an effective system of reporting National Accounts Statistics is Strategy 4 of the NSO Corporate Plan 2015 – 2019.** NSO has three primary KPIs<sup>7</sup> to supporting this strategy;

- i. Compiling the national accounts based on the 2008 System of National Accounts (SNA) Euro-Stat edition established.
- ii. GFS compiled and reported annually from administrative data from national and SNGs.
- iii. Import of Census of business activities and other data to National accounts and GDP estimates compiled and reported.

**61. In May, the National Statistical Office (NSO) attended the 5<sup>th</sup> Meeting for the Steering Group on Regional Economic Statistics in Bangkok.** A report was provided on the coordination of national accounts data between stakeholders in PNG. The meeting presented the progress of reforms under the national Statistical Development Strategy (SDS). A proposal to implement the SDS was presented to NEC in early May as part of the road map for towards improving national accounts data.

**62. NSO has formed a NSO Reform Secretariat Commission chaired by DoT that meets on a monthly basis to report on the progress of statistical data collection.** The NSO steering committee is chaired by the Secretary, DNPM. Issues confronting NSO has been the difficulty in obtaining core sets of economic data due to the independence of the stakeholder's legislations responsible for supplying the statistical data sets. Hence, data sets are not supplied on a timely basis to NSO. The following are the Core Sets of Economic Statistics that are being required by NSO but are yet to be reported against.

- Price and cost
- Demand and supply
- Income and wealth
- Money and banking
- Revenue and expenditure on government funding
- Labour market
- Natural resource and environment

The following Indicator data sets have not been supplied to NSO and therefore not fulfilled in the reporting for national accounts.

Core Data Set	Indicator
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<sup>7</sup> National Statistical Office Corporate Plan 2015 – 2019, p14

Prices and Costs	Producer Price Index
Demand and output	Short Term Indicator(STI) – Industry output
	STI - Services output
	STI - Consumer Demand
	STI - Fixed Investment
	STI - Inventories
	Economy Structure Statistics
	Productivity
Labour Market	Labour supply and demand
	Hours Worked
Natural Resources and Environment	Natural Resources and Environment

**63. Majority of data are supplied by NSO, BPNG, Finance and Treasury Departments, IRC amongst others.** The PNG National Accounts Data 2007 – 2014 was released in December 2016 using the SNA 2008 and classified according to the PNG Standard Industrial Classification 2014<sup>8</sup>.

**64. Other issues are implementation of the Statistical National Accounts and Environment Statistics Accounting.** The following are pending to be developed; New SUT with ESA 2010 standards; independent annual estimates; institutional sector accounts; improvement in the quarterly national accounts; improvement of business register; administrative data and classification and leading to improvement to national accounts.

**65. The Australian Bureau of Statistics (ABS) supported NSO in enhancing the business register and with Technical Assistance in the compilation of the national accounts statistics.** IMF's PFTAC has been supporting NSO in compiling the Household Income Expenditure Survey (HIES) and the national accounts statistics. NSO is seeking support for a TA in the collection and analysis of export and import indices and towards the 2018 HIES.

#### Enhancement of capacity of NSO

<sup>8</sup> PNG National Accounts 2006 - 2014

**66. NSO is being required to develop a capacity building and enhancement plan for its officers in the collection and analysis of national accounts data.** Furthermore, the NSO is keen on recruiting graduates for its Statistical Division. A capacity building plan is yet to be developed according to Activity 20.1. A good number of officers have attended training both in country and overseas when opportunity arises however there is a need to develop a training plan relevant to address the skills constraint of the workplace.

**67.** The following is the progressive report for NSO.



## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

### 2. National Statistical Office

2018	MIDYEAR	AGENCY		Period of Reporting: As at 30 <sup>th</sup> June 2018		
	204	NATIONAL STATISTICAL OFFICE		Divisions :	Economic Statistical	
				Duration of PFM Road Map :	FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 8	Improvement in the quality of macroeconomic statistics	D	Yes	<b>Reforms in Reporting on Reporting of Socio Economic Indicators</b> <ul style="list-style-type: none"> <li>Improvement in the compilation of economic statistics through institutional capacity building</li> <li>National Accounts Training program focusing on up-skilling officers in areas of data analysis, report writing and research methods.</li> </ul>
		PI - 9	Public Access to Timely and reliable and evidenced based National Accounts and Economic statistics.	D	Yes	
		PI-14	An improved set of economic statistics data for national accounts, business statistics, International Trade and Consumer Price Index Statistics	B+	Yes	

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### NATIONAL STATISTICAL OFFICE

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>20.</b>	<b>Reporting of Socio Economic Indicators</b>						
20.1	National Statistical Office to develop a capacity enhancement program for its officers in the analysis of national accounts data	Work Program to enable officers to undertake compilation work in individual industries according to the PNG Industrial Classifications PNGSIC as per the requirements of the System of National Accounts compilation practises	Publication of 2016/ 2017 GDP estimates  More graduates to be recruited as more Economic Statistics Division positions will be created in new NSO Restructure.	NSO	Economic Statistical Division	Oct 2015	Jun18
20.2	Provide an updated national account data	Publication of National Accounts Data  Report on GDP per capita 2006 – 2013	NSO released 2006 to 2013 National Accounts publications in 31 March 2016.  GDP and National Accounts estimates are compiled according to industry and institutional sector	NSO	Economic Statistical Division	Jun 17	Dec 18

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

### NATIONAL STATISTICAL OFFICE

Lead Division	Economical Statistical Division	Priority Action Areas	NSO REFORMS AIMED AT IMPROVING THE QUALITY OF NATIONAL ACCOUNTS STATISTICS AND THE WIDER INITIATIVES TO IMPROVE THE OVERALL QUALITY OF MACROECONOMIC STATISTICS PRODUCTION IN PNG			
Branch (s)	National Accounts Statistics Business Statistics Consumer Price Index International Trade	Activity 20	<ul style="list-style-type: none"> <li>• Improve the quality of compilation of national accounts</li> <li>• Enhance the institutional capacity of the Economic Statistics through Human Resource development and infrastructure investment.</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
20	Reporting of Socio Economic Indicators					
20.1	National Statistical Office to develop a capacity	Institutional capacity building the human resource and infrastructure development	Annual GDP Publication	Oct 15 – Jun 17	<p>Australian Bureau of Statistics (ABS) was providing technical assistance in compilation of the National Accounts Statistics in the last 12 months since July 2015.</p> <p>The IMF Regional Office PFTAC also</p>	<p>Go PNG funding has not been sufficient enough to support training</p> <p>NSO needs to recruit University Graduates in the National Accounts Statistics Branch.</p> <p>Still need Technical Advisors to assist in fully implementing the SNA 2008.</p>

	enhancement plan for its officers in the analysis of national accounts data				<p>assisted in the reform activities of the NSO in introducing the administrative data source such as GST of the IRC.</p> <p>As a result NSO produced GDP series data from 2016 – 2013.</p>	
20.2	Provide an updated national accounts data and analysis	<p>To have GDP estimates reported through the Production approach in order to establish a good industrial and sectoral representation of their contribution to GDP.</p> <p>Quarterly Report on national accounts data.</p>	National Accounts Report	Jun16 – Dec18	<p>31 March 2016 – Released 2006 to 2013 series GDP nominal Estimates.</p> <p>Apart from the Survey of Business Activities data from NSO, the GST data from IRC is used mostly for the Non-financial Corporation sector under data sharing arrangement between NSO and IRC. Also the Business Liaison Survey data from the BPNG were used.</p>	<p>Go PNG funding is insufficient to support national accounts analysis and reporting.</p> <p>NSO has been experiencing difficulties in obtaining economic statistics data from organisations as they are governed by their own laws and regulations.</p>

## OUTCOME 2: STRATEGIC ALLOCATION OF RESOURCES

### D. Public Financial Management

#### Legal Framework Revision

- 68. The DoF formed a TWG to deliberate on the Financial Framework Review Process.** The European Union supported the Department with technical placement of a legal expert on the FFR Project. Consolidation of amended PFMA will be ready by end of November 2018 by FLC. PFMA, PMMR and Procurement awareness roll out will be massively carried out in October - November 2018. Gazetted and Publication will be in December 2018. Procurement Act commencement will be in January 2019.
- 69.** Awareness will be conducted with Executive Management with NPMD, Treasury and Finance with the support of donor partners. Under the FFR project the NPC Act also look set to be successfully amended in parliament whilst PMMR Act was passed in Parliament, All Consequential Amendments with the revised bill was passed in the floor of Parliament in the August 2016 Sitting of Parliament. The revised PFMA became effective 1<sup>st</sup> January 2017.
- 70. Some of the issues addressed under the FFR amongst others, are the differentiation of the functions of the DoT and DoF.** Others include, but not limited to, the procedures for applying for statutory authority status, broadened powers of the DoF in directing inspections into statutory authorities by Finance Inspectors or Financial Controllers, powers for maintaining and collecting expenditure revenue and arrears to government and transforming the functionality of FIs into legal instruments. Following the passing of the PFMA Bill, the new Act is set to roll out nationwide immediately after the awareness of the Bill. The FFR have reviewed hence modernising and streamlining the Financial Management Manual and the Finance Instructions following the approval of the Act making the document user friendly however attracting serious penalties for non-compliance. The FMM and FIs are waiting for the National Procurement Law to be passed in Parliament so procurement matters in the FMM will be removed to the new Procurement Act.

The National Procurement Policy was developed as per directive by NEC to establish the new National Procurement Commission (NPC) to independently manage the entire procurement system in the country. The NPC Draft Bill (new NPC Act) is ready before NEC to be passed in Parliament, thus the government will table in the floor of Parliament. The new National Procurement Commission will replace the Central Supply and Tenders Board.

#### Expansion of integrated Financial Management System

- 71. Integrated Financial Management System has gone live to 43 National Departments and 8 Statutory Authorities and a business case and prototype is being developed for the East New Britain Province as at June 2016 and completed in 2017, hence ENB will be fully into IFMS and retire from PGAS by the first quarter of 2018.** Two Provinces being piloted for IFMS roll-out are ENB and Central province. The ENB Province & LLGs used IFMS Budgeting for 2018 Budget whilst Central, Oro, Morobe, ESP, New Ireland provinces & LLGs using IFMS to input 2019 Budget. The 14 Remaining Provinces will use IFMS for 2020 Budget. The total of 15 Provincial Finance Officer's & their District Finance Officer's are online on IFMS hence the 3 Provincial Governments online are ENB, Central and Oro. The entire provinces and districts are targeted to be covered by 2019.
- 72. Issues affecting the implementation of the roll out of IFMS to government systems nationwide are being inhibited by the current condition of lack of ICT infrastructure.** The current configurations for central agencies were not applicable to statutory authorities. The business case for Statutory Authorities IFMS configuration was designed and approved in March 2016 and

an initial piloting of the system was run at IRC and was successfully configured. In relation to bank reconciliations for IRC, all revenue distribution bank accounts (totalling 27) and one revenue receiving account have been set-up in IFMS and fully reconciled for 2016 with monthly reconciliations for 2017.

IFMS roll out is on target and full rollout is being mapped to 2018 and 2019 for all agencies to be online including SNG.

## National Procurement and Asset Management

73. Legal clearance has been sought for a Policy Submission on the establishment of the National Procurement Commission (NPC). Due to serious staffing capacities and other challenges CSTB will be transforming its operations to have an effective and efficient procurement framework that support the development aspiration of the government. The reforms in procurement will affect the entire government procurement system at all levels of government encompassing both minor and major procurement. A national procurement policy has been developed that addresses all procurement matters administered by CSTB including the Act under the PFMA. . NPC will be the autonomous procurement entity that will oversee the operations of the PSTB, DSTBs and other Specialized Tenders Board that current procurement requirements are administrated through CSTB and under PFMA.

The National Procurement Policy was successfully sanctioned by NEC and directed for the creation of new National Procurement Commission to be established to independently manage the entire procurement system in the country. The Draft Bill (NPC Act) is ready before NEC to be passed in Parliament, thus the government will table this Bill in the floor of Parliament. The new National Procurement Commission will replace the Central Supply and Tenders Board with a broader function to effectively and efficiently manage the government's procurement. The current procurement legislation under PFMA will be removed to the new NPC Act.

74. **The Good Procurement Manual (GPM) Part B Chapter 1 (*Procurement Planning*) and Chapter 10 (*Enforcement & Compliance*) requires all government agencies to submit their procurement plans to the DNPM by February 28<sup>th</sup> annually.** However, this has not been monitored due to staffing issues surrounding CSTB and there has been noncompliance by government agencies. The procurement manual, the National Procurement Policy and National Procurement legislation will be integrated and legislated to give more powers to the national procurement system.

75. **The Department of Finance is currently drafting a national fixed assets policy<sup>9</sup>.** The purpose of this policy is to ensure that a documented, controlled and audited procedure exists within all Government agencies. All departments will be required to maintain an integrated Fixed Assets Register in identifying each item of Fixed Asset by Historic Cost, Code, sub account, location and NetBookValue. Registration of fixed assets will be in accordance with the Generally Accepted Accounting Principle (GAAP), PFMA and Procurement Act. The system of recording all fixed assets will be managed through IFMS using the consolidated Fixed Assets Register (FAR) module called *Assetware Manager*. This software will be installed in IFMS and rollout to all agencies. Depreciation will not be accounted for in IFMS only cost price.

## Timeliness and Quality of Submission of Financial Reports

76. **Enhancing of data integrity for mandatory reporting is improving due to the implementation of the expansion of IFMS.** Since 2016 MYEFO and FBO have been prepared with IFMS system

<sup>9</sup>Draft National Fixed Assets Policy in progress

reports. IFMS rollout has increased the capacity of government agencies to produce real time financial reports. The current offline practice of updating IFMS agencies and SNGs affects data integrity. Online reporting will lead to the compilation of financial reports with increased data integrity by government agencies. GoPNG Public Accounts for 2012, 2013 and 2014 has been completed and successfully presented in Parliament by Minister for Finance and Rural Development, Hon. James Marape. The Department is now in the process of completing the 2015 and 2016 Public Accounts, hence intended to table in Parliament in 2018. Once IFMS is fully interfaced online the compilation of Public Accounts would be produced on a timely basis.

- 77. The DoF through the PCaB Program developed a M&E system tool for reporting against the status of 491 monthly bank accounts reconciliations and 341 Accounts annual financial statements for SNGs.** The tool displays the timeliness of submission and periodical delays in the submission of financial reports from Provinces, Districts and LLG's operating and revenue accounts. For the second year of its monitoring and implementation for the year 2017, the timely reporting of BR have indicated 65% submitting on time whilst reporting of AFS improved by 93% as well.

A system for monitoring national agencies - Departments, CSA and SOE's submission of BRs and AFS has been developed and we are just waiting for the confirmation of the concern officers to disclose the information to the public. Our M&E tool can cater for the monitoring of BR and AFS submission regardless of system as it deals with month and year of submission.

#### **Cash Forecasting/ Midyear cash Forecast Revision, design and implementation of a new government banking framework**

- 78. The DoF was supported with a specialist in cash management from IMF PFTAC in 2016 to review the existing business practices surrounding cash management and to make recommendations for improvement.** In June 2016, a draft issues paper on GoPNG Cash Flow Forecasting System was released. The comprehensive review into cash management operations revealed that cash forecasting was vital in revenue budgeting and expenditure management.
- 79. Transfer of funds to WPA is performed on a daily basis.** Accounts reconciliation and management between revenue collection agencies, BPNG and DoF are performed on a daily basis. IRC was successful in configuring its accounts reconciliations automated through the IFMS accounting system. . All revenue distribution bank accounts and revenue receiving account have been set-up in IFMS and fully reconciled for 2016 with monthly reconciliations for 2017.
- 80. Analysis of actual weekly and monthly revenue inflows trend from 2017 against the annual budget revenue for 2017 revealed the need to execute revenue forecasting projections for the future years.** The shortfall in revenue collections between January to December 2017 implies that expenditure requirements from January to December 2017, needs to be controlled and within cash flow limits. Warrant Authorities need to be controlled with respect to the availability of cash flow. Recommendations included the issuance of a weekly cash flow forecast spread sheet and Statement of Balance for the DoF. This is consistent with the road map requirement for the department; updating the weekly PDC reporting whilst adopting the GFSM 2014 and IPSAS formats of reporting; planning annual revenue budget estimates using current years actual revenue outturn.
- 81. Reform proposals for a Government Banking Framework<sup>10</sup>, in June 2016 has been drafted to manage balances in TA and pool the balances relative to WPA Trust Accounts held in Banks.** Trust Accounts held in ANZ and Westpac bank will be transferred to BPNG, except for BSP. This Product has been submitted to BPNG for consideration. It is currently pending final consideration and response by BPNG. A draft policy paper was issued in May 2016.

<sup>10</sup> Department of Finance, Draft Cash Pooling Project

- 82. FCD has instituted an expenditure arrears management system through the development of a central expenditure arrears registry of all government expenditure arrears.** Shortly, FCD would be in a position to implement financial controls inspections in line departments under the amended PFMA 20016. Between January and December 2016, Trust Accounting had vigorously upgraded its accounting procedures, reporting and management of trust accounts through the engagement of a Technical Specialist through DFAT – Government of Australia. However until recently the government has sanctioned the review of all government trust accounts and the FFR team with key stakeholders has commenced the review on all of government trust accounts.

#### Reforms in Payroll System

- 83. Alesco/HR payroll interfacing is continuing in loading all government employees on Alesco.** As at December 2017, 80% of all employees paid from other source apart from Alesco has been subsumed into created positions on Alesco. Agencies with casuals were encouraged to identify to create line positions to absorbed casual officers.

Agencies especially Provinces and Hospitals are slowly absorbing their casuals. Furthermore, 10,541 village court officials have been placed on the payroll, 171 Christian Health Education Staff have been uploaded onto Alesco and 262 Land mobilisation officers are now on the payroll. The integration and interfacing is ongoing. Re-categorization of genuine casuals employed under Employment Act of 1978 to be absorbed into the integrated Alesco payroll system.

- 84. Payroll Audit has not been implemented by DPM as yet.** Consultation have taken place between AGO and DPM. DPM has installed system controls on allowances for unattached officers and cost benefit analysis for agencies to ascertain their financial ability compared to their fortnightly expenditure trend. HR audit for WoG salary reconciliation has been put on hold due to financial constraints. Meanwhile, no progress has been made on recruitment of personnel for payroll monitoring.

- 85. In strengthen staffing and position establishment controls a Business case process has been drafted.** Approval of the business process for WoG to increase control and management of personnel emolument expenditure and to assist with the annual Budget cycle or preparation was prepared. Desktop analysis is regularly conducted as and when changes are made to the position occupancy register through the following activities: Resignation, Retrenchment, Retirement, Death, Leave, Terminations, Contracts Administration, Recruitment and Selection and Salary increments

- 86. Awareness on Business process for HR and Payroll management has commenced with number of Provincial administrations and their respective Provincial Health Authorities as at December 30<sup>th</sup> 2017** The Human Resource Business Process is rolled out to all National Departments, Provincial Administrations, Public Health Authorities, Public Hospitals and Government Funded Statutory Authorities. The Department has commenced work on the HR Business Process in partnership with PNGIPA to covert the business procedures manual into a national qualification.

#### Responses to Annual Audit Reports

- 87. PAC and AGO Reports to the Department of Finance are to be followed up through the “Finance Minute”.** Two positions within the FRCD have their job descriptions clearly outlining the duties of responding through a Finance Minute. The Australian National Audit Office is supporting the AGO with a specialist to train and guide the personnel. Discussions were finalised between Internal Audit Division and Financial Reporting & Compliance Division (FRCD) to have FRCD to review audit reports and follow up through Finance Minute.



## **Development Partners Support under the PFM Road Map**

- 88.** The EU supported the PEFA assessment and is continuing in the implementation of the PEFA Road Map. Technical support to AGO is in the review of the Audit Act of the Auditor General's Office (AGO). In the DoF four technical specialists are supporting the department's teams in the review of the financial framework, review of the audit function, roll out of the IFMS at sub-national levels and in the cash management function of the whole government.
- 89.** Australia High Commission is continuing its support towards capacity building to the SNGs in financial reporting through the PCaB program within the DoF and through UNDP. The Twinning program under the DoF is running into its fourth year with 2 officers attached to the DoF, Canberra.
- 90.** The ADB support particularly to the DoT is on the MTFS and macroeconomic assessments.
- 91.** The World Bank supported the government through the DoF with the Reports on Observance of Standards and Codes (ROSC) Accounting & Audit assessment and is following closely the implementation of the ROSC recommendations with various private sector agencies, IPA and academic institutions. Ongoing support in PFM is towards strengthening PFM systems in the NDoH. Interventions prior to 2015 by DPs in strengthening GoPNG PFM systems are noted in Section F.
- 92.** The following schedules are covering DoF, DNPM, DPM, CSTB and AGO.

## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

### Department of Finance

2018	MID-YEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June 2018		
	206	DEPARTMENT OF FINANCE		Divisions/Programs : FMIP - IFMS/FFR, FCD, IACD, / NTRD, FRCD, PDFMD, CSD -FTB		
				Duration of PFM Road Map : FEB 2015 - DEC 2018		
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
I	Budget Reliability	PI - 2	Expenditure Composition Outturn	D+	Yes	<b>IFMS Expansion</b>
II	Comprehensiveness and Transparency of Budget	PI - 5	Comprehensiveness of Budget Documentation	B	Yes	<ul style="list-style-type: none"> <li>Complete Roll out of IFMS</li> <li>Development of Interface with payroll and other PFM Systems</li> <li>Ensure data integrity and Quality</li> </ul>
		PI - 6	Extent of Reporting of Extra Budgetary Operations	D	Yes	
		PI - 7	Transparency of Intergovernmental Fiscal Relations	B	Yes	
		PI - 8	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	
		PI - 9	Public Access to Key Information	D	Yes	<b>Design and implement a new Government banking framework</b> <ul style="list-style-type: none"> <li>Timely Accounts Reconciliation</li> </ul>
III	Asset and Liability Management	PI -10	Fiscal Risk Management	D	Yes	<ul style="list-style-type: none"> <li>Reduce time on transfer of Funds to WPA</li> </ul>
		PI - 11	Public Investment Management	D	Yes	<ul style="list-style-type: none"> <li>Cash Forecasting/mid-year cash forecast revisions</li> </ul>
		PI - 12	Public Asset Management	D+	Yes	<ul style="list-style-type: none"> <li>Establish banking arrangements to use cash in accounts established</li> </ul>

		PI - 13	Management and Reporting on Debt and Expenditure Arrears	D	Yes	using GoPNG funds outside WPA <b>Legal Framework Revision</b> <ul style="list-style-type: none"> <li>Integration of FI/Finance Manual and IFMS Training Manual</li> </ul>
V	Predictability and Control in Budget Execution	PI - 22	Effectiveness of Payroll Controls	D+	Yes	
		PI - 24	Effectiveness of Internal Controls for Non-Salary Expenditure	D+	Yes	
		PI - 25	Effectiveness of Internal Audit	D+	Yes	
VI	Accounting, Recording and Reporting	PI - 26	Accounts Reconciliation and Financial Data Integrity	D+	Yes	
		PI - 27	Quality and Timeliness of in year Budget Reports	D	Yes	
		PI - 28	Quality and Timeliness of Annual Financial Reports	D	Yes	
VII	External Scrutiny and Audit	PI - 29	Independence and External Audit of the Governments Financial Statements	D+	Yes	

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### DEPARTMENT OF FINANCE

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>1.</b>	<b>Activities for IFMS Implementation</b>						
1.1	IFMS accounting functions used by 25 central government departments, representing 25 per cent of recurrent budget	25 central government departments, representing 25 percent of recurrent budget	22 National Agencies end of 2015	DoF	IFMS	Feb-15	Dec-15
1.2	IFMS accounting used by 100% of central government departments	All Government Agencies to be covered by Jan 2017	43 National Agencies and 8 Statutory Authorities all using IFMS as at end of Dec2018.	DoF	IFMS	Feb-15	Jan-17
1.3	IFMS accounting pilot implementation in two provinces	2 Provinces to be covered by 2017	ENB Pilot completed Dec 2017.  Central & Oro Provincial Governments online IFMS since 1st Qtr 2018.	DoF	IFMS	Dec-16	Mar-18
1.4	IFMS budgeting used by all provinces and districts	100% provinces to be covered by April 2018	ENB Prov & LLGs used IFMS Budgeting for 2018 Budget. Central, Oro, Morobe, ESP, NIP provinces & LLGs using IFMS to input 2019 Budget. 14 Remaining Provinces will use IFMS for 2020 Budget.	DoF	IFMS	Jan - 18	Dec - 19
1.5	IFMS accounting used by all provinces and districts; retirement of PGAS	All provinces and districts using IFMS by December 2018	15 PFOs & their DFOs online on IFMS. 3 Provincial Governments online. ENB, Central, Oro.	DoF	IFMS	Jan-18	Dec-18
<b>2.</b>	<b>Activities for Cash Management Reform</b>						
2.1	Department of Finance begins work on revised banking framework	Final Draft Banking Framework revised by December 2015	Banking Framework proposal is being submitted to BPNG for consideration and still	DoF	FCD	Oct-15	Oct-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			pending.				
2.2	Increased staffing to support broad-based cash management reform	Recruitment of 3 Accountants in November 2018	Recruited 3 new officers another 4 officers to be recruited	DoF	FCD	Nov-15	Nov-18
2.3	Reform proposals developed to manage balances in trust relative to WPA	Draft Reform Proposal by June 2016	Reforms to trust is ongoing.	DoF	FCD	Nov-17	Jun-18
2.4	Cash forecasting unit established in Department of Finance	Personnel recruited for Cash Forecasting Unit	Unit established	DoF	FCD	Dec-17	Oct-18
2.5	Reconciliation backlog eliminated; reconciliations conducted on a daily basis	All backlog of Bank Reconciliations eliminated	Reconciliation is done on a Daily basis & electronically through IFMS.	DoF	FCD	Jan-16	Dec-16
2.6	Banking framework reforms submitted to NEC for approval	NEC Submission and Decision of Banking Framework	Awaiting BPNG concurrent to before NEC Submission	DoF	FCD	Mar-16	Jun-16
<b>3.</b>	<b>PFM Legal Framework Review</b>						
3.1	Initiate PFM Legislative Framework Review	Modernised and updated PFM legislative framework	<p>FFR Secretariat established within the Financial Reporting &amp; Compliance Division (DoF)</p> <p>FFR Technical Working Group established – comprised of key government departments and agencies</p> <p>DoF is the Chair of the Technical Working Group</p> <p>Inception report approved for FFR Technical Advisor</p>	DoF	FRCD	<p>Oct-15</p> <p>March - 16</p>	<p>Nov-15</p> <p>June-16</p>

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			TWG approved FFR work plan, monthly report to Secretary by FFR Team, consolidation of views and comments by TWG and finalisation of drafting instruction				
3.2	Propose changes to Public Finance Management Act 1995, Financial Management Manual and Finance Instructions	<p>NEC endorsement and approval on the policy submission and Parliament passage of the bill</p> <p>Gazettal Notice for the enforcement of the amended law</p>	<p>PFMA (Amendment) Bill 2016 accompanied by consequential amendments tabled in Parliament and passed</p> <p>Amended PFMA and amended consequential legislation certified by the Speaker and Clerk of Parliament</p> <p>Minister's advice to the Head of State on the gazettal for the Act to come into force on 1st Jan 2017.</p>	DoF	FRCD	Aug-16	Dec-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
3.3	Revise Finance Management Manual and Instructions	Draft FMM and FI integrated	Finance Management Manual (FFM) final Version is ready	DoF	FRCD	Aug-16	Dec-16
3.4	Implement PFM Legal Framework	PFMA Consolidation	Consolidation of amended PFMA will be ready by end of November 2018 by FLC  PFMA, PMMR and Procurement awareness roll out will be massively carried out October	DoF	FRCD	ongoing	On going

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			- November 2018. Gazettal and Publication will be in December 2018. Procurement Act commencement will be in January 2019.				
3.5	Review of National Procurement System	<p>A modernised and updated National Procurement system</p> <p>NEC decision on the policy submission: -</p> <p>Creation of National Procurement Commission</p> <p>Creation of National Procurement Policy</p> <p>Enactment of procurement law</p>	NEC has endorsed the National Procurement Policy	DoF	FRCD	Jun17	Dec 19
3.6	Review PFMA to allow SOE's, Statutory Authorities to follow public Tender Process in some respects	Amended PFMA Certified	National Procurement Act has been passed Parliament. The review into the SOEs is still outstanding and will commence soon	DoF	FRCD	FEB 16	Dec 18
3.7	Review of Statutory Bodies, SOEs and Trust Accounts	<p>Rationalization of statutory bodies &amp; SOEs</p> <p>Develop astringent framework for the establishment of new statutory</p>	IDCE hearing on Trust Account for Public Bodies 90% completed	DoF/DoT/PMNEC	FRCD	Aug-17	ongoing



Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		bodies & SOEs  Streamline trust accounts  Rationalize SOE management systems & governance structures.	Action statement forwarded to agencies concerned  Those require new TAs are being assisted – on going  Statutory bodies review 2018  IDC hearing for Statutory Bodies and Province - 2018				
<b>4.</b>	<b>Timeliness and Quality of Submission of Annual Financial Statements</b>						
4.1	Develop a comprehensive capacity building training plan on compilation of Annual Financial Statements	Increased number of qualified officers. Improved levels of competency and skills.  Increased number of multi-skilled officers.  IFMS rollout PFO/DFO training plan for 2018-2019	21 officers graduated from UPNG <b>2018</b> with various qualifications, MBAs and Degree in Public Sector Accounting.  only PGaS sites are used for compiling the AFS. Central and ENBP are on IFMS and to-date no AFS is been compiled.	DoF	FTB/IFMS/P CAB/ FRCD/PDFM D	Jan-18	Dec 18
4.2	Roll out of training plan in AFS to all SNG and National Agencies completed by 2019	Increased number of qualified National/ PFO/DF officers.  Increased number of multi skilled	<b>In 2018</b> – 17 officers from National Agencies are completing final year in UPNG Public Sector Accounting	DoF		Jan - 18	Dec-18

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		<p>officers.</p> <p>Number of AFS reports training conducted</p> <p>Number of AFS workshops conducted</p> <p>Number of staff trained in AFS</p> <p>Number of OJT, Coaching and Mentoring facilitated</p> <p>Number of staff supported with OJT, coaching and mentoring</p>	<p>Degree program.</p> <p>3 completing respective MBA programs.-UPNG/DWU.</p> <p>20 PFO/DFO officers commenced 1<sup>st</sup> year UPNG Public Sector Accounting Degree program.</p> <p>6 officers in IBS pursuing Business Accounting degrees.</p> <p>6 officers pursuing Diploma in Accounting @ PNGIPA</p> <p>5 officers completing Certificates in Accounting @ PNGIPA.</p> <p>98% Timely Submission of AFS as PCAB Summary Dashboard Report</p>				
4.3	Ensure compliance to PFMA S. 19 for reports from central government agencies and SNG to consolidate fiscal information in 2015	Improved timely & quality Reports	2017 Financial information is being compiled. The Public Accounts has already updated to 2017.The AGO is currently here Auditing the 2015,2016 & 2017 Annual Accounts. Started Auditing on the 9th November 2016	DoF	FRCD	Sep-15	Dec-15
<b>5.</b>	<b>Expenditure and Revenue Arrears Management</b>						
5.1	Develop a central expenditure arrears	System Report on expenditure arrears	A register have been inputted and currently in use by officers	DoF	FCD	Oct-15	Oct-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	registry to maintain and monitor arrears of the State		to input or record arrears and claims as they are submitted.				
5.2	Develop a central non-tax revenue arrears registry to maintain and monitor non-tax revenue arrears to the State	Operational non tax revenue arrears registry database	NTRD commenced operations into registering Non tax Revenue arrears	DoF	NTRD	Oct-15	Oct-16
<b>6.</b>	<b>Enabling all revenues and expenditures through the budget</b>						
6.1	Prepare NEC submission to have 100% revenue collections to be transferred to Waigani Public Accounts	Consequential Amendments to PFMA on 100% revenue collection to CRF before being disbursed through Budget Appropriation or NEC decisions on Revenue Sharing	NEC Submission outlined the draft Consequential Amendments Bills 2016 is seeking to have Revenue Sharing arrangements such as that for MVIL and Worker's Permit Trust Account have 100% of their Revenue Collections, transferred into the CRF.	DoF	NTRD	Oct-15	Jun-17
6.2	Abolish revenue withholding sharing trust accounts	Approved Consequential Amendment Bill 2016	Already implemented per directive by PM in 2014/105, however its implementation is being controlled due to other policy directives.  To be implemented through the Consequential amendments once approved.	DoF	NTRD	Sep-15	Dec-16
6.3	Demarcate clearly the Contingency Economic Items in the IFMS in 2016 Budget	2017 Budget	This activity is yet to be implemented.	DoF/ DoT	FCD Budget	Oct-15	Nov-15
<b>7.</b>	<b>Timeliness and Quality of Bank Reconciliations</b>						
7.1	Develop Training Plan and conduct Training in compilation of Bank	Greatly improved on <b>timeliness</b> of Bank Reconciliations.	Progressive improvement to date as monitored by PCAB's M & E tool. 2 day workshop addressing	DoF	FMTB		

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	reconciliations in order to raise compliance levels of National Agencies and SNGs   						

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD			Lead Agency	Lead Division	Start Date	End Date
	Under Sec 5 of PFMA to setting up 300 audit committees and internal audit unit across the entire public sector.		General	238	79				
			Other Depts	135	132				
			Finance Dept	194	61				
			Total	567	272				
9.	Reconciliation of Suspense accounts								
9.1	Reconciliation of Suspense accounts conducted before year lapses annually	Annual Public Accounts Report	2012, 2013 and 2014 Public Accounts have been completed are with NEC to be tabled. 2015 and 2016 are with the Auditor General Office for auditing. Technical Advisory Support through DFAT to the DoF strengthened the position of the DoF to produce the reports. We still have a huge task from clearing suspense from Alesco. Ongoing process.			DoF	FRCD	Dec-15	Ongoing
10.	Reforms in Internal Auditing								
10.1	Facilitate advanced level training program for public sector auditors in consultation with the Institute of Internal Auditors	Number of participants attended Audit training Number of Audit Committees established Number of PSAP training provided	Under Public Sector Audit Program (PSAP) 100 internal auditors have been trained over period of time across the public sector Training provided on two phases –on job training as well as soft training Funded by PSAP Trust Account (Ausaid & GoPNG)			DoF	IACD	Jan-16	Jan-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>11.</b>	<b>Reforms in Asset Management</b>						
11.1	Develop national standards and procedures for maintaining and registering fixed assets	Approved National Fixed Asset Registry	First draft for Fixed Asset Management Policy will be circulated for review and comments soon before it is finalised	DoF	FRCD	Sep-15	Dec-15
<b>12.</b>	<b>Capacity Building Training Plan</b>						
12.1	Develop a comprehensive capacity building training plan for PT and DT Officers in PFM areas  PNG Association of Public Finance Managers & Accountants	<p>2018 Strategic Management</p> <p>Number of DOF staff, Provinces and District managers &amp; accountants enrolled for accounting degrees, diplomas, certificates</p> <p>No. of DOF staff progressing through other educational institutions,</p> <p>No. of Staff progressing through professional development - CPAPNG exams</p> <p>No. of outsourced Training Courses addressing soft skills transfer</p>	<p>Per CSD/HR Training records.</p> <p><b>3</b> officers pursuing resp. MBA @ UPNG/DWU.</p> <p><b>17</b> officers from National Agencies - final year -Degree program -Public Sector Accounting – UPNG.</p> <p><b>20</b> officers from PFO/DFO -1<sup>st</sup> year Public Sector Accounting Degree- UPNG.</p> <p><b>6</b> officers- Business Accounting Degree – IBS.</p> <p><b>1</b> officer – Bachelor of Management - DWU</p> <p><b>6</b> officers- Diploma in Accounting – PNGIPA</p> <p><b>5</b> officers- Certificate in Accounting- PNGIPA</p> <p>Approx. 90 officers from DOF embarked on CPA Exams. Progressive results per HR</p>	DoF	<p>CSD/HR/PD FM</p> <p>CSD/Assoc</p>	Jan-17	Jun-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			Records.  As per HR Training records.				
12.2	*Professional Development with CPAPNG	No. of officers progressing through respective exams.	Approx 31 DOF officers progressing through with respective professional exams in CPA & CAT categories.	DoF	CSD/Assoc		
12.3	PNG Association of Government Accountants & Public Finance Managers.	<p>Incorporation of Association</p> <p>Interim office holders appointed.</p> <p>Officially launched Association of Government Accountants &amp; Public Finance Managers</p> <p>Launch drive for applications for membership.</p> <p>Develop Professional Development programs</p> <p>Offer professional development courses</p>	<p>IPA -Incorporated in Dec 2014</p> <p>Interim Board Members appointed.</p> <p>Launched by Chief Secretary-Government. Ambassador I. Lupari in 2018</p> <p>Certificates for membership to Association issued – 16 Aug</p> <p>In collaboration with CIPFA, UK.</p> <p>In collaboration with CIPFA UK</p>	DoF	CSD/Assoc		
<b>13.</b>	<b>Reforms in Budgeting, Trust accounting and strengthening debt management practices and monitoring of fiscal risks.</b>						
13.8	Stricter discipline on the use of trust accounts and their replacement wherever possible by end-year carryover provisions.	Legalised Trust Instruments	<p>With the PGAS version – there were no strict discipline in reports</p> <p>With IFMS is with strict discipline, currently no request</p>	DoF	FCD	Oct-15	Dec-15

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>so far, Trust accounts managed by DoF have decreased.</p> <p>Approx 500 T/Accounts decreased to 100 T/Accounts.</p> <p>Very few request received for establishment of new Trust Accounts since 2017.</p> <p>By 31.12.2020 all new trust accounts will be on IFMS.</p>				
13.9	New trust accounts should have a free cash balance status for general cash management purposes until funds are needed for implementation	Report on pooling system	A new banking framework was designed with support from PFTAC to pool cash and assesses the net cash position of government. This is in discussion with BPNG.	DoF	FCD	Jan-17	Dec-17
13.14	Issue FI to effect the cessation of transfer of lapsing funds into trust accounts	To be legislated in the new PFM Act	Completed and ready for issuance	DoF	FCD	Jun-16	Dec-16
13.15	Conduct a robust inventory on all trust accounts held with National Agencies and SNG	System Report of Trust Accounts	The inventory on trust accounts is up to date as it is regularly being updated.	DoF	FCD	Jun-16	Dec-16
13.18	Legislate SOE's and Statutory Authorities to make/provide full disclosure of all source revenues to the DoF.	Under Part VIII of the revised PFMA	<p>All budget submissions should outline estimates of both expenditure and revenue</p> <p>Reports of expenditures, revenues and receipts is mandatory under Part VIII of PFMA</p>	DoF	FRCD	Jun-16	Jun-17



Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>18.</b>	<b>External Audit</b>						
18.3	Create a suitable post/unit responsible for conducting follow-up of the PAC recommendations to raise issues through the issuance of "Finance Minute" to relevant government agencies concerned.	Number of Finance Minutes issued	Two positions performing the duties of following up of PAC recommendations are prescribed in the Job Descriptions of a Senior Accountant and Accountant under the Frameworks Branch of FRCD, DoF. FRCD & IA&CD may decide as to which division will be tasked to take up the responsibility of responding to PAC recommendations.	DoF	FRCD	Feb-17	Jun-17

## DEPARTMENT OF FINANCE

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY PROGRAM

Lead Program	Financial Management Improvement Program (FMIP)	Priority Action Areas	Reforms in Financial Framework and Reporting
Programs	<b>Integrated Financial Management System (IFMS)</b>  <b>Financial Framework Review (FFR)</b>  <b>Provincial Capacity Building Program (PCaB)</b>	<b>Activities</b> <b>1,3, 4 and 7</b>	<b>1. IFMS Implementation</b> <ul style="list-style-type: none"> <li>Complete roll-out of IFMS retire PGAS by 2018</li> <li>Development of Interface with payroll and other PFM Systems with checks and controls</li> <li>Ensure Budget data integrity and quality and coherence</li> <li>Establishment of an IFMS management unit within the Department of Finance proper, rather than in the FMIP project</li> </ul> <b>3. PFM Legal Framework Review</b> <ul style="list-style-type: none"> <li>Integration of Finance instructions/Finance Manual and Integrated Financial Management System(IFMS) Training Manual</li> </ul>

				<b>4. Timeliness and Quality of Submission of Annual Financial Statements</b> <ul style="list-style-type: none"> <li>Capacity Development</li> </ul> <b>7. Timeliness and Quality of Bank Reconciliations</b> <ul style="list-style-type: none"> <li>Capacity Development</li> </ul>		
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
1.	<b>IFMS Implementation</b>					
1.1	Implement IFMS accounting functions to 25 central government departments, representing 25 percent of recurrent budget for central agencies	25 central government departments online with accounting functions	Budgeting and accounting functionality enabled  Functional reports	Feb 15 – Dec 15	22 National Agencies end of 2015	
1.2	Implement IFMS accounting to all central government departments central agencies	100% of central government departments using IFMS	Functional reports	Feb 15 – Jan 17	43 National Agencies and 8 Statutory Authorities all using IFMS as at end of Dec2018.	<p>The absence of Government wide communications infrastructure for IFMS inhibits wide-scale implementation of IFMS.</p> <p>A mixture of Digicel Private links, DoF MAN network and Internet are in place across all National Agencies enabling access to IFMS</p>
1.3	IFMS accounting pilot implementation in two provinces	Two (2) sub-national pilots completed  East New Britain and Central Provinces	Functional reports	Dec 16 – Feb 17	<p>ENB Pilot completed Dec 2017.</p> <ul style="list-style-type: none"> <li>Central &amp; Oro Provincial Governments online IFMS since 1st Qtr 2018.</li> </ul>	

1.4	IFMS budgeting used by all provinces and districts	All Province & LLG budgets input to IFMS	Functional reports	Apr 15 – Apr 18	ENB Province & LLGs used IFMS Budgeting for 2018 Budget.  Central, Oro, Morobe, ESP, New Ireland provinces & LLGs using IFMS to input 2019 Budget.  14 Remaining Provinces will use IFMS for 2020 Budget.	
1.5	IFMS accounting used by all provinces and districts	100% Provinces & LLG using IFMS.  PGAS retired.	Functional reports	Jan 18 – Dec 18	15 Provincial Finance Officer's & their District Finance Officer's online on IFMS.  3 Provincial Governments online. ENB, Central, Oro.	
<b>4.0</b>	<b>Timeliness and Quality of Submission of Annual Financial Statements</b>					
4.1	Develop a comprehensive capacity building training plan on compilation of Annual Financial Statements	Number of Finance Officials from 89 districts up-skilled in compiling AFS  Number of Trainings per year	Quality in AFS from government agencies	Jan-16 - Mar-16	At the moment, only PGaS sites are used for compiling the AFS. Central and ENBP are on IFMS and to-date no AFS is been compiled.  Trainings are aligned to IFMS Activities for the Advisers only. However, for the AFS, no training has been done  Need to advise the PCaB Advisers to become the members to the CPSA.	
4.2	Roll out of training plan in AFS to all SNG and National Agencies	Number of staff participating in Public Sector Accounting	Quality in BR and AFS from	Apr-16 - Nov-16	No Roll out plan has been developed but Advisers have	

	completed by 2019	(Degree) Enrollment to CPA PNG professional program Number of short coursed and workshops conducted & number of attendees. Number of Provinces covered by PCaB program	government agencies		taken it up through their Quarterly Work plans to provide OJT to compile AFS at the SNG. This is an on-going activity  Some of the Advisers have enrolled in the CPA Professional qualification program at their own costs.	
4.3	Ensure compliance to PFMA S. 19 for reports from central government agencies and SNG to consolidate fiscal information in 2015	Improved timely & quality Reports	Real time reports on bank reconciliations and AFS	Sep 15 – Dec 15	Timely submission of reports have been continuously been monitored and progress to date is very good. The quality of the reports are also been progressed well through the write on/off exercise. Only Oro province has achieved this while other provinces are still pending. Central and ENBP have gone into IFMS and they don't fall in the meaning of write on/off  Thirdly, IFMS is progressing well in the SNG and quality of the reports should not be an issue after it is fully implemented.	
<b>7.</b>	<b>Timeliness and Quality of Bank Reconciliations</b>					
7.1	Develop Training Plan and conduct Training in compilation of Bank reconciliations in order to raise compliance levels of	Improved Arrears in Bank Rec Reports.  2017 FMTB Training Plan approved for	Up to date production of Bank Reconciliations and AFS by	Jan-16 - Dec-17	Training through OJT is a continuous program for the Bank Reconciliation through PGaS	Training of trainers in Principles of Bank Reconciliation to reinforce understanding to embrace IFMS Bank

	National Agencies and SNGs	<p>implementation.</p> <p>PCAB Capacity Development Plan is developed</p> <p>IFMS Training Plan is Developed</p>	government agencies.		<p>system. This is made possible through the Advisers' Quarterly Work plans</p> <p>Advisers are now equipped with the skills training to pass on the skills to the PFO and DFOs to prepare the IFMS' Drawing Accounts bank reconciliation. This will commence in October 2018 in all the PCaB sites in the country</p>	<p>Reconciliation.</p> <p>PCaBs concentration of Capacity building is currently targeting PCaB Provinces.</p>
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Lead Division	Financial Reporting and Compliance Division	Priority Action Areas	Reforms in Legal Framework and Financial Reporting			
Branch/Program	<ul style="list-style-type: none"> <li>Frameworks</li> <li>Financial reporting</li> </ul>	Activities 3, 4, 11 and 18:	3. PFM Legal Framework Review 4. Timeliness and Quality of Submission of Annual Financial Statements 11. Reforms in Asset Management 18. External Audit			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
3.	PFM Legal Framework Review					
3.1	Initiate PFM Legislative Framework Review	Modernised and updated PFM legislative framework		Oct 16 - Nov 16	<p>FFR Secretariat established within the Financial Reporting &amp; Compliance Division (DoF)</p> <p>FFR Technical Working Group established – comprised of key government departments and agencies</p> <p>DoF is the Chair of the Technical Working Group</p> <p>Inception report approved for FFR Technical Advisor</p> <p>TWG approved FFR work plan, monthly report to Secretary by FFR Team, consolidation of views and comments by TWG and</p>	Completed activity.

					finalisation of drafting instruction	
3.2	Propose changes to Public Finance Management Act 1995, Financial Management Manual and Finance Instructions	NEC endorsement and approval on the policy submission and Parliament passage of the bill  Gazettal Notice for the enforcement of the amended law		Dec 16 – Jan 17	PFMA (Amendment) Bill 2016 accompanied by consequential amendments tabled in Parliament and passed  Amended PFMA and amended consequential legislation certified by the Speaker and Clerk of Parliament  Minister's advice to the Head of State on the gazettal for the Act to come into force on 1st Jan 2017.	Completed
3.3	Revise Finance Management Manual and Instructions	Draft FMM and FI integrated		Aug 16 – Dec 16	Finance Management Manual ( FFM) final Version is ready	Completed – ready for issuance
3.4	Final draft of revised Finance Management Manual and Instructions	PFMA Consolidation		Ongoing	Consolidation of amended PFMA will be ready by end of November 2018 by FLC  PFMA, PMMR and	Awareness on amended PFMA,FMM, Procurement Act & FI to be completed towards the end of 2018



					<p>Procurement awareness roll out will be massively carried out October - November 2018. Gazettal and Publication will be in December 2018. Procurement Act commencement will be in January 2019.</p> <p>Awareness will be conducted with Executive Management with NPMD, Treasury and Finance with the support of donor partners</p>	
3.5	Review of National Procurement System	<p>A modernised and updated National Procurement system</p> <p>NEC decision on the policy submission: -</p> <p>Creation of National Procurement Commission</p> <p>Creation of National Procurement Policy</p> <p>Enactment of procurement law</p>		Jun 17 - Dec 19	<p>NEC has endorsed the National Procurement Policy</p> <p>National Procurement Act 2018 has been passed in Parliament in the 2018 September sitting and will commence January 1st 2019</p>	Completed
3.6	Review PFMA to allow SOE's, Statutory Authorities to follow public Tender Process	Amended PFMA Certified	Certification of amended	Feb 16 – Nov 16	National Procurement Act has been passed	Completed and review of SOEs pending

	in some respects		PFMA		Parliament. The review into the SOEs is still outstanding and will commence soon	
3.7	Review of Statutory Bodies, SOEs and Trust Accounts	<p>Rationalization of statutory bodies &amp; SOEs</p> <p>Develop astringent framework for the establishment of new statutory bodies &amp; SOEs</p> <p>Streamline trust accounts</p> <p>Rationalize SOE management systems &amp; governance structures.</p>		Aug 17 – Dec 17	<p>IDCE hearing on Trust Account for Public Bodies 90% completed</p> <p>Action statement forwarded to agencies concerned</p> <p>Those require new TAs are being assisted – on going</p> <p>Statutory bodies review 2018</p> <p>IDC hearing for Statutory Bodies and Province - 2018</p>	Completed and review of SOEs pending
<b>4.</b>	<b>Timeliness and Quality of Submission of Annual Financial Statements</b>					
4.3	Ensure compliance to PFMA S. 19 for reports from central government agencies and SNG to consolidate fiscal information in 2015	Bank Reconciliations and AFS are received timely and are prepared according to approved	System reports.	Dec 18 – March 19	2017 Financial information is being compiled. The Public Accounts has already updated to 2017. The AGO is currently here Auditing the	Bank Reconciliation training - Ongoing by Bank Rec. Support Team

		standards			2015,2016 & 2017 Annual Accounts. Started Auditing on the 9 <sup>th</sup> November 2016	
<b>9</b>	<b>Reconciliation of Suspense accounts</b>					
9.1	Reconciliation of Suspense accounts conducted before year lapses annually	Annual accounts public	Reconciled accounts	Dec 15 – Dec 16	Reconciliation of suspense accounts has been updated and Public Accounts Reports for 2012, 2013 and 2014 have been released. The 2015 Public Accounts Report is in the process of being completed.	
<b>11.</b>	<b>Reforms in Asset Management</b>					
11.1	Develop national standards and procedures for maintaining and registering fixed assets	Developing a National Fixed Asset Registry	Approved Fixed assets policy	Sep 15 – Dec 15	Working document for Fixed Asset Policy submitted to IFMS team to asses and report. The Asset classification codes will be configured in the Fixed Asset Model in the IFMS as categorized in the current PFMA.  Once the configuration on the classification of the code is done, the National Fixed Asset Policy will then	No feedback received from IFMS team on the working document submitted to asses and report earlier on.  The Asset classification codes are yet to be configured in the Fixed Asset Model in the IFMS as categorized in the current PFMA. The delay is due to shortage of manpower as all staff are fully engaged in

					be finalized and enforced by all state agencies.	the roll out of IFMS at the sub-national levels.
<b>13</b>	<b>Reforms in Budgeting, Trust accounting and strengthening debt management practices and monitoring of fiscal risks.</b>					
13.18	Legislate SOE's and Statutory Authorities to make/provide full disclosure of all source revenues to the DoF.	Under Part VIII of the revised PFMA			All budget submissions should outline estimates of both expenditure and revenue  Reports of expenditures, revenues and receipts is mandatory under Part VIII of PFMA	
<b>18.</b>	<b>External Audit</b>					
18.3	Create a suitable unit responsible for conducting follow-up of the PAC recommendations to raise issues through the issuance of "Finance Minute" to relevant government agencies concerned.	Number of Finance Minutes issued	Unit formally established	Feb 17 – Jun 17	Letter has already prepared to transfer PAC from IACD to FRCD  Still awaiting for Secretary's endorsement letter on the transfer of audit function from IACD to FRCD	

Division	Provincial and District Financial Management	Priority Area	Capacity Building Enhancement for Provincial and District Treasury Officers			
Branch	Regional offices in the Division	Activity 12:	12. Capacity Building Training Plan for provincial and district treasury officers in PFM areas.			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
12.	Capacity Building Training Plan					
12.1	Develop a comprehensive capacity building training plan for PFM and DFM Officers in PFM areas  Incorporate with existing CSD or DoF Training Plans          Staff rotation	56 staff waiting for graduate this year  35 officer on study at PNGIPA in 2017          20 PFM & DFMs are selected for studies	All financial reports are submitted to Department of Finance on time  Currently working with PCaB and FRCD to discuss on quality of issues          Closely working with OSD & CSD to identify suitable and hardworking officers	Jan 16 – Jun 16    On going          Ongoing	56 staff will be graduating this year  35 staff are enrolled at PNGIPA for Diploma and Degree programs.          4 selected at UPNG and the rest work in progress	Need to work in collaboration with CSD – FTB, PCaB, IFMS, ITD, FRD  Timeframe needs to be extended    Logistic issues in rural districts in transport, communication and electricity hindering training to be delivered   Funding constraints   Lack of commitment and support from SNG   Funding constraints would see only few selected

	<p>2018-2019 Ongoing workshops &amp; training</p> <p>3-4 October PFMs &amp; DFMs conference in Buin South Bougainville</p>	<p>DPFM,FMTB IMFS &amp; others</p> <p>300 plus delegations will attend to discuss issues financial reforms</p>	<p>for studies</p> <p>Currently working with FMTB &amp; IFMS on training programs</p> <p>Stake holders and invited guest will participate to present papers</p>	<p>Ongoing</p> <p>Yearly</p>	<p>All staff will be programmed to partake in the training</p> <p>Provincial &amp; District Finance Managers and accountant and CEOs/DAs will attend</p>	<p>-Financial constraints</p> <p>-logistics and communication issues will be hindering training to be delivered.</p> <p>Financial constraint is the major hindrance why most officers are not selected for the conference.</p>
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<b>Lead Division</b>	<b>Corporate Services Division</b>		<b>Priority Action Areas</b>	<b>4. Timeliness and Quality of Submission of Annual Financial Statements</b> <b>7. Timeliness and Quality of Bank Reconciliations</b> <b>12. Capacity Building Training Plan</b>		
<b>Branch/ Program</b>	<ul style="list-style-type: none"> <li>Finance Training Branch</li> </ul>		<b>Activities 4,7 and 12</b>			
<b>Activity</b>	<b>Activity</b>	<b>Performance</b>	<b>Means of Verification</b>	<b>Timeframe</b>	<b>Progress Update (and</b>	<b>Constraints/Reasons for Non-Achievements</b>

No.		Indicator			achievement) towards KPI	
4.	<b>Timeliness and Quality of Submission of Annual Financial Statements</b>					
4.1	Develop comprehensive capacity building training plan <sup>a</sup>	<p>No. of PFO/DFOs rolled out to.</p> <p>No. of on-the-job-trainings</p> <p>Strategic Management</p> <p>Number of officers – National Agencies - attending UPNG Bachelor of Accounting degree programs</p> <p>No. of officers – PFO/DFO pursuing UPNG Public Sector Accounting Course</p> <p>No. of officers pursuing CIA/DIA courses @ PNGIPA</p> <p>Number of Officers pursuing professional development with CPAPNG</p> <p>Workshops, Conferences, workplace trainings</p>	<p>IFMS Rollout to PFO/DFOs training reports On the job-reports specifying relevant data</p> <p>CSD/ HR Reports</p> <p>CSD / HR Reports</p> <p>CSD/HR Reports</p> <p>CSD /HR/ Training reports</p> <p>CSD/HR Reports</p> <p>OSD/CSD/HR Reports</p> <p>PCAB/ IFMS/Training reports.</p>	Jan-18 – Dec- 18	<p>FMTB structured with dotted lines to FMIP for periods 2018-2019 to assist with rollout of IFMS to the 21 PFOs/89 DFOs</p> <p>FMTB Trainers progressively upskilling into IFMS oriented training.</p> <p>Upskilling administrative personnel to assist with delivering training.</p> <p>3 officers progressing through Masters in Business Administration @ UPNG/DWU.</p> <p>17 officers from National Agencies completing final year in UPNG Public Sector Accounting Degree program.</p> <p>20 Officers majority from PFO/DFOs commenced first year of UPNG Public Sector Accounting Degree.</p> <p>1 officer pursuing a Bachelor in Management @ DWU.</p> <p>6 officers pursuing a Degree in Business Accounting @ IBS campus.</p> <p>officers pursuing Diploma in Accounting at PNGIPA</p> <p>officers pursuing Certificate in Accounting at PNGIPA</p>	<p>Challenges of reporting to two divisional heads.</p> <p>Change management issues: attitudes/ new learning grounds.</p>



		programs				
4.2	Roll out of training plan <b>in AFS</b> to all SNG and National Agencies completed by 2019		<p>Implementation of IFMS Rollout Training Plan <b>2018-2019</b></p> <p>Periodic Training Reports. Periodic Workshop Reports. Database Report recording target group trained in PFO/DFOs.</p> <p>Fortnightly and monthly training and capacity development report from PDSAs</p> <p>Monthly Training &amp; Capacity Dev Dashboard report from PCAB HQ</p> <p>Training and workshop reports from PDSAs M &amp; E Checklist signed off by PCAB Mgt</p> <p>IFMS periodic Training reports</p>	Jan 18 – Dec- 19	<p>IFMS in joint efforts with PCAB Advisors/ FMTB trainers to implement rollout to Provinces &amp; Districts Finance offices from 2018-2019.</p> <p>All efforts to use the PFO/DFO Rollout trainings to upskill the PCAB Advisors / FMTB Trainers to deliver system oriented trainings in an effort for finally being able to generate AFS from IFMS.</p>	

7.	Timeliness and Quality of Bank Reconciliations					
7.1	Develop a Training Plan and conduct training in <b>compilation of Bank reconciliations</b> in order to raise compliance levels of National Agencies and SNGs	<p>Improved timeliness of Bank Reconciliation Reports received at HQ.</p> <p>Improved quality of Bank Reconciliation reports.</p> <p>No. of OJT training, coaching and mentoring to all NAs and SNGs in Bank Reconciliation.</p> <p>IFMS Bank Reconciliation skills.</p>	<p>Approved Plan for implementation. – IFMS Rollout to PFO/DFO training plan</p> <p>Per PCAB's M &amp; E Tools.</p> <p>No. of training sessions conducted.</p> <p>No. of officers in SNG and NAs trained</p> <p>No. of target group facilitated in OJT/coaching &amp; mentoring.</p> <p>No. of skilled officers in generic Bank Reconciliation.</p> <p>No. of IFMS trainings conducted. (National Agencies)</p> <p>No. of Agencies trained</p> <p>No. of staff trained</p>	Jan 18 – Dec 2019	<p>IFMS Rollout trainings conducted in: Central, Oro, Morobe, East Sepik, New Ireland, Western Highland, Jiwaka, Enga, Simbu, Eastern Highlands, West New Britain, Madang, Milne Bay, Fly River.</p> <p>IFMS Trainings to enhance the production of bank Reconciliation &amp; AFS in PFO/DFOs.</p> <p>IFMS Bank Reconciliation training not rolled out yet at date of this report.</p> <p>BRS team – DOF (FRCD) assisting National Agencies with IFMS Bank Reconciliation.</p> <p>PCAB/ BRS assisting with Bank Reconciliations for the PFO/DFOs rolled to.</p>	<p>FTB/PCAB to assist with IFMS Rollout to sub national levels 2018-2019.</p> <p>Upskilling of FMTB Trainers/ PCAB Advisors progressing during IFMS rollout trainings to PFO/DFO to date.</p>

<b>12.</b>	<b>Capacity Building Training Plan</b>					
12.1	Develop a <b>comprehensive capacity building training plan</b> for PF and DF Officers in PFM areas	UPNG MOA – Degree in Public Finance & Accountancy.  *Career Development Plan for PF, DF offices	Training meetings/ scheduled reports  Per CSD/HR Training records.  3 year Staff	Jan 18 – Dec – 2019	Target group is PFMs, DFMs and respective PF/DF Accountants.  A total of twenty eight (28) officers have benefited & graduated from UPNG in 2016.  Another 26 DOF officers had graduated in	

		No. of trainings/ Workshops to be conducted for PFOs/DFOs.	Development Plan for Dept, PF & DF Offices  No. of PF & DF officers trained.		<p>July 2017 with Degrees &amp; MBAs</p> <p>Twelve (12) officers completed their Degree and MBA program in Oct 2017 and graduated in 2018.</p> <p>PfMs to be responsible for recommending provincial &amp; district staff training needs.</p> <p>PCAB Advisors mentoring &amp; Coaching at subnational levels.</p>	
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12.2	Professional Development with CPAPNG	*Professional Development with CPAPNG	No. of officers progressing through respective exams.		Approx 31 DOF officers progressing through with respective professional exams in CPA & CAT categories.	Cash-flow constraints
12.3	<b>PNG Association of Government Accountants &amp; Public Finance Managers.</b>	Outsource training programs that address soft-skills transfer training needs for PFOs and DFOs.  Improved levels of professionalism and conduct.	Incorporation of Association in PNG in Accreditation with CIPFA, UK  Officially launched in August 2018 by Chief Secretary Government. Ambassador Isaac Lupari  No. of applications		Collated information identifying external training providers –referred to FAS CSD- June 2017  Respective divisions to recommend accordingly for external training in Supervisory, HR, middle management courses, soft skills Trainings.  Per HR Training records.	Cash-flow constraints

		<p>Official Launching of Association.</p> <p>Launch membership drive</p>	<p>received for membership.</p> <p>Develop professional development programs</p> <p>Offer professional development courses.</p>		<p>Incorporated with IPA in Dec 2014</p> <p>Interim Executives from DOF duly appointed.</p> <p>Officially launched in August 2018.</p> <p>Interim status: maintained through Govt Budgetary Support.</p> <p>Issued Certificates of Membership to Association in various categories on 16 August 2018 at Holiday Inn.</p> <p>In collaboration with CIPFA, UK</p> <p>In collaboration with CIPFA, UK</p>	
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Lead Division	Internal Audits and Compliance Division	Priority Action Areas	Reforms in Internal Audits Compliance			
Branch/Program		Activity 8 and 10.	<p><b>8. Compliance in Accounting Functions</b></p> <ul style="list-style-type: none"> <li>Compliance to PFMA in ensuring that Accounting Functions exists in National Agencies and SNGs</li> </ul> <p><b>10. Reforms in Internal Auditing</b></p>			
Activity	Activity	Performance Indicator	Means of	Timeframe	Progress Update (and	Constraints/Reasons for

No.			Verification		achievement) towards KPI	Non-Achievements
8.	<b>Enabling all revenues and expenditures through the budget</b>					
8.1	<p>Conduct an assessment to measure level of compliance to PFMA and Financial Management Manual by Government agencies in order to establish an accounts payable and receivable branches</p> <p>Under Sec 5 of PFMA to setting up 300 audit committees and internal audit unit across the entire public sector.</p>	<p>Undertaking co-sourced audits with the trainers</p> <p>The Department of Finance had requested technical assistance from PFTAC and they had engaged a short term consultant in Ms Susan Morrison to conduct an assessment of the internal audit systems within the PNG PFM space. Ms Morrison carried out a detailed evaluation and submitted her findings on "Strengthening Internal Audit through Capacity Development" in a 35 page report.</p> <p>PSAP board has commissioned a survey on the PSAP program.</p> <p>Review of Public Sector Audit Program in 2017</p>		<p>Mar 16 – Jun 16</p>	<p>For internal auditors to learn on the job on IT audits of system application, audit of revenue collection, audit of regional accounts and payroll audits.</p> <p>To minimise opportunities for abuse.</p> <p>PwC in 2014 performed the survey to measure the effectiveness of the audit committees.</p> <p>Internal Audits Solutions Limited in 2017 was engaged to study and identify challenges for functioning of audit committees under PSAP and make suitable recommendations.</p> <p>To conduct awareness on Public Sector Program (PSAP) to all stakeholders.</p> <p>To all government agencies on the requirement under Section 5 of PFMA to</p>	<p>Internal Audit positions not attractive</p> <p>Lack of technical internal audit training and development of audit specialists.</p> <p>Lack of or on commitment by the head of government agency non – attendance of Audit Committee.</p>

	<p>PSAP program at present does not receive any funding from any donor. In the past it had received some funding from AusDFAT and EU.</p> <p>In the light of the studies and recommendations by PwC (2014), IASL (2017) and PFTAC (2017), and the new PFMA requirement for audit committees in all agencies and Article 81 of Alotau Accord II on good governance, there is a need for funding capacity development of internal audit functions in institutions across PNG. This is all the more necessary as while IFMS ensures the control of public finance mechanisms, internal audit through operational audits can ensure the control of public service delivery mechanisms. Both these are complimentary for linking public expenditure to service delivery.</p> <p>IACD to organise media release on Public Sector Audit program and</p> <p>IACD to issue circular notice</p>		<p>establish internal audit units and form audit Committees</p> <p>For implementation of the amended act section 5 (C) of PFMA.</p> <p>To assist agency internal audit capacity and up skilling.</p> <p>Recruiting of new Graduates to gradually replace old workforce</p> <p>To enhance good governance through increasing transparency and accountability of budget spending grants allocated to agencies to improve service delivery.</p> <table><tr><td>Cases</td><td>Aug 2014 to Mar 2018</td><td>Apr 2018 to July 2018</td></tr><tr><td>General</td><td>238</td><td>79</td></tr></table>	Cases	Aug 2014 to Mar 2018	Apr 2018 to July 2018	General	238	79	
Cases	Aug 2014 to Mar 2018	Apr 2018 to July 2018								
General	238	79								



		<p>on the requirement of PMFA</p> <p>Issue new FI on the requirements of new PFMA reforms.</p> <p>IIA to develop training for all public sector internal auditor graduates to IACD</p> <p>The Phones Against Corruption Program through UNDP PNG by virtue of a small scaling up funding received under the UNDP-AusDFAT joint initiative for “Anti Corruption for Peaceful and Inclusive Societies” (ACPIS) in 2018. The funding is to enable scaling up the program to all audit committee agencies.</p>			<table><tr><td>Other Depts</td><td>135</td><td>132</td></tr><tr><td>Finance Dept</td><td>194</td><td>61</td></tr><tr><td>Total</td><td>567</td><td>272</td></tr></table>	Other Depts	135	132	Finance Dept	194	61	Total	567	272	
Other Depts	135	132													
Finance Dept	194	61													
Total	567	272													
10.	Reforms in Internal Auditing														
10.1	Facilitate advanced level training program for public sector auditors in consultation with the Institute of Internal Auditors	To train Public Sector Internal Auditors		Jan 16 – Jan 17	<p>Under Public Sector Audit Program (PSAP)</p> <p>100 internal auditors have been trained over period of time across the public sector</p> <p>Training provided on two phases –on job training as well as soft training Funded by PSAP Trust Account</p> <p>(Ausaid &amp; GoPNG)</p> <p>Aus-aid funding ceased in 2015 Dept. of Finance has</p>	<ul style="list-style-type: none"><li>Lack of soft skills</li><li>Lack of funds under PSAP Trust Account to continue with training</li><li>Up skill Report writing</li><li>Write up an audit plan</li></ul>									

					<p>taken on the initiative for the program to continue</p> <p>MOU signed between Department of Finance and UoT in Lae</p> <p>Refresher courses in internal auditing two phases Basic and intermediate level. - K 800,000</p> <p>Ongoing refresher courses for internal auditors - IACD – Training provide by Accounting firms</p> <p>Trained 60 Internal Auditors</p> <p>Refresher training Basic 35 in 2015 and 35 in 2016</p>	<ul style="list-style-type: none"> <li>• Lack of technical internal audit training and development of audit specialists</li> <li>• Lack of qualified internal auditors in public sector</li> <li>• Lack of funding most Provincial Audit Committee Meetings are held</li> <li>• Lack of Knowledge and skill personnel's in the audit unit.</li> <li>• Limited Auditors to support the program</li> <li>• Lack of or no commitment by the head of government agency of non-attendance of Audit Committees</li> <li>• Agency heads not taking the ownership of the program</li> </ul>
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						<ul style="list-style-type: none"> <li>• Agency Heads show little interest in the audit matters</li> <li>• Funding provided to Internal Audit units in various agencies is insufficient for their operation</li> <li>• Internal Audit positions not attractive</li> <li>• No incentives attached to internal audit positions</li> </ul>
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Lead Division	Financial Controls		Priority Action Areas	2. Cash Management Reform		
Branch(es)	<ul style="list-style-type: none"> <li>Cash Management</li> <li>Expenditure Control</li> <li>Trust Accounting</li> </ul>		Activities 2,5,8, 9 and 13	<ul style="list-style-type: none"> <li>Design and implement a new Government banking framework to solve the cash management problem</li> <li>Timely Accounts Reconciliation</li> <li>Reduce time on transfer of Funds to WPA</li> <li>Cash Forecasting/mid-year cash forecast revisions</li> </ul> <p>5. Arrears Management</p> <p>8. Compliance to PFMA in ensuring that Accounting Functions exists in National Agencies and SNGs</p> <p>9. Reconciliation of Suspense accounts</p> <p>13. Reforms in Budgeting, Trust accounting and strengthening debt management practices and monitoring of fiscal risks.</p>		
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
2.	Cash Management Reform					
2.1	Department of Finance begins work on revised banking framework	Final Draft Banking Framework revised by December 2015	Project plan drafted and submitted to BPNG for comments	Oct 15 - Oct 16	The draft Cash flow forecasting system has been drawn up with the support of PFTAC.	The reform proposal for a Government Banking Framework – Submitted to BPNG for consideration and still pending because of broader issues regarding the Commercial Banks and BPNG in line with the government securities and other banking issues.
2.2	Increased staffing to support broad-based cash management reform	Recruitment of 5 Accountants by November 2016	Staff on Strength. No vacancies against approved	Nov 15 - Nov 16	3 new officers have been recruited to the new Cash Unit.	4 more officers to be recruited in the new restructure.

			structure.			
2.3	Reform proposals developed to manage balances in trust relative to WPA	Draft Reform Proposal by June 2016	Report of Cash Pooling.	Nov 16 - Jun 16	It is being planned and proposed that Cash balances from trust accounts are to be moved through the Banking Framework Project from ANZ and Westpac to BPNG, not trust accounts in BSP.  A draft report was compiled in June and is still under discussion with the BPNG.	Completed
2.4	Cash forecasting unit established in Department of Finance	Number of Personnel recruited for Cash Forecasting Unit	Approved structure	Dec 15 - Oct 16	Unit established with 2 new officers	Completed
2.5	Reconciliation backlog eliminated; reconciliations conducted on a daily basis	All backlog of Bank Reconciliations eliminated	IFM System report  BPNG approval	Jan 16 - Dec 16	Reconciliations is done on a daily basis & electronically through IFMS. Reconciliation is up to date	Completed
2.6	Banking framework reforms submitted to NEC for approval	NEC Submission NEC Decision on Banking Framework	Approval of project plan by BPNG	Mar 16 - Jun 16	A Project Plan has been drafted and submitted to the BPNG to get BPNGs concurrence and views before a NEC Submission is drafted	The reform proposal for a Government Banking Framework – Submitted to BPNG for consideration and still pending because of broader issues regarding the Commercial Banks and BPNG in line with the government securities and other banking issues.
<b>5.0</b>	<b>Expenditure and Revenue Arrears Management</b>					
5.1	Develop a central arrears expenditure	Operational	Report on	Oct 15 – Oct	A register have been inputted and	Completed

	registry to maintain and monitor arrears of the State	expenditure arrears registry for whole of government Arrears database management.	Expenditure arrears	16	currently in use by officers to input or record arrears and claims as they are submitted.	
<b>8.0</b>	<b>Compliance to PFMA in ensuring that Accounting Functions exists in National Agencies and SNGs</b>					
8.1	Conduct an assessment to measure level of compliance to PFMA and Financial Management Manual by Government agencies in order to establish an accounts payable and receivable branches	Finance Instruction on Non tax revenue collections  Number of EFTPOS & CRS installed  Number of Agencies & SNG with CRS and EFTPOS System installed	SNG Non tax Reconciliation report  IFMS and PGAS generated receipts	March 2016 – Jun 2018	The exercise has been rolled out and cashless system is currently being practice in all agencies payments and receipts are now being done through EFTPOSs.	We have been informed that all FC are all recalled to Finance Headquarter due to compliance Issues.  (Revised PFM to all FC to agencies)  Need strategies to work on to improve  And should come up with how best they can address the interest of the state or line agencies.
<b>13.0</b>	<b>Reforms in Budgeting, Trust accounting and strengthening debt management practices and monitoring of fiscal risks.</b>					
13.8	Stricter discipline on the use of trust accounts and their replacement wherever possible by end-year carryover provisions.	This clause has been included in the Trust instruments.	Revised Trust Instruments	Oct 15 – Dec 15	With the PGAS version – there were no strict discipline in reports With IFMS is with strict discipline,  Currently no request so far, Trust accounts managed by DOF have decreased Approx. 500 T/Accounts decreased to 100 T/Accounts.  Very few request received for establishment of new Trust Accounts	This activity was implemented this year.

					since 2017. Trust Accounts are now better managed and controlled  By 31.12.2020 all new trust accounts will be on IFMS	
13.9	New trust accounts should have a free cash balance status for general cash management purposes until funds are needed for implementation	Approved banking framework	NEC Decision on new banking framework	Jan 17 – Dec 17	Provisions for free cash balance form trust accounts is being included in the new banking framework. Its completed and now with BPNG for their views.	
13.14	Issue FI to effect the cessation of transfer of lapsing funds into trust accounts	PFM amended Act  Finance Instruction	Report of transfer of lapsing funds into Trust Accounts.	Jun 16 – Dec 16	This has been included in the new Public Finance (Management) Act Amendment Bill 2016 to be legislated and enforced.	Completed and ready for issuance
13.15	Conduct a robust inventory on all trust accounts held with National Agencies and SNG	Inventory update	Annual Budget document  MYEFO and FBO	Jun 16 – Dec 17	The inventory on trust accounts is up to date as it is regularly being updated.	Nil

## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

Department of National Planning and Monitoring

2018	MID-YEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June 2018		
	229	DEPARTMENT OF NATIONAL PLANNING AND MONITORING		Divisions :	PUBLIC INVESTMENT PROGRAMS	
				Duration of PFM Road Map :	FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 5	Comprehensiveness of Budget Documentation	B	Yes	<b>ADOPTION OF THE 3 STEP APPROACH FOR PRIORITISATION OF CAPITAL PROJECTS</b>  <b>Step 1</b> Initial Screening of Proposals Prioritization based on national/regional objectives Projects approved in Step 1 appropriations made to fine tune plans and costings and time of completion
		PI - 6	Extent of Reporting of Extra Budgetary Operations	D	Yes	
		PI - 9	Public Access to Key Fiscal Information	D	Yes	
III	Asset and Liability Management	PI - 11	Public Investment Management	D	Yes	
		PI - 12	Public Asset Management	D+	Yes	



2018	MID-YEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June 2018		
		229	DEPARTMENT OF NATIONAL PLANNING AND MONITORING	Divisions : PUBLIC INVESTMENT PROGRAMS		
				Duration of PFM Road Map : FEB 2015 - DEC 2018		
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
IV	Policy Based Planning and Budgeting	PI - 16	Medium Term Perspective in Expenditure Budgeting	D	Yes	<b>Step 2</b> Review of detailed plans and costings. Reprioritisation of Projects  <b>Step 3</b> List of Approved Projects after review of detailed plans and reprioritisation.
		PI - 17	Orderliness and Participation in Annual Budget Preparation Process	C+	Yes	
		PI - 18	Legislative Scrutiny of Annual Budget Law	D+	Yes	

**SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES**  
**DEPARTMENT OF NATIONAL PLANNING AND MONITORING**

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>14.</b>	<b>Reforms in process for prioritization of capital projects</b>						
14.1	<p>Formal adoption of the 3-step process for prioritization of capital projects for 2016 budget if the road map is approved by NEC</p> <p>Step 1: Initial Screening of Proposals. Prioritization based on national/regional objectives. Projects approved in Step 1 appropriations made to fine tune plans and costing and time of completion</p> <p>Step 2: Review of detailed plans and costing. Reprioritization of Projects</p> <p>Step 3: List of Approved Projects after review of detailed plans and reprioritization</p>	<p>NEC Decision No.??</p> <p>Stage 1 Budget Submission Circular</p> <p>Stage 2 Budget Submission Circular</p> <p>Stage 3 Budget Screening</p> <p>2017 National Budget</p>	Budget preparation in the current reform is financing project/programs (activities) which are Already linked to Sectoral plans. That's the Alignment exercise. The circular requires that the sectors prioritizes what they prefer to implement/fund based on their sectoral plan, so they provide DNPM/Treasury a sectoral priority	DNPM & Treasury	PIP Wing- All divisions	Mar-16	Sep-16
14.2	Conduct multi-year planning for completed investment programs to be absorbed into the recurrent budget	Report on multi-year prioritizing of investment projects for migration to recurrent budget in 2017	Work has already commenced on this.	DNPM & Treasury	PIP Wing- All divisions	Jan-17	Nov-17

## SCHEDULE 3: DEPARTMENT OF NATIONAL PLANNING AND MONITORING

Lead Division	PUBLIC INVESTMENT PROGRAM	Priority Action Areas	14. Reforms in process for prioritization of capital projects ADOPTION OF THE 3 STEP APPROACH FOR PRIORITISATION OF CAPITAL PROJECTS			
Branch/ Program	BUDGETS	Activity 14.0	<u>Step 1 Initial Screening of Proposals</u> Prioritization based on national/regional objectives Projects approved in Step 1 appropriations made to fine tune plans and costing and time of completion <u>Step 2 Review of detailed plans and costing. Reprioritization of Projects</u> <u>Step 3 List of Approved Projects after review of detailed plans and reprioritization</u>			
Activity No.	Activity	Performance Indicator/Outputs	Means of Verification	Timeframe	Progress Update (and achievement) towards KPI	Constraints/Reasons for Non-Achievements
14.	Reforms in process for prioritization of capital projects					
14.1	Formal adoption of the 3-step process for prioritisation of capital projects for 2016 budget if the road map is approved by NEC	NEC Decision No.??  Stage 1 Budget Submission Circular	List of prioritized proposals consistent within sectoral plan/provincial plans is required   1st Stage Submission report is	Mar 2016 – Mar 2017	Stage 1 complete   Ongoing Activity	Budget Submissions are made at the agency level, whilst the requirement is seeking Sector submissions   Not all submissions are made within the required period   Preparation of Sector ceilings by Treasury is affecting the projected

			<p>prepared for NEC</p> <p>PFD are submitted for only New programs or projects</p> <p>Cost Benefit Analysis reports for major investment projects is required in the PFD</p>		<p>Budget preparation in the current reform is financing project/programs (activities) which are Already linked to Sectoral plans. That's the Alignment exercise. The circular requires that the sectors prioritizes what they prefer to implement/fund based on their sectoral plan, so they provide DNPM/Treasury a sectoral priority</p> <p>List of sector priorities consistent with the Stage 1</p>	<p>timeframe to respond back to sector agencies</p> <p>1. List of sector priorities consistent with the Stage 1st Stage Budget submission circular- not addressing the report strategy of having projects aligned to sectoral plans 2. Treasury need to set sectoral ceilings to address sectoral projects</p> <p>Intensive CBA training is required</p> <p>1. PFD submissions were not indicated in the Stage 1 list</p>
		Stage 2 Budget Submission Circular		Jun 2016, Jun 2017		

			2nd Stage Submission report is prepared for NEC			<p>2. PFD submissions deviate from the scope of the initial submission list in Stage 1</p> <p>3. PFD require extensive editing to align to Gov plans and policies</p>
		Stage 3 Budget Screening	Formal budget screening process through the relevant budget committees	Aug 2016	<p>Capital Investment Budget (offline) Master Matrix</p> <p>IFMS Budget Execution</p>	<p>Often there are many changes in the recommendations.</p> <p>Text input must be standardized and improved</p>
		2017 National Budget	Revised Sectoral Plans and Costing	Nov 2016	The Budget submission circular recommends that sector ceiling-plans and costing of sectoral plans reviewed and projects are reprioritised	

14.2	Conduct multi-year planning for completed investment programs to be absorbed into the recurrent budget	Report on multi-year prioritizing of investment projects for migration to recurrent budget in 2017	1 <sup>st</sup> Stage 2017 Budget Submission circular	Mar 2016, Mar 2017	List of investment projects to be migrated to 2017 Budget	1. Programs/projects funded over 5 years are recommended to the Operations budget screening for consideration
		List of investment projects to be migrated to 2017 Budget				2. Only completed and operational programs/projects are considered for operational budget consideration
			2nd Stage Budget Submission circular	July 2016, July 2017	complete	3. DNPM must prepare full assessment of programs/projects when it recommends these to migrate to the Operation Budget
		Program/project implementation	2017 National Budget	Nov 2016, Nov 2017	2016 complete	
			2017 Annual Capital Investment budget Cashflow & Workplan submission circular	Dec 2016, Dec 2016	2016 complete	

# Department of Personnel Management

## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

2018	MID - YEAR	AGENCY		Period of Reporting: As at 30 <sup>th</sup> June 2018		
	220	DEPARTMENT OF PERSONNEL MANAGEMENT		Divisions : HR ADVISORY SERVICES AND CAPACITY BUILDING		
				Duration of PFM Road Map : OCT 2015 - DEC 2018		
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
V	Predictability and Control in Budget Execution	PI - 22	Effectiveness of Payroll Controls	D+	Yes	<ul style="list-style-type: none"> <li>Loading all government employees on Alesco</li> <li>Development Manpower and Payroll Audit Plan for national Agencies</li> </ul>
		PI - 24	Effectiveness of Internal Controls for Non-Salary Expenditure	D+	Yes	<ul style="list-style-type: none"> <li>Strengthen position establishment controls</li> <li>Fortnightly salary reconciliation between Alesco, BPNG and BPNG</li> <li>Increase staff on strength in payroll monitoring</li> </ul>

<b>2018</b>	<b>MID - YEAR</b>		<b>AGENCY</b>	<b>Period of Reporting: As at 30<sup>th</sup> June 2018</b>		
		<b>220</b>	<b>DEPARTMENT OF PERSONNEL MANAGEMENT</b>	<b>Divisions : HR ADVISORY SERVICES AND CAPACITY BUILDING</b>		
				<b>Duration of PFM Road</b> OCT 2015 - DEC 2018		
				<b>Map :</b>		
<b>Pillar</b>	<b>PEFA Framework Description of the Pillar</b>	<b>PI</b>	<b>PEFA Framework Performance Indicator(PI)</b>	<b>2015 PEFA Report Indicator Rating</b>	<b>Critical to Improved Performance</b>	<b>Priority Areas</b>



# DEPARTMENT OF PERSONNEL MANAGEMENT

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>15.</b>	<b>Reforms in payroll system</b>						
15.1	One Payroll System	<p>Ensuring All Genuine casuals receiving salaries outside of the Alesco payroll are absorbed</p> <p>Minor refinement to the structure</p> <p>NID Cards for All Public Servants</p>	<p>Providing Technical assistance in absorbing all genuine casuals onto line positions.</p> <p>Create positions to cater for genuine casuals</p> <p>Inform Treasury to transfer funds from item 211 to 111.</p> <p>NID cards to be uploaded to strengthen 1PPP arrangement</p>	DPM DoT	HRAS&CB MIS, MCAR	<p>2008</p> <p>2018</p>	<p>Dec-2017</p> <p>May continue into 2018</p> <p>Ongoing</p>
15.2	Strengthen staffing/position establishment controls	<p>Quarterly Staffing &amp; Establishment Reviews for the whole of Government</p> <p>Quarterly Budget Reviews for the whole of Government</p>	Conducting desk top Staffing & establishment reviews to ensure the staff numbers from Treasury (Budget Book Volume 2a) Agency's Positional occupancy register and the	DPM DoT	HRAS&CB MIS	June and Ongoing	Recurrent activity

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			Establishment report from the Alesco  Participate in the budget Reviews to ensure the right staff numbers are budgeted for per the Staffing & establishment review figure				
15.3	Conduct fortnightly whole of Government Payroll Analysis on Personnel Emolument Expenditure	Fortnightly Expenditure Reports are furnished fortnightly, monthly and quarterly and 6 monthly to monitor the PE expenditure trend	Cost-Benefit Analysis is conducted as a normal compliance activity and reported upon.  WoG PE Expenditure Fortnightly report is tracked and reported on fortnightly basis	DPM	MCAR  HRAS&CB/ MIS		Recurrent activity
15.4	Conduct more awareness on Business process for HR and Payroll management	Rolling out of the HR Business Process workshop to requesting Agencies  Conversion into a National Qualification Framework at PNGIPA	Business Process workshops has been on halt due to funding constraints The Department has commenced work on the HR Business Process in partnership with PNGIPA to covert the business procedures manual into a national qualification.	DPM  PNGIPA	HRAS&CB  MIS	Nov 2014       June 2016	UFN  Funding constraints limited further roll outs      June 2017
15.5	Re-Balancing Personnel Emolument Budget Allocations in 2017 &	Personnel Emoluments Budgets in 2017 appear unevenly balanced	A notional exercise to re-balance the "PE" Budget	DPM	HRAS&CB	Nov 2014	UFN  Funding

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	Implementing NEC Decisions 304/2016 & 71/2017	and do not support priority areas	situation is hereby undertaken to see if benefits can be gained that might improve the situation for priority areas	PNGIPA	MIS	June 2016	constraints limited further roll outs June 2017
15.6	Develop HR Staffing and payroll audit plan for national agencies and sub-national agencies	Approved Staffing and Payroll Audit Plans	Yet to be developed	DPM	MCAR		
15.7	Staffing & establishment Reviews	A theoretical exercise to re-balance the "PE" Budget situation has been undertaken to see if benefits can be gained that might improve the situation	Public servants and teachers are all drawing salaries from 'one' basket. Therefore, it is equally important to reconcile all records together	DPM		JUN-17	Slow progressing
15.8	Develop and Review a user friendly S&E reporting template for all agencies	Template populated and used during the quarter 1 S&E Review	To capture all staffing numbers and other mandatory allowances for budget consideration	DPM, DOT With Agencies			

## DEPARTMENT OF PERSONNEL MANAGEMENT

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT YEAR-TO-DATE BY DIVISION/PROGRAM

Division	Human Resource Advisory Services & Capacity Building	Priority Action Areas	<b>15. Reforms in Payroll System</b> <ul style="list-style-type: none"> <li>Loading all government employees on Alesco</li> </ul>
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Branch/ Program	Staffing & Establishment HR Client Services Branch	Activity 15	<ul style="list-style-type: none"> <li>Development Manpower and Payroll Audit Plan for national Agencies</li> <li>Strengthen position establishment controls</li> <li>Increase staff on strength in payroll monitoring</li> <li>Fortnightly salary reconciliation between Alesco and BPNG</li> </ul>			
Activity No.	Activity	Performance Indicator/Outputs	Means of Verification	Timeframe	Progress Update (and achievement) towards KPI	Constraints/Reasons for Non-Achievements
15.	<b>Reforms in payroll system</b>					
15.1	Set up on Alesco all employees of departments, ministries, and public authorities regardless of the nature of their position	<p>Re-categorization of genuine casuals employed under Employment Act of 1978 to be absorbed into the integrated Alesco payroll system</p> <p>NID Cards for All Public Servants</p> <p><b>Score rating has improved from D to C</b></p>	<p>Loading all Government employees on Alesco</p> <p>Circular Instruction to cease PGAS payments – genuine casuals being transferred to Alesco.</p> <p>NID cards to be uploaded to strengthen 1PPP arrangement</p>	On going	<p>80% of all employees paid from other source apart from Alesco has been subsumed into created positions on Alesco.</p> <p>Agencies with casuals were encouraged to identify to create line positions to absorbed casual officers.</p> <p>Agencies especially Provinces and Hospitals are slowly absorbing their casuals</p>	<p>Capacity issue</p> <p>DPM not having access to PGAS Rep</p> <p>ort on item 112</p> <p>Agencies ignorant on DPM's instructions on the same.</p>
15.2	Strengthen staffing/position establishment controls	<p>Fortnightly desk top analysis of staffing numbers against the funding capacity.</p> <p>DoT and DPM through OSPEAC to conduct staffing &amp; Establishment Reviews every quarter.</p>	Agencies to inform OSPEAC on timely basis on their staffing requirements to ensure funding is appropriated accordingly.	Quarterly & Ongoing	<ul style="list-style-type: none"> <li>Reconcile the 2017 budget appropriation against the actual budget, staffing and establishment ceiling</li> <li>Identify any</li> </ul>	Slowly implementation of CI 15/2015

		<p><b>Score rating improves from D to C</b></p>	<p>Agencies require to submit reconciliation reports to DPM &amp; DoT on the changes in staffing numbers for subsequent updates on the payroll</p> <p>Cost Benefit Analysis is conducted for agencies to ascertain their financial ability as compared to their expenditure trend for each fortnight.</p> <p>Validated vacancies will be locked in the system to avoid manipulation</p>		<p>discrepancies in the staffing figures (as per Table 6 of the Budget Book) and match against Alesco &amp; Agency actual</p> <ul style="list-style-type: none"> <li>Identify any in-balance in the 2017 budget and agree on rational options to minimise the over-expenditure in the PE budget</li> <li>Undertake verification of vacancies, unattached and aging employees based on information and data already with DPM (or yet to come)</li> <li>Reach agreement on the way forward in terms of agency priority needs</li> </ul> <p>OSPEAC is operational and currently.</p> <p>System control tools for locking vacancies is in discussion</p>	<p>90% of all data in the Alesco System has been cleansed.</p> <p>Restrictions are imposed on selections, structures pending assessment of their expenditure trend prior to exemption.</p> <p>Costings are not accompanying the requests delays processing of their requests on time.</p> <p>Non reconciliation of the Staffing against the approved establishment and the positional occupancy Register delays implementation</p>
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15.3	Conduct fortnightly whole of Government Salary reconciliation from Alesco and Agency's Positional Occupational Register	Strengthen the S&E reviews before the second quarter budget for consideration in the revised budget	Compile report for OSPEAC and CACC for ratification	quarterly	<ul style="list-style-type: none"> <li>• Provide the avenue for OSPEAC TWG to reconcile budget, staffing &amp; establishment figures</li> <li>• Provide the government with a realistic plan of action on the following:</li> </ul> <p>Exemption to approve re-organisation structures</p> <p>Exemption to advertise essential vacancies within 2017 budget ceiling</p> <p>Exemption to recruit against essential vacancies</p> <p>Decision to retire aging public servants</p> <p>Decision to retrench public servants consistent with the reform agenda.</p> <p>Agreed establishment and staffing numbers corrected in the Integrated HR Payroll system and locked</p> <p>2017 Budget in-balance is corrected</p>	<p>Financial constraints.</p> <p>Non-implementation of existing structures before proposing a new structure</p>
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15.4	Conduct more awareness on Business process for HR and Payroll management	<p>Business process Workshop conducted for sub-national agencies</p> <p>Conversion into a National Qualification Framework at PNGIPA</p>	Agencies need to be capacitated with relevant HR Business Process	Pending Funding	<p>Implementation schedules drawn up for implementation in 2017</p> <p>Competent and reliable HR Officers</p> <p>Business Process workshops has been on halt due to funding constraints</p> <p>The Department has commenced work on the HR Business Process in partnership with PNGIPA to covert the business procedures manual into a national qualification.</p>	Financial constraints
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15.5	<p>Re-Balancing Personnel Emolument</p> <p>Budget Allocations in 2017 &amp; Implementing NEC Decisions 304/2016 &amp; 71/2017</p>	<p>Personnel Emoluments Budgets in 2017 appear unevenly balanced and do not support priority areas</p> <p>Hospitals and PHA's: donate K 24.0 Million savings from under expended Hospitals and PHA's to give</p> <p>Hospitals and PHA's: donate K 66.8 Million savings from under expended National Depts to give:</p> <p>National Depts: donate K 13.5 Million savings from under expended National Depts to give:</p> <p>National Depts: donate K 92.3 Million savings from under expended Provincial Govts. to give:</p> <p>National Depts: donate K 3.7 Million savings from</p>	<p>Agencies need to be capacitated with relevant HR Business Process</p>	<p>Pending Funding</p>	<p>A notional exercise to re-balance the "PE" Budget situation is hereby undertaken to see if benefits can be gained that might improve the situation for priority areas</p> <p>After re-prioritizing Agency savings:</p> <p>National Depts. Underfunded by around K 91 Million</p> <p>Provincial Govts. Underfunded by around K 22 Million</p> <p>Teachers: Underfunded by around K 205 Million</p> <p>Before the Budget Re-Balance exercise: Agencies over expended 87 No. Agencies under expended 57</p> <p>After the Budget Re-Balance exercise: No. Agencies over expended 57 No. Agencies under</p>	<p>Financial constraints</p>
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		under expended Teacher agencies to give:			expended 87	
15.6	Develop HR Staffing and payroll audit plan for national agencies and sub-national agencies	Approved Staffing and Payroll Audit Plans			Yet to be developed	

15.7	Staffing & establishment Reviews	<p>Projected K400 + million pay bill deficit by end of 2017 based on Alesco transactions alone</p> <p>This does not take into account the agreed 3% pay increase in 2017 for most awards (another K100 million)</p> <p>Strict cost saving measures are still in force from Circular Instructions in 2015 and 2016</p> <p>Personnel Emoluments Budgets in 2017 appear unevenly balanced and do not support priority areas</p> <p>A theoretical exercise to re-balance the "PE" Budget situation has been undertaken to see if benefits can be gained that might improve the situation (If time permits I will present the findings)</p> <p>Restrictions on recruitment, Structures.</p>	<p>Public servants and teachers are all drawing salaries from 'one' basket. Therefore, it is equally important to reconcile all records together.</p> <p>S &amp; E is not about number game only. It is about how you manage your Human Resource- Therefore, understanding your HR Business process is of paramount important including the agency priorities</p> <p>Managing attrition is also important</p> <p>DPM 15/2015 NEC Decision 304/2016 NEC Decision 71/2017</p>	<p>Ongoing</p> <p>June 2017</p>	<p>Slow progress</p> <p>OSPEAC exempted all Hospitals, Law &amp; Order Sectors and IRC &amp; Customs</p>	Financial Constraints
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15.8	Develop and Review a user friendly S&E reporting template for all agencies	Template populated and used during the quarter 1 S&E Review	To capture all staffing numbers and other mandatory allowances for budget consideration	Going	DPM, DoT with Agencies	Relieve misinterpretation of data's
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## 9. CENTRAL SUPPLY & TENDERS BOARD

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

2018	MIDYEAR	AGENCY		Period of Reporting: As at 30 <sup>th</sup> June, 2018		
	268	CENTRAL SUPPLY AND TENDERS BOARD		Divisions : Training, Market/Industrial Development, Compliance & Audit (TMCA).		
				Duration of PFM Road Map: FEB 2015 - DEC 2018		
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI – 9	Public Access to Key Information	D	Yes	<b>Reforms in Procurement Planning</b> <ul style="list-style-type: none"> <li>• Develop procedures for submission of Procurement Plans</li> <li>• Establish an independent procurement system</li> <li>• Establish a MIS for procurement complaints</li> <li>• Establish a Complaint unit</li> </ul>
III	Asset and Liability Management	PI - 11	Public Investment Management	D	Yes	

## CENTRAL SUPPLY AND TENDERS BOARD

### SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>17.</b>	<b>Procurement Planning</b>						
17.1	In consultation with Finance, Treasury and Planning develop procedures for gathering 2016 procurement plans	Issuance of a Finance Instruction or Policy Instruction to all agencies on the submission of annual procurement and acquisition plans which is a mandatory requirement by March 28 <sup>th</sup> each year	<p>Since September 2015 awareness was conducted by CSTB Training Team during visit to Central Agencies, Provinces, Districts and LLGs that PROCUREMENT PLANS are a STATUTORY REQUIREMENT.</p> <p>No instruction was issued for 2016 Financial Year.</p> <p>CSTB conducted a review and awareness of the existing Procurement Planning Procedures (as per the PFMA and Good Procurement Manual [GPM])</p>	CSTB, DoF and DNPM	CSTB TMCA	Nov-15	Dec-16
17.2	CSTB to review structure and raise current staff ceiling for monitoring	<p>Establishment of a new Division – Training, Market/Industrial Development, Compliance &amp; Audit (TMCA) (with consultation DPM and DoF)</p> <p>Number of personnel recruited</p>	<p>CSTB has under the 2015 restructure established a new Division – Training, Market/Industrial Development, Compliance &amp; Audit (TMCA).</p> <p>Recruitment has been conducted with one more position to be filled.</p>	CSTB, DoF, DoT & DPM	CSTB TMCA, DoF CS, DoT BUDGETS & DPM	Apr-16	Apr-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
17.3	CSTB to establish an independent procurement complaint system and management information system for resolution of procurement complaints	Fully operational Procurement Complaint System  Upgraded Contract Registration System (CRS) - MIS.	Existing Procurement Complaint System needs reactivating through a Policy (Financial) Instruction.  This has not been effected as yet.  CRS (MIS) needs to be upgraded. A new complaint system new installation (Hardware and Software) started in February 2016	CSTB and DoF	CSTB - TMCA	Feb-16	Feb-17
17.4	Establish a Complaint unit to handle procurement complaint issues	A Complaints Handling Response Procedure to accommodate the requirements of Stakeholders (OC, AGO, ICCC, Police Fraud Unit, SSOI) in Compliant handling with CSTB and its responsible division.  Number of complaints registered	CSTB TMCA division and its section – Marketing initially will attend to all Complaints made through to CSTB Secretariat and establish contact with the other member stakeholders.	CSTB	CSTB TMCA	Feb-16	Mar-17

# CENTRAL SUPPLY AND TENDERS BOARD

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT

Division	Training, Market/Industrial Development, Compliance & Audit (TMCA).	Priority Action Area	Reforms in Procurement Planning			
	Branch	Activity 17	<ul style="list-style-type: none"> <li>Develop procedures for submission of Procurement Plans</li> <li>Establish an independent procurement system</li> <li>Establish a MIS for procurement complaints</li> <li>Establish a Complaint unit</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
17.	Procurement Planning					
17.1	In consultation with Finance, Treasury and Planning develop procedures for gathering 2016 procurement plans	Finance Instruction  Policy Instruction  Number of Procurement Plans registered	Annual Procurement cost	Nov 15 – Dec 16	Visited 5 provinces and 2 central agencies conducted training workshops  Reviewed existing procedures from collections, collation, tabling and submission of Plans (Head Of Agencies' approvals and to CSTB).	Funding shortfall to conduct workshops Professional negligence and arrogance by agencies Mandatory requirements and deadlines by all stakeholders and Agencies is not being observed and respected Procurement Units and Officers are not established within the Departments and Agencies – low skills and knowledge. The linking of Procurement Plans to National BUDGETTING is not effectively executed.
17.2	CSTB to review structure and raise current staff ceiling for monitoring	Establishment of a new Division – Training, Market/Industrial	The new approved organization	Apr 16 – Feb 17	Currently, the new Division has 4 out of 5 officers executing duties of training, Marketing,	New division with new functions and roles (mostly overlapping) resulting a slow progress.



		Development, Compliance & Audit (TMCA) (with consultation DPM and DoF)	structure		Compliance & Audits.	Need funds to build capacity and upskill officers and possibly whole of CSTB
17.3	CSTB to establish an independent procurement complaint system and management information system for resolution of procurement complaints	Fully operational Procurement Complaint System	Updated system report - eCRS and eRecords MGT of the CSTB registry documents	Feb 16 – Feb 17	The development of this system is being sourced to an IT company. Stage 1 of the eCRS review and eRecording of Registry Documents is near completion. A review of CIT was conducted.	Funding is the only setback (Lack Budget inclusion and submission)  Review and update of CRS and eDocumentation (eRecords) took place but incomplete.
17.4	Establish a Complaint unit to handle procurement complaint issues	<p>A Complaints Handling Response Procedure to accommodate the requirements of Stakeholders (OC, AGO, ICCC, Police Fraud Unit, SSOI) in Compliant handling with CSTB and its responsible division.</p> <p>Number of complaints registered</p> <p>Number of cases heard</p> <p>Number of cases solved</p>		Feb 16 – Mar 17	A new Division has been established the TMCA, taking the lead in handling procurement complaints. All stakeholders are being challenged by their own Acts when complaints are heard. Legal implications may impede the process due to the independence of various legislations at hand from for instance ICCC Act, AGO Act and the OC Act.	<p>Stronger (effective) and regular (efficient) communication amongst All stakeholders is required.</p> <p>At present (to date) the Complaint Handling is still a CSTB executive and procurement division matter.</p> <p>All stakeholders are independently and thru their Acts are attending to Procurement and related matters. Greater awareness is required.</p> <p>CSTB/TMCA has a Complaints Registry system (needs upgrading or review), has attended to:</p> <ol style="list-style-type: none"> <li>1) 15 Customer/Agency Complaints</li> <li>2) 04 Ombudsman Commission</li> <li>3) 03 RCPNG/Fraud Squad Office</li> </ol> <p>All the above are known cases involving TMCA were all satisfactorily settled.</p>

## OFFICE OF THE AUDITOR GENERAL

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

2017	MIDYEAR	AGENCY	Period of Reporting : As at 30 <sup>th</sup> June 2018			
	502	OFFICE OF THE AUDITOR GENERAL	Divisions :		Performance Audit	
			Duration of PFM Road Map :		FEB 2015 - DEC 2018	
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
VI	Accounting, Recording and Reporting	PI - 26	Accounts Reconciliation and Financial Data Integrity	D+	Yes	<b>Reforms in External Audit</b> <ul style="list-style-type: none"> <li>Raise Staffing in Performance Auditing</li> <li>Establish a unit to follow up PAC recommendations through the "Finance Minute"</li> </ul>
		PI - 27	Quality and Timeliness of in year Budget Reports	D	Yes	
		PI - 28	Quality and Timeliness of Annual Financial Reports	D	Yes	
VII	External Scrutiny and Audit	PI - 29	Independence and External Audit of the Governments Financial Statements	D+	Yes	

# OFFICE OF THE AUDITOR GENERAL

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>18.</b>	<b>External Audit</b>						
18.1	Increase staffing in Performance Auditing	The Auditor General proposed the number to be increased to 30 officers	<p>Currently ten (11) staff in the Division</p> <p>No New staff recruited in 2017 and to date due to Dept Of Personnel Management (DPM) restrictions on recruitment.</p> <p>The draft structure was completed and provided to the Human Resource Branch. The draft restructure was not approved due DPM recruitment restrictions. Further, AGO new organisational structure which was furnished to DPM for vetting, has not been granted approval and still pending.</p>	AGO	PAD Corporate Division Executive Division	Jan-16	Jun-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
18.2	Develop staff to conduct performance audits for significant public services	<p>The staff development is ongoing. AGO has send staff to ANAO for long and short term training as well as in- house training. Also on the job training as well in undertaking the audit assignment.</p> <p>Number of staff trained and certified</p> <p>Number of personnel on short term attachment</p> <p>Number of in-house trainings conducted</p> <p>Number of On-the-job trainings conducted</p>	<p>AGO has an ANAO advisor who is engaged for 3 years to guide and train the national officers on performance auditing.</p> <p>Two (2) staff attended short attachment at Melbourne State Audit office in August 2016.</p> <p>The office conducted in-house training on 1 July 2016 with help of ANAO advisor.</p> <p>An officer (team leader) attended 2 weeks performance audit workshop in China in November 2016.</p> <p>Two (2) offices attended and completed one year attachment with Australian National audit Office (ANAO) in years 2016 and 2017. The officers were on performance audit work attachment.</p> <p>In 2018, an officer on attachment at ANAO Canberra Australia for work experience in performance</p>	AGO	As above	Jan-16	Dec-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>auditing.</p> <p>Staff development is on-going. In-house training and on the job training are undertaken in audit assignments.</p> <p>Two (2) officers are participating in Pacific Association of Supreme Audit Institution (PASAI) and International Development Institution (IDI) sponsored Cooperative Performance Audit on Preparedness for Implementation of Sustainable Development Goals (SDGs) from December, 2017 to November 2018.</p>				
18.3	Create a suitable post/unit responsible for conducting follow-up of the PAC recommendations to raise issues through the issuance of "Finance Minute" to relevant government concerned.	The AGO 4 divisions/branches are responsible for the follow up of the PAC recommendations related to their portfolios.	Currently no unit has been created in the office. Requires AG and Divisional heads concurrence on the matter. At present there is no unit created in the AGO.	DoF(lead) /AGO	AGO PAD & NGAD/DoF	Feb-17	Jun-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			There are 4 divisions/branches within the AGO who are responsible for the follow up of the PAC recommendations related to their portfolios.				
			Within the DoF, the task of reviewing Audited Financial Statements lies within the FRCD, Frameworks Branch. Two officers within the branch are expected to perform this duty. The positions carrying this responsibilities are designated Senior Accountant – PAC and Accountant.	DoF(lead) /AGO	FRCD	Feb-17	Jun-17

# OFFICE OF THE AUDITOR GENERAL

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

Division	Performance Audit	Priority Action Areas	18. Reforms in External Audit			
Branch		Activity 18	<ul style="list-style-type: none"> <li>Raise Staffing in Performance Auditing</li> <li>Establish a unit to follow up PAC recommendations through the "Finance Minute"</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
18.	External Audit					
18.1	Increase staffing in Performance Auditing	Number of personnel recruited	Approved Structure	Jan16 - Jun17	<p>No new staff recruited in year 2017 due to recruitment freeze by Department of Personnel Management (DPM). However, AGO envisages that Performance Audit Division staff strength would be increased to 30.</p> <p>Currently ten National (11) staff in the Division</p> <p>The Branch Structure was not approved by Human Resource Branch due to Recruitment Freeze by DPM and Main AGO Organisation Structure submitted to DPM had not been granted approval.</p>	No structure has being approved by DPM, No budgetary support and slow recruitment process.

18.2	Develop staff to conduct performance audits for significant public services	<p>Number of Officers on Short Term attachment</p> <p>Number of in house training conducted</p>	HR Report	Jan16-Dec17	<p>Two (2) Staff completed 10 months attachment program at ANAO in 2016 and 2017.</p> <p>Two (2) staff attended short attachment at Melbourne State Audit Office in August 2016.</p> <p>An officer attended a 2 weeks Performance Audit Work Shop at Malaysia in July 2017 sponsored by Asian Association of Supreme Audit Institution (ASOSAI).</p> <p>An officer (team leader) attended attend 2 weeks performance audit workshop in China in November 2016.</p> <p>Two (2) officers participate in IDI/PASAI 6<sup>th</sup> Cooperative Audit on Preparedness for implementation of SDGs from December 2017 to December 2018.</p>	<p>Yet to develop the AGO performance audit manual. AGO does not have sufficient financial resources to attract experienced performance auditors both internal and external job markets.</p>
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					<p>Staff development is on-going. In-house training and on the job training are undertaken in audit assignments.</p> <p>One (1) staff is currently on attachment at ANAO Australia for performance auditing work experience from January to November 2018.</p>	
18.3	Create a suitable post/unit responsible for conducting follow-up of the PAC recommendations to raise issues through the issuance of "Finance Minute" to relevant government agencies concerned.	AGO internal report.	Finance Minute	Feb17-Jun17	<p>DoF and AGO have not discussed the matter, although the time frame is in 2017. AGO has its own internal arrangement to conduct the PAC follow up recommendations of PAC by the respective AGO Divisional Heads</p> <p>Currently no unit has been created in the office. Requires AG and Divisional Heads concurrence on the matter.</p>	The PAC recommendation's depends on the effectiveness of PAC. No discussion has taken place between the three (3) stakeholders.
		DoF has two approved positions in the Finance Reporting and Compliance Division Frameworks Branch. Designated with the responsibilities of reviewing PAC recommendations and reviewing audited financial statements submitted by AGO. Senior Accountant –	<p>Job Descriptions</p> <p>Finance Minute</p> <p>Approved Divisional</p>		<p>No progress has been made on the review of PAC recommendations or Audited Financial Statements review recommendations</p>	<p>This activity needs to be undertaken as it has been formally endorsed and incorporated into the JD's.</p> <p>The officers and division concerned have not aware of the said responsibilities.</p> <p>Both DOF and AGO needs to discuss the issuance of</p>

		PAC and Accountant.  Finance Minute from AGO	Structure			and receipt of a "Finance Minute".
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## OUTCOME 3: EFFICIENT SERVICE DELIVERY

### E. Performance of Public Service Against Service Delivery

- 93. An assessment will be conducted into the performance of public service to frontline service delivery units.** The performance of public service to frontline service delivery units such as schools and rural and urban clinics will be conducted by NEFC, NDoH, DPLGA, and NDoE as joint implementing partners. These agencies have formed a subcommittee and already reported to the PFM RMG on the design, the targeted areas for study, the data and other technical requirements and resources to enable this study.
- 94. The evaluation will be conducted on the reforms in determining if salaries and remunerations of the Public service in the Service Sector, particularly health and education are based on transparent and equitable rules.** The Terms of Reference was prepared and an evaluation design drafted. A subcommittee was formed ready to commence this process. NDoH, NDoE, DPLGA are responsible for providing the necessary data required for this assessment. DPM will be called to support where necessary.
- 95.** Funding support was the cause of the delay until Secretary Finance has approved the allocation of funding support for the team to conduct the evaluation study. And the timeframe reviewed. The subcommittee is currently waiting for finalisation of travel arrangements to travel to the four districts to conduct the review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules.
- 96.** The following forms are the agencies noted above.

## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT AND ROAD MAP PRIORITIES

### National Economic and Fiscal Commission

2018	MIDYEAR	AGENCY		Period of Reporting : As at 30 <sup>th</sup> June, 2018		
	507	NATIONAL ECONOMIC & FISCAL COMMISSION		Divisions/Programs : Policy Analysis		
				Duration of PFM Road Map : FEB 2015 - DEC 2018		
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 7	Transparency of Intergovernmental Fiscal Relations	B	Yes	<b>Reforms determination remuneration in if for Service Sector</b>
		PI - 8	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	Conduct analysis into determining if salaries and remunerations of positions of SNG in the service sector(health and education) are based on transparent and equitable rules
		PI - 9	Public Access to Key Fiscal Information	D	Yes	

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### NATIONAL ECONOMIC AND FISCAL COMMISSION

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Start Date	End Date
<b>19.</b>	<b>Determination of allocation of positions in education and other services for which salary support is provided to SNG</b>					
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	Evaluation Design for the actual analysis in 2017	Evaluation Design was completed and endorsed by the PEFA Sub-committee and sent to the Department of Finance	NEFC	Dec-16	Jan-17
19.2	Begin Analysis of SNG	Applicable in 2017	Funding support was approved, team to travel in whole of July 2018	NEFC	Jan-17	Oct-18

# SCHEDULE 3: NATIONAL ECONOMIC FISCAL COMMISSION

## DETAILED PROGRESSIVE REPORT YEAR-TO-DATE BY DIVISION/PROGRAM

Lead Division		Priority Action Areas	19. Reforms in the current rules and formulae's of applied in the determination SNG Salary/Grade levels for Public Service in the Social Sector – Health/Education			
Branch/Program		Activity 19	<ul style="list-style-type: none"> <li>Conduct analysis into determining if salaries and remunerations of positions of SNG in the service sector(health and education) are based on transparent and equitable rules</li> </ul>			
Activity No.	Activity	Performance Indicator/Outputs	Means of Verification	Timeframe	Progress Update (and achievement) towards KPI	Constraints/Reasons for Non-Achievements
19	Determination of allocation of positions in education and other services for which salary support is provided to SNG					
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	1. Evaluation Design 2. Implementation Plan 3. Monitoring & Evaluation Framework 4. Project cost 5. Field Survey Questionnaire 6. Terms of References	Sub-Committee meeting minutes No.1,2,3	Dec16 - Jan17	1. Evaluation was completed and endorsed by the PEFA Sub-committee. This includes the following; 2. Implementation Plan was completed and endorsed by the Sub-Committee 3. Monitoring & Evaluation Framework was completed 4. Project cost was completed but awaiting funding 5. Questionnaire was completed 6. Terms of References for stakeholders were	Activity completed

					completed	
19.2	Begin Analysis of SNG	Review Analysis in 2017		Jan17 - Oct 17	Funding support was approved by Secretary so the sub-committee will travel out to provinces for the evaluation and analysis in July 2018	Funding constraints has finally been provided so team will travel to the four districts.

		232	DEPARTMENT OF PROVINCIAL AFFAIRS AND LOCAL LEVEL GOVERNMENT	Period of Reporting: As at 30 <sup>th</sup> June 2018 Divisions : Internal Audit		
				Duration of PFM Road Map: FEB 2015 - DEC 2018		
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 7	Transparency of Intergovernmental Fiscal Relations	B	Yes	<b>Reforms in determination of remuneration for Service Sector</b>
		PI - 8	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	Conduct analysis into determining if salaries and remunerations of positions of SNG in the service sector(health and education) are based on transparent and equitable rules
		PI - 9	Public Access to Key Fiscal Information	D	Yes	



## #SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### DEPARTMENT OF PROVINCIAL AFFAIRS AND LOCAL LEVEL GOVERNMENT

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>19.</b>	<b>Determination of allocation of positions in education and other services for which salary support is provided to SNG</b>						
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	Stakeholder engagement meetings  Approved ToR for Evaluation  Approved evaluation design	Evaluation Design was completed and endorsed by the PEFA Sub-committee and sent to the Department of Finance	NEFC /DPLGA /NDoH /NDoE	Finance/Admin & Internal Audit	Dec-16	Jan-17
19.2	Begin Analysis of SNG	Analysis and research forms/template tool  Evaluation report findings  Analysis and research forms  Final report	No progress Applicable in 2017 (Awaiting Funding)	NEFC /DPLGA /NDoH /NDoE	Finance/Admin & Internal Audit	Jan-17	Oct-17

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

#### DEPARTMENT OF PROVINCIAL AFFAIRS AND LOCAL LEVEL GOVERNMENT

Lead Division	Internal Audit	Priority Action Areas	19. Reforms in the current rules and formulae's of applied in the determination SNG Salary/Grade levels for Public Service in the Social Sector – Health/Education			
Branch(s)	Internal Audit	Activity 19	<ul style="list-style-type: none"> <li>Conduct analysis into determining if salaries and remunerations of positions of SNG in the service sector (health and education) are based on transparent and equitable rules</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
19.	Determination of allocation of positions in education and other services for which salary support is provided to SNG					
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	Functional Sub-Committee  Approved Evaluation Design  ToR	Evaluation Design	Dec16 - Jan17	<p>7. Evaluation completed and endorsed by PEFA Sub-committee. This includes the following;</p> <p>8. Implementation Plan was completed and endorsed by the Sub-Committee</p> <p>9. Monitoring &amp; Evaluation Framework was completed</p> <p>10. Project cost was completed but awaiting funding</p>	<p>Funding required for the evaluation to cover selected provinces</p> <p>Lack of accurate data</p>

					<p>11. Questionnaire was completed</p> <p>Terms of References for stakeholders were completed</p>	
19.2	Begin Analysis of SNG	<p>Approved Evaluation Report</p> <p>Analysis and Research Forms</p>	Final Report	Jan17 - Oct 17	<p>Funding support was approved by Secretary so the sub-committee will travel out to provinces for the evaluation and analysis in July 2018</p>	<p>Funding constraints has finally been provided so team will travel to the four districts in July of 2018.</p>

## 13. National Department of Health

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

2017	ANNUAL		AGENCY	Period of Reporting : As at 30 <sup>th</sup> June 2018		
			240	NATIONAL HEALTH DEPARTMENT	Divisions : Health Economics Planning	
					Duration of PFM Road Map :	FEB 2015 - DEC 2018
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 8	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	Reforms in determination of remuneration for Service Sector
		PI - 9	Public Access to Key Fiscal Information	D	Yes	Conduct analysis into determining if salaries and remunerations of positions of SNG in the service health sector are based on transparent and equitable rules

SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

NATIONAL DEPARTMENT OF HEALTH

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>19.</b>	<b>Determination of allocation of positions in health and other services for which salary support is provided to SNG</b>						
19.1	Prepare evaluation design for a review to determine if the allocation of positions for health and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	Approved evaluation design.  Evaluation design tool and adopted by the evaluation team  ToR	Evaluation team established as planned.  .	NEFC /DPLGA /NDOE /NDOH	Strategic Policy Division	Dec-16	Jan-17
19.2	Begin Analysis of SNG	Approved evaluation designs and analysis  Analysis  Research Forms	Evaluation team to use the evaluation tool to start the analysis and provide regular briefs to the government on the status of the analysis in the 2 pilot provinces.	NEFC /DPLGA /NDOE /NDOH	Strategic Policy Division	Jan-17	Oct-17

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT YEAR TO DATE BY DIVISION

### NATIONAL DEPARTMENT OF HEALTH

Lead Division	Policy and Planning	Priority Action Areas	19. Reforms in the current rules and formulae's of applied in the determination SNG Salary/Grade levels for Public Service in the Social Sector – Health/Education			
Branch / Program	Health Economics	Activity 19	<ul style="list-style-type: none"> <li>Conduct analysis into determining if salaries and remunerations of positions of SNG in the service sector(health and Education) are based on transparent and equitable rules</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
19.	<b>Determination of allocation of positions in health and other services for which salary support is provided to SNG</b>					
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	<p>Establishment of the valuation team consisting of the relevant central agencies &amp; led by NEFC</p> <p>Develop the evaluation design tool</p> <p>Cost of service delivery</p>	<p>Evaluation team in place</p> <p>Evaluation Design</p> <p>Tool developed and tested</p>	Dec16 - Jan17	<p>12. Evaluation was completed and endorsed by the PEFA Sub-committee. This includes the following;</p> <p>13. Implementation Plan was completed and endorsed by the Sub-Committee</p> <p>14. Monitoring &amp; Evaluation Framework was</p>	<p>Funding required for the evaluation to cover selected provinces</p> <p>Lack of accurate data</p>

					<p>completed</p> <p>15. Project cost was completed but awaiting funding</p> <p>16. Questionnaire was completed</p>	
19.2	Begin Analysis of SNG	<p>Analysis and Research Tools</p> <p>Analysis done in two pilot provinces i.e. one well off versus one less well-off provinces</p>	<p>Final Report</p> <p>Regular briefs being provided to the PEFA team</p>	Jan17 - Oct 17	<p>The needed funding support was approved by Secretary Finance so the team will travel out to conduct analysis in the four pilot districts.</p>	<p>The sub-committee to finalize travel arrangements for this exercise</p>

## 14. National Department of Education

### SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

2017	ANNUAL	AGENCY	Period of Reporting : As at 30 <sup>th</sup> June 2018			
	236	NATIONAL DEPARTMENT OF EDUCATION	Division : FINANCE			
			Duration of PFM Road Map : FEB 2015 - DEC 2018			
Pillar	PEFA Framework Description of the Pillar	PI	PEFA Framework Performance Indicator(PI)	2015 PEFA Report Indicator Rating	Critical to Improved Performance	Priority Areas
II	Comprehensiveness and Transparency of Budget	PI - 8	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	Reforms in determination of remuneration for Service Sector
		PI - 9	Public Access to Key Fiscal Information	D	Yes	Conduct an analysis into determining if salaries and remunerations of positions of SNG in the education sector are based on transparent and equitable rules



## SCHEDULE 2: NATIONAL DEPARTMENT OF EDUCATION

### SUMMARY OF KEY PRIORITY ACTIVITIES

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
<b>19.</b>	<b>Determination of allocation of positions in education and other services for which salary support is provided to SNG</b>						
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	An approved evaluation design  ToR	Evaluation Design was completed and endorsed by the PEFA Sub-committee and sent to the Department of Finance  Completed the terms of reference for the study in consultation with sub-committee NEFC as a lead agency.	NEFC /DPLGA /NDOE /NDOH	DoE	Dec-16	Jan-17
19.2	Begin Analysis of SNG	An evaluation analysis  Research methods	NEFC as lead agency is working on the evaluation analysis based on the terms of reference for the department.  The analysis will commence after the evaluation following the assessment by the stakeholders.  Field Survey Questionnaire will be used.	NEFC /DPLGA /NDOE /NDOH	DoE	Jan-17	Oct-17

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

Lead Division	Payroll HROD and Finance	Priority Action Areas	19. Reforms in the current rules and formulae's of applied in the determination SNG Salary/Grade levels for Public Service in the Social Sector – Health/Education			
Branch	Budget and Planning	Activity 19	<ul style="list-style-type: none"> <li>Conduct analysis into determining if salaries and remunerations of positions of SNG in the service sector(health and education) are based on transparent and equitable rules</li> </ul>			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
19.	Determination of allocation of positions in education and other services for which salary support is provided to SNG					
19.1	Prepare evaluation design for a review to determine if the allocation of positions for education and other services for which salary support is provided to SNGs is based on transparent and horizontally equitable rules	Approved design evaluation	Evaluation Report  Minutes of Meeting	Dec16 - Jan17	Evaluation Design was completed in consultation with the sub-committee and with NEFC as a lead agency. It was endorsed and sent to the Department of Finance  It comprised of the following: 1. Evaluation Design;  2. Implementation Plan;	Activity completed

					<p>3. Monitoring &amp; Evaluation Framework</p> <p>4. Project cost</p> <p>5. Field Survey Questionnaire</p> <p>6. Terms of References</p> <p>Attended three sub-committee meetings on the terms of reference.</p>	
19.2	Begin Analysis of SNG	Analysis tool employed	Evaluation Report	Jan17 - Oct 17	<p>The needed funding support was approved by Finance so the sub-committee will travel out to the our pilot province in July 2018</p>	<p>The sub-committee will finalize travel arrangements for SNG analysis and survey.</p>

## F. Summary of Donor Support to PFM

A matrix of PFM support by Donors to the GoPNG as of December 2017

No:	Donor and Type of PFM support	National Agency
1	<p><b>DFAT &amp; UNDP</b> Provincial Capacity Building (PCaB) supports;</p> <ol style="list-style-type: none"> <li>1. Enhancing accountability and transparency within PNG public finances</li> <li>2. Capacity building for Provincial and District Treasuries</li> <li>3. Improving financial management capacity at subnational levels</li> <li>4. Minimizing risk of corruption</li> <li>5. Establishing Public Expenditure &amp; Fiscal Accountability frameworks</li> <li>6. Supporting efforts for the rollout of the IFMS in provinces</li> <li>7. Monitoring of national and subnational PFM indicators</li> </ol> <p>New initiatives trialled include;</p> <ol style="list-style-type: none"> <li>1. SMS approach for combating corruption</li> <li>2. Improve mobile communication (voice and data) for all Provincial and District Finance Offices (with Digicel)</li> <li>3. Social accountability as baseline information for new PCaB provinces</li> </ol> <p>There are advisers in 10 Provinces focusing on bank reconciliation, monthly financial reporting and increasing compliance. A review of PCaB is underway and there is intention to extend PCaB until 2019.</p>	DoF
2	<p><b>DFAT</b> Provincial Local level Governments Program (PLGP).</p> <p>The program's PFM support includes assistance in;</p> <ol style="list-style-type: none"> <li>1. Integrated budgeting and planning,</li> <li>2. Internal revenue forecasting, collection and usage</li> <li>3. Better integration of Provincial and District Finance Offices with Provincial administrations</li> <li>4. Procurement regulations and processes,</li> <li>5. Personal emoluments and payroll over-runs-loss of revenue, and cash flow blockages, and</li> <li>6. Continued support to National Economic Fiscal Commission (NEFC) work on the Reform of Inter-Governmental Financing Arrangements (RIGFA) and annual Provincial Expenditure Reviews.</li> </ol>	National Agencies i.e. DPLGA, NEFC, Finance, DIRD and Provincial and District Administration.

3	<p><b>DFAT</b> Economic and Public Sector Program (EPSP) PFM advisory support in;</p> <ol style="list-style-type: none"> <li>1. Department of Treasury - Financial Management Advisor, Support to the Budget Review, Economic Policy Coordination and Governance.</li> <li>2. Internal Revenue Commission - Governance and Change Management Advisor,</li> <li>3. Internal Revenue Commission - Internal Integrity Advisor,</li> <li>4. Public Accounts Committee - Legal Counsel, and</li> <li>5. Department of Finance - General Ledger Branch and Trust Account Management</li> </ol>	Department of Finance, Treasury, IRC, PAC
4	<p><b>DFAT</b> Strongim Gavman Program (SGP) and Twinning</p> <ol style="list-style-type: none"> <li>1. Department of Treasury – Senior Policy Advisor, Senior advisor at Budgets Division, 2 x Advisor Structural Policy and Investments, 2 x Advisor revenue and forecasting and Revenue policy</li> <li>2. Department of Finance - Senior Strategic Management Advisor and Internal Audit Advisor</li> <li>3. Auditor General's Office – Audit Management Advisor, and Provincial Service Performance Advisor</li> <li>4. Internal Revenue Commission – Senior Advisor and x2 Advisor at Taxation Audit</li> </ol> <p>SGP support in Finance is helping to increase accountability in PNG's budget execution, encourages greater levels of PFM rules compliance and helps steer the strategic direction of the Dept. The planned advisory support to AGO will contribute to increase financial and service delivery accountability</p>	Department of Finance, Treasury, AGO, IRC
5	<p><b>DFAT</b> Public Sector Audit Program (PSAP)</p> <p>This is small grants program that supports training facilities, equipment and workshops. SGP Internal Audit Advisers through PSAP have helped increased the number of Provincial Audit Committees from 17 to 36 since 2008.</p>	Department of Finance And Provinces
6	<p><b>DFAT</b> <b>Policy Development Activities</b> - Four Service Delivery Support Activities are now being implemented and are designed to:</p> <ol style="list-style-type: none"> <li>a. Increase the timeliness, reliability and targeting of <b>cash flows to provinces</b>;</li> <li>b. Deliver a <b>provincial performance audit</b> (to better understand and foster accountability in the PNG system);</li> <li>c. Analyse the <b>role of provincial and district finance offices</b> and provide GoPNG options for policy reform;</li> <li>d. Understand and provide <b>reform options for Health Facility Financing</b> (in cooperation with AusAID's health sector)</li> </ol>	

7	<p><b>EU</b>  <b>Institutional Capacity Building of the National Authorising Officer's System in PNG programme phase 2 (ICB 2)</b></p> <p>The overall objective of the programme is to contribute to the strengthening of the mobilisation, management and coordination of all international development assistance to PNG, ensuring its effectiveness and alignment with national strategies and development plans.</p> <p>60% of the funds of the Technical Cooperation Facility under this programme are reserved for actions in support to Public Financial Management reforms.</p> <p>Ongoing support to PFM includes contribution to review the Financial Framework, Procurement Policy, to improve the Financial Audit function, for the roll out of the Integrated Financial Management System, improve Cash Management, and for Behavioural Change.</p>	<p>Department of National Planning and Monitoring and Department of Finance</p>
8	<p><b>EU</b>  <b>Joint Institutional Assessment of Country Systems of the Department of Education (DoE)</b></p> <p>The objective of the project is to strengthen the ability of the DoE to implement the Universal Education Plan (UBE), which also includes upgrading the PFM system (against international benchmarks) consequently paving the way for the increase of use of PFM country systems to channel ODA funds.</p> <p>The project, which was divided in 2 phases, consisted of:  <u>Phase 1</u>: An assessment of the DoE (covering central and Milne Bay provincial, district and local levels of the DoE) (Assessment released in May 2012)  <u>Phase 2</u>: Drafting a road map for sector reform (Road map released in April 2014)</p>	<p>Department of Education</p>
9	<p><b>ADB</b>  <b>Strengthening Public Financial Management Phase II</b></p>	<p>Treasury, Finance</p>
	<p>PFMTA Phase II activities include the following:</p> <ul style="list-style-type: none"> <li>i) Support for establishing financial and performance monitoring frameworks for statutory bodies within the Department of Finance;</li> <li>ii) Advisory services and analysis for the evaluation of a proposed Infrastructure Development Authority; and</li> <li>iii) Analysis of sub-national funding mechanisms and their potential to be used for counter-part funding contributions towards ongoing infrastructure projects.</li> </ul>	
10	<p><b>ADB</b>  <b>Supporting Anti-Money Laundering and Counter Terrorism Financing in PNG</b></p>	<p>DJAG</p>

	Support to provide the PNG Government with expert legislative technical drafting assistance to assist in converting newly developed AML/CFT policies into Financial Action Task Force (FATF) and Asia Pacific Group (APG) compliant laws and regulations.	
<b>11</b>	<p><b>ADB</b></p> <p><b>Supporting National AML Risk Assessments in the Pacific</b></p> <p>Support for undertaking AML-CFT National Risk Assessment's in line with the revised 2012 FATF standards.</p>	DJAG/BPNG
<b>12</b>	<p><b>ADB – SOE Reform and Capital Market Development (PSDI Phase III)</b> Regional technical assistance facility co-financed by ADB, DFAT and MFAT. Ongoing activities in PNG relevant to PFM include:</p> <p>Reform of capital markets and the financial sector including microfinance and superannuation regulation and business environment;</p> <p>Reform of business legislation and regulation, including support for collateralized debt frameworks;</p> <p>Reform of State-owned Enterprises (SOEs) and promotion of public-private; partnerships (PPPs) including transaction advisory services (PNG Ports, NAC) and the implementation of Government's Community Service Obligation (CSO) policy;</p> <p>Promotion of competition policy frameworks and consumer protection.</p>	BPNG, Treasury, IPBC, SOE's, DPE et al.
<b>13</b>	<p><b>WB</b></p> <p><b>Reports on Observance of Standards and Codes (ROSC) Accounting &amp; Audit</b></p> <p>The ROSC AA assessment focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting and includes both a review of both mandatory requirements and actual practice. For the PNG ROSC AA there is a specific focus on SOE, SME, and the CPAPNG.</p>	Treasury (Secretary of Finance continue to support the ROSC following the ROAC Assessment, but has requested Treasury take on responsibility for implementation)
<b>15</b>	<p><b>WB</b></p> <p><b>Health Sector Public Expenditure Review and evaluation of rural health function grant; technical assistance to National Department of Health (NDOH) on public financial management.</b></p>	National Department of Health

	<p>Reports "Below the glass floor" and "In search for solution" review expenditure by provincial administrations on rural health from health function grants and provincial internal revenue" from 2006 -2012. Technical assistance builds the capacity of NDOH to conduct similar analyses in-house and assist in budget preparation, submission and execution.</p>	
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