



# PUBLIC FINANCIAL MANAGEMENT MID YEAR REFORM MONITORING REPORT

DRAFT

December 2016

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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

## PUBLIC FINANCIAL MANAGEMENT REFORMS

### ANNUAL REPORT

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#### Purpose

1. **This Report is the 2016 annual report by the Government on the progress of the implementation of Public Financial Management reforms in the Public Expenditure and Financial Accountability (PEFA) Road Map 2015 – 2018.** The report highlights key priority areas for implementation by 13 key national departments and agencies. The purpose of the report is to provide evidence that progress is being made in the first year of implementation 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 first annual 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.
3. **PFM Reform monitoring is aimed at ensuring that the critical weak link areas will be 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 are originating from the PEFA Road Map 2015 – 2018.

6. **The Reporting Schedules were formally 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 and the final updated report was due to be submitted in the last week of November. During the year consultations were held with agencies in the Road Map. DoF met with DoT, DPM, DNPM, CSTB, DPLGA, NEFC, NDoH and NDoE. Delays in submission of the final reporting schedules were realised from CSTB and NSO including the two division of DoT in Macroeconomic Policy Division and Financial Management Division with two divisions of DoF in Internal Audit Division and Financial Control Division. However, after series of repeated follow ups the schedules were provided in late December. The delay was resulted from the new management not fully aware of the PEFA assessments, Government policy directions on PEFA and the PEFA Road Map.

## 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 and 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 next 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 report contains the results of the PEFA Road Map implementation for the first year in 2016.
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.

*Implementing Agency - Department of Treasury*

**Pillar II. Transparency of public finances**

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

*Implementing Agency – Department of Treasury*

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

*Implementing Agency (IA) – Department of Finance*

Performance information on service delivery.

*Implementing Agencies 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.

#### **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 Department of Finance with key Government agencies formed the PFM Reform Monitoring Group (RMG).** The PFM RMG convened two quarterly meetings in year 2016, both chaired by Secretary for Finance. Member agencies of the PFM RMG are DoF (Chair), DoT, DNPM, DPLLGA, PMNEC, AGO, IRC, PNG Customs Service, NEFC, NDoH and NDoE and NSO, DPM and CSTB, a total of 14 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, Hon. James Marape. The PFM reforms impacts 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 has led the Financial Framework Review Technical Working Group comprising of Central Agencies, hence AGO, Works, Health and Education Departments, CSTB and CLRC in reviewing the financial legislative Framework on the time 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 Amended Bill was passed in the August sitting of Parliament with consequential amendments to other related legislations.
14. **The Integrated Financial Management Systems Program has been rolled out to 32 government departments and agencies to date.** IFMS configuration for Central Agencies is unsuitable for Statutory Authorities. Hence, a Business Case was approved in March 2016 to design and configure a suitable workplace in IFMS for Statutory Authorities and SNGs. A platform has been prepared for an initial pilot trial at IRC. Business requirement workshops were held with IRC to determine system requirements and mapping configuration in April 2016. Due to the absence of suitable ICT infrastructure, the DoF has sourced Digicel Internet Network that is being rolled out to agencies in conjunction with the IFMS roll out. This is a separate project initiated by the DoF to support the IFMS roll-out. The 32 national departments were covered and commencing on two provinces as of 30 September 2016. The plan was to cover the 100% of central government agencies and provincial government in 2017 and 2018 respectively.
15. **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 in replacing the Central Supply and Tenders Board. Capacity issues 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. Upon approval NEC directed rafting of Procurement Legislation. All other mandatory requirements has been met hence the drafting instruction of National Procurement Policy and the draft legislation is currently awaiting final NEC endorsement to be tabled in Parliament.

16. **The National Governments Cash Flow forecasting operations is being reviewed by DoF with the assistance of PFTAC.** This is to enhance monitoring and reporting operations of cash liquidity in Waigani Public Accounts and the momentary 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.
17. **Macroeconomic statistics have not been released since 2006.** However, as at 31<sup>st</sup> December 2016, 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.
18. **The Department of Treasury is implementing major medium term policy reforms through 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.
19. **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.
20. **Development Partners support through the provision of Technical Specialist has been requested by the DoF to support in various PFM reforms in the road map.** Highlighted areas included of the review of the procurement system, capacity building program and in legal 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 and UNDP held their third meeting in June with the DoF. 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.
21. **In compiling of the reporting forms all IA had provided their feedback in reasonable time.** However, significant delays were experienced from DoT and NSO. There was information mismatch in the columns for KPIs and Means of Verification. IA had sought management approval prior to forwarding their schedules.
22. **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.

23. **In the activities leading to PFM, DoF has completed 2 activities 1.1 and 3.1.** good Progress is being made in IFMS rollout, Financial Framework Review, Banking Framework and the Cash flow Forecasting. No Progress has been made in developing a comprehensive plan by CD for Bank reconciliations and AFS. Under FFR the PFMA (Amendment) Bill 2016 has been passed in Parliament in the August 2016. 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.
24. **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 is yet to be developed by DPM. Increasing the number of personnel in Performance Auditing at AGO is slow. The evaluation of service delivery by NEFC, DPLLGA, NDoH and NDoE has not commenced as yet. Consultations are ongoing 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 six districts in the country on fact findings exercise after the 2017 NGE.

## OUTCOME 1: AGGREGATE FISCAL STRATEGY

### A. Macroeconomic Management

#### Unified Annual Budget

25. **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 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.
26. **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 given some sensitive areas that needs addressing first such as manpower transfers, if another department is willing to merge the budgeting function under the other. The CBORs<sup>1</sup> outlines 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 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.
27. **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 states that capital projects must only be implemented by DoW. Activity 14.1 has seen the formal adoption of this budget planning process in the 2016 budget. However, the full extent for absorption of capital projects into the

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

recurrent budget is not clearly mapped in the 2016 Budget according to Activity 14.2 under DNPM.

### Managing Medium Term Fiscal Risks

28. **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
29. **Demarcation of economic items of contingency items was not implemented in the 2016 Budget.** There needs to be clear demarcation in the description of the contingency under the economic item for contingencies.

### Revenue Planning and Cash Flow Management

30. **The 2016 FBO revealed that K11, 722.10 million of total aggregate revenue collected as at 31<sup>st</sup> December 2016 was below the 2016 total approved revenue budget of K12, 650.1 million<sup>2</sup>.** The FBO are based on the rebased nominal GDP as released by the National Statistic Office as at December 2016. The short fall of K 928.0 million, is being attributed to the effects of low world commodity prices, imbalance foreign currency market, a downward trend in collection of tax and non-tax receipts, and significant impacts from El Nino droughts in 2015 and 2016.. A Cash Flow Forecasting System has been drawn up by the DoF and is currently under review by stakeholders. It will improve the cash forecasting procedures; cash forecast revisions including releasing of warrant authorities.
31. **Reconciliations of accounts by IRC and Customs to pool cash into WPA is anticipated to be performed on a daily basis.** PNG Customs service was reconciling after one week. The consequential amendment was made to PFMA on 100 percent transferal of revenue collections to WPA by other revenue collecting agencies through Revenue Sharing and or With-holding arrangements. Hence, MVIL and Worker’s Permit Trust Account Revenue Collection Arrangements is that 100% collections are deposited into CRF
32. 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.

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<sup>2</sup> Mid Year Economic and Fiscal Outlook 2016, Page 13

### Improving Debt Management Practices

34. **The total debt to GDP ratio based on the new 2016 rebased nominal GDP is 32.6 percent.** That is 2.6 percent above the legislated debt limit of 30% according to the Fiscal Responsibility Act. The total central government debt at the end of 2016 stood at K21, 944.0 million or 32.6% of GDP. This is a K3, 977.1 million or 22.1% increase in debt level from year 2015 to 2016. Debt sustainability is measured by Debt to GDP ratio. 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 2016.** The current CSDRMS has been now upgraded to cater for recording of On-lending and State Guarantees. Due to capacity issues in staffing State Guarantees have not been recorded in the upgraded version of CSDRMS. It is unclear if PPPs are covered.
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 this year. This will be translated into a Guarantee Policy and a Borrowing Policy. These government policies strengthen the process through which state entities could apply for loans and guarantees.

### Improving Expenditure Management

37. **The total 2016 aggregate approved expenditure budget is K14, 208.8, however with supplementary budget it reduced to K11, 770.4 million for both recurrent and the investment budget including the interest payments on public debt<sup>3</sup>.** Hence the original approved budget ceiling has been revised downward to K11, 770.4. However, movement of K21.5 million due to transfers between appropriations has occurred between the recurrent (operational) and Investment budget to support major policy initiatives of government.
38. **As at 31 December 2016, total warrant authorisation was K11, 148.6 million from the revised budget of K11, 770.4 million with K621.8 million or 5.3 percent lower than the revised budget of 2016.**

The low expenditure has been attributed to the;

- Effects of revenue short falls thereby affecting cash flow.
- Delays in implementing development projects due to projects being in design stages.

As at December 31st most Investments projects warrants requiring APC's have not been issued due to the cash flow requirements (refer to DoT Activity 13.11).

39. **As at 31<sup>ST</sup> December 2016 total aggregate supplementary Budget on Economic Items Goods and Services and Personal Emoluments excluding debt servicing, donor grants and loans was K 11,770.4.0 million.** Expenditure against Goods and Services was K1, 885.2 million whilst Personnel Emoluments was at K 4, 464.1 million which is K6, 349.3 million of the approved budget.

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<sup>3</sup> Mid Year Economic and Fiscal Outlook 2016

40. **Budget funded trust accounts have been established since 2005 for major National and Provincial Investment Projects to prevent inflationary pressures and allow for implementation of capital projects without delays.** The opening Balance for budget funded trust accounts as at 1<sup>st</sup> January 2016 was K318.8 million. As at December 31<sup>st</sup> the closing balance was K169.9 million whereby K113.0 million was expended. An intensive plan (Activity 13.10) to convert all existing trust accounts to a free cash balance status as well as a plan with estimates of the reduction in the costs of Governments short term borrowing is being drafted.
41. **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.
42. The following is the progressive update of PFM reforms from the Department of Treasury.

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

### 1. Department of Treasury

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at June 30 <sup>th</sup> 2016		
	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
II	Comprehensiveness and Transparency of Budget	PI - 4	Classification of Budget	C	Yes	Incorporate in annual budget Medium Term Revenue and spending estimates with

2016	QUARTER FOUR		AGENCY	Period of Reporting : As at June 30 <sup>th</sup> 2016		
		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
		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	
	Policy Based Planning and Budgeting	PI - 15	Revenue Budgeting	C+	Yes	Establish a comprehensive
		PI - 16	Medium Term Perspective in Expenditure	D	Yes	database on government loans,



2016	QUARTER FOUR		AGENCY	Period of Reporting : As at June 30 <sup>th</sup> 2016		
		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
			Budgeting			guarantees and PPPs
		PI - 17	Orderliness and Participation in Annual Budget Preparation Process	C+	Yes	Establish a unit to monitor financial position and fiscal risk of SOE's, Statutory Bodies and Provinces
VI	Accounting, Recording and Reporting	PI - 18	Legislative Scrutiny of Annual Budget Law	D+	Yes	
		PI - 21	Predictability in the Availability of Funds to Support Service Delivery	D+	Yes	

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### DEPARTMENT OF TREASURY

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	Activity out-put due in 2016 budget however was not implemented. Now output is due in 2017 budget.  Secretary's Advance under Division 207.	This activity has been delayed in 2016 budget. The new timeframe will be October - November 2017	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.	Unified Budget Book with Operation and Capital. Except for budget formulation process which is being performed by Line agencies	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.	It is a budget requirement that all Government funded agencies and Provincial Government provide revenues-generated internally to Treasury.  This activity is achieved through enactment of the consequential amendments and amended of PFMA.  The 2016 & 207 Budget includes GST and Bookmakers	DoT	EPD	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
			Turnover Tax to provinces at aggregate level. The immediate 2014 GFS focus is on fixing the budgetary transaction this year. Once completed will extend the coverage to extra-budgetary, SNG internal revenues, CSA's and SOE revenues. Treasury will work with DoF to address this as well as creating the balance sheet for the General Government statistics.				
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	The 2016 & 2017 Budget includes GST and Bookmakers Turnover tax to provinces at aggregate level. Treasury will continue to implement the 2014 GFS to include other SNG internal revenues & CAS revenues.	DoT	EPD	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	The final Budget estimates as per demographic items are based on cost of services.	DoT	Budgets	Jan-16	Sep-17
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	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

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	fully implemented.						
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>DoT 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 expenditure are tied to the MTDP2, fiscal policy and strategy of the Government. Hence the 2017 Budget including the 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 &amp; 2016 budget.</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>	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
13.7	Establish a Forward Estimates Planning Committee by 2015 for consultative planning on revenue estimates	Functioning Forward Estimates Committee on Revenue by 2015	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. A formalised FEC is yet to be established.	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	A draft report on cash flow forecasting system has been drafted in June 2013 looking at forecasts from trust accounts. The report is yet to be finalised.	DoT DoF	FED FCD	Mar-16	Nov-17
13.11	Reduce time lag for release of warrants and APC for major procurement	Number of APC's approved per quarter	Due to the cash flow availability APC's have been delayed. Release of warrants on a timely basis has been affected by the availability of cash flow	DoT	Budgets	Jan-16	Dec-17
13.12	Develop MTBF by 2018	Medium Term perspective in budgeting. Coverage and content of sector strategies.  A National medium term budget frame work that takes into consideration all budget Sector/agencies fully costed medium	System requirements associated with proposed reforms to the Budget Process for PNG have been produced and discussed with IFMS since 2014.	DoT	EPD/Bud	Feb-18	Nov-18

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		term budget submissions/strategy by 2018.	Plans are underway to get line agencies involved in developing the MTBF				
13.13	Develop a Medium Term Budget Outlook by 2020	Revenue Budgeting. Medium term forecast of revenues.  Medium Term perspective in expenditure budgeting.  Credible Fiscal Strategy. Preparation and use of macro-economic forecasts as basis for annual and medium term budgets.  Approved MTBO by 2020	System requirements associated with proposed reforms to the Budget Process for PNG have been produced and discussed with IFMS since 2014.  Plans are underway to get line agencies involved in developing the MTBO	DoT	EPD	Jan-2017	Dec-2017
13.16	A high priority should be the preparation by Treasury of a comprehensive database on government loans, guarantees and Public Private Partnerships (PPPs) (by end 2016)	Fully operational debt recording system for various debt portfolios - guarantees, loans, PPPs	CSDRMS has been updated to register and record guarantees. The PPP legislative framework is awaiting gazettal to be operational, Thus the absence of a PPP Office to do monitoring, reporting etc.	DoT	SPID	Oct-15	Oct-16
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.	Fully functional Strategy and Risk management unit	Strategy and Risk Management unit has been formed.  DoT through SPD has branch that monitors SOE performance using the statement F and quarterly dashboard exercise. The Quarterly Dashboard is a financial reporting and	DoT	FMD	Oct-16	Oct-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			benchmarking exercise done every quarterly by SOE's and provided to KCH which then provides to DoT/SPD,  DoT uses these reports to monitor SOE performances.				
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	A Framework for the Guarantee Policy and Centralized Borrowing has been completed by the ADB Consultant in April 2016.  Currently, DoT is awaiting ADB to provide another technical assistance to assist (DoT) to expand on the draft framework and to complete the Guarantee Policy and Centralized Borrowing Policy.	DoT	FMD	Jan-16	Dec-17

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

#### DEPARTMENT OF TREASURY

Lead	BUDGETS DIVISION	Priority Action	Reforms in Revenue Planning, Budgeting, Debt Management and monitoring of
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Division		Areas	Fiscal Risks			
Branch	Economic Administrative Social Law & Justice Provinces(lead) CSA's	Activities 6 and 13	<b>6. Enabling all revenues and expenditures through the budget</b> <b>13. Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.</b> <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> 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)			
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
<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	Details of Classification of Contingency Economic items	2017 Budget	Oct 2016 – Nov 2016	This activity is yet to be implemented.  There is no contingency funding in the budget. However, usually the Treasury Secretary Advance under Division 207 has been used as a Contingency Item.	
<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	Printed concepts (test documents) for cross checking  Minutes of Taskforce Meetings	Jan 2016- Jan 2017	YTD, there is a unified budget document reflecting both capital and operational budget under each agency.  Work is in progress for capital and operational alignment  Work is in progress for unified budget process.	At this stage, the formulation of the budget still remains under separate agencies and cannot be unified or brought under a single agency given some sensitive areas that needs addressing first such as manpower transfers, if another department is willing to merge the budgeting



			Annual Budget		<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>	function under the other etc.
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.	<p>All extra budgetary revenues included in the Budget</p> <p>Weekly Report to PDC</p>	<p>Standard reporting template</p> <p>Volume one of Budget Books contains all revenues</p>	Jan 2016 – Nov 2016	<p>This activity is ongoing between DoF and DoT.</p> <p>2016 Budget included 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.</p>	This activity will lead to changes in legal frameworks for government agencies involving cost sharing arrangements. It may lead to delays in implementation
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	Jan 2016 – Nov 2016	<p>Discussions are ongoing between DoT and DoF.</p> <p>Department of Treasury is working on it through the</p>	

			budget		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.	MYEFO – mid-year reporting of budget implementation and budget movements.	Drafts of documents for review	Jan 2016 – Sep 2017	2016 MYEFO released. Any shifting of funds from recurrent to investments budget and between appropriations to other priorities of the government are reflected in this report.  Treasury is working on that however, such items are always dictated by the Members of Parliament.  1 <sup>st</sup> & 2 <sup>nd</sup> Stage Budget process in budget preparation	Expenditures in IFMS are lagging and not up to date resulting in reporting being lagged as well.
13.5	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.	“Pressures List” is a record of the approved government decisions that were made and/or announced and yet to be implemented.	Pressures List updated as at first quarter.	Jan 2016 – Jan 2017	Reviewed and update the Pressures list to Quarter 1 to include where necessary, the decisions with financial implications to the Government.  Estimates with the likes of Landowner sharing agreements continue to be included in current budgets though these were agreements from previous	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.

					Governments.	
13.11	Reduce time lag for release of warrants and APC for major procurement	Timely release of warrants from Treasury  Timely receipt of Warrant Authorities from Agencies	Projects are implemented on a timely basis	Jan 2016 – Dec 2017	<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 revenue coming into the Public Account</p>	Cannot fully execute as expected due to liquidity of cash flow as well as the inflow of revenue in the Public Account.

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.	<p>Revenue Budgeting. Medium term forecast of revenues.</p> <p>Medium Term perspective in 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>An operational Database for</p>	<p>2017 Budget IFMS reports to produce multiyear ceilings by agencies under each sector.</p> <p>System Reports on costs of resource envelope over the medium term</p>	Jan 2016 – Dec 2017	<p>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.</p> <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>Compliance by line agencies has been very slow. May be helped with IFMS rollout.</p> <p>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 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>

		government Policy Decisions  An operational data base on costs of resource envelope over the medium term				Review of the existing budget process  IFMS System configuration changes to cover medium term perspective
13.7	Establish a Forward Estimates Planning Committee by 2015 for consultative planning on revenue estimates	Functioning Forward Estimates Committee on Revenue by 2015  3 x consultation meetings between DOT, Finance NTRD, IR and Customs annually to discussing medium term revenue estimates	Minutes of meetings	Original timeframe Oct 2015 – Nov 2015  Now time frame Sep2016 – Nov 2017	DOT to inform the existing DoF-NTRD, IRC and Customs stakeholders regarding the discussions on forward year revenue estimates by August.  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.	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.
13.12	Develop MTBF by 2018	A national medium term budget frame work that takes into consideration all budget sectors and agencies fully costed medium term budget submissions or strategy	Each Agency to have a ceiling for the Budget year and the three forward years  Operational and Investment budget ceiling	Feb 2018 – Nov 2018	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.  May require review of the existing budget process	The functionality of setting operational and capital ceiling is present in IFMS but needs system configuration for medium term planning.  Drafts to be reviewed and discussed.

		Approved MTBF	which will be administered by Treasury.			
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	System requirements associated with proposed reforms to the Budget Process for PNG have been produced and discussed with IFMS since 2014.	<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.					
13.16	A high priority should be the preparation by Treasury of a comprehensive database on government loans, guarantees and Public Private Partnerships (PPPs) (by end 2016)	Update a registry for State Guarantee, On-Lending loans and PPS's 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	CSDRMS has also been upgraded to cater for recording, On-lending and State Guarantees.  Recording and reporting of Government issued guarantees, approval of all guarantees are only done by the DoT.	Due to staff capacity issues and lack of technical skills in using the upgraded version to record the State Guarantees, DoT has not entered the State Guarantee date in the CSDRMS. DoT will address this issue after there is a full staff capacity and all staff undertake training on the use of the New Version of CSDRMS.
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.	Fully functioning risk management unit  Number of submissions to NEC	Staff on Strength  Fiscal Risk report on SOE's, CSA and SNG  Report on financial positions of SOEs, CSA and SNG	Oct 2016 - Oct 2017	The entire DoT was restructured and Financial Evaluation Division (FED) was changed to Financial Management Division (FMD) in 2014.  Under the new structure a branch has been created and is called Strategy and Risk Management. This Branch is now monitoring the financial position and fiscal risks.	Due to staff capacity the Branch is unable to produce maximum output to date.

Lead Division	Structural Policy and Investment Division	Priority Action Areas	13.0 Reforms in Budgeting, strengthening debt management practices and monitoring of fiscal risks.			
Branch	Sectoral	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	A high priority should be the preparation by Treasury of a comprehensive database on government loans, guarantees and Public Private Partnerships (PPPs) (by end 2016)	<p>Approved policy on a centralised borrowing system</p> <p>Approved policy on a Guarantees</p> <p>Approved Framework for Guarantees and centralised borrowing</p>	System Reports	Oct 2015 – Oct 2016	<p>SPID supported FMD with the update of information on recording of On-lending and State Guarantees in to CSDRMS.</p> <p>The state Guarantee policy has been endorsed.</p> <p>The PPP is awaiting gazettal to be operational. Thus the absence of the PPP Centre to do monitoring of all PPP arrangements.</p>	<p>Due to staff capacity issues and lack of technical skills in using the upgraded version to record the State Guarantees.</p> <p>Fiscal positions for CSA, SNGs will need to be performed by SPID and FMD</p>
13.17	Monitor the financial position and fiscal risks of SOEs, statutory bodies, and provinces which would regularly provide submissions to NEC on significant fiscal risks.	<p>Fully functional unit for monitoring of financial positions of SOE's, SNGs and SNGs</p> <p>(DOT/SPD seeks clarification on the unit if it is to be established within DoT or DoF? – as there was a</p>	<p>Staff Strength on</p> <p>Fiscal Risk report on SOE's, CSA and SNG</p> <p>Report on financial</p>	Oct 2016 – Oct 2017	<p>SPID held regular meetings with FMD on to discuss fiscal positions of state agencies.</p> <p>DoT thru SPD has branch that monitors SOE performance using the Statement F and Quarterly Dashboard reporting exercise. The Quarterly Dashboard is a financial reporting and</p>	Capacity in staffing has delayed entering a full update of recording of all guarantees.



		Statutory bodies unit/branch created in DOF..)	positions of SOEs, CSA and SNG		benchmarking exercise done every quarterly by SOE's and provided to KCH which in turn provides to DoT/SPD.  DoT/SPD uses this reports to monitor SOE performances.	
13.18	Legislate and reinforce policies, procurement and reporting related to all Government Guarantees and Arrears to be covered by DoT	Number of Disciplinary guidelines and instructions issued that reinforces policies, procurement and reporting to DoT  Compliance instructions in place for all government Agencies to report to DoT both expenditures and liabilities (guarantees and arrears).	Reviewing the effectiveness of the enforcements (instructions etc).	Jan 2016 – Jan 2017	Compliance instructions in place for all government Agencies to report to DoT both expenditures and liabilities (guarantees and arrears). ▪ Less or very minimal guarantees and arrears from Government Agencies Ongoing	Need support and enforcement from Higher committees for a successful enforcement of Government reporting and disclosing of both expenditure and liabilities for an agency.

## B. Revenue Planning, Budgeting, Administration and Management

### Revenue Collection, Cash flow Forecasting and Management

43. **Revenue receipts from IRC, Customs and Non-Tax Revenues account for 99.5% of the total operational and capital receipts recorded into WPA.**<sup>4</sup> IRC and Customs alone account for 72% of total revenue whilst Non-Tax accounts 11% of the total revenue. Receipts from Non-tax revenues have been delayed. Revenues from all taxes including IRC, Customs, Non Tax Revenue and grants were 10.5 percent below forecast as at 31<sup>st</sup> December 2016<sup>5</sup>. However of these revenue collecting agencies, Non Tax revenue was 5 percent below forecast for Property income and 14.2 percent above actual projections for NTR in Departmental revenue.
44. **IRC is seeking to have the reconciliation functions automated through IFMS accounting.** PNG Customs Services has reconciled to February 2016.
45. **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 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.
46. **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.
47. **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 has been submitted by the DoF for legal clearance.
48. **In June, 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.
49. At December 31<sup>st</sup> 2016, revenue forecast<sup>6</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 43% 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

50. **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

<sup>4</sup> Department of Finance draft GoPNG Cash Flow System IMF PFTAC Report Page 24, 25

<sup>5</sup> Department of Finance GoPNG Cash Flow System IMF PFTAC Report

<sup>6</sup> Cash flow Forecasting System, p33.

estimates for revenue projections on a weekly, monthly quarterly and annual basis from IRC, Customs and Non Tax Revenue as well as others receipts for each financial year.

51. 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.
52. The Department of Finance undertook a cash pooling project and in May a draft report was released. The Cash pooling project was undertaken with the support of PFTAC. The mechanism which is still in discussion 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 no tax revenue receipts.

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

53. **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.
54. **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.
55. **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. As at April 2016, PNGCS reported a total of K2.4m in revenue arrears.
56. **An appeals tribunal has not been established in PNGCS as yet.** As at June 2016, no appeals were received by PNGCS.
57. Reconciliation of Non-tax revenue receipts at WPA is current not being performed for receipts form SNG. Non Tax revenue is developing a Non Tax revenue arrears registry to record Non Tax revenue arrears to the state.
58. The following is the progressive report from IRC, PNG CS and DoF – Non Tax Revenue Division.

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

### 2. Internal Revenue Commission

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at 31 <sup>st</sup> December 2016		
		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

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### INTERNAL REVENUE COMMISSION

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	<p>A Tax Reconciliation system is currently being developed.</p> <p>E-payments already established in SIGTAS</p> <p>IRC is liaising with DoF for the possibility to have the reconciliation functions performed on IFMS accounting system</p>	IRC	Corporate Services Division	Sep-15	Dec-17
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>Taxpayers Risk Exhibition Profile</p> <p>An active audit compliance plan or strategy for IRC.</p> <p>Operational Audit Compliance Plan</p>	<p>Initial process developed and is undergoing refinement.</p> <p>Tax audit have started initial discussions to develop the plan. This will also be dependent on the risk identification process</p>	IRC	<p>CSI</p> <p>Tax audit</p>	Nov-15	Jun-17
16.3	Update taxpayer education pamphlets and circulars, and other information dissemination to improve voluntary compliance with tax laws	Number of taxpayers voluntary compliance through tax education and awareness	<p>Updated tax information brochures.</p> <p>Updated website.</p> <p>Circulars have being issued to public.</p>	IRC	Policy & Advice	Sep-15	Jun-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
16.4	Review definition of 'revenue debt and arrears' within IRC legislation	Approved and fully operational audit compliance plan or strategy for IRC	Part of the SIGTAS Rollout program.  The Debt module is being tested by lead division.	IRC	Debt & Lodgement Enforcement	Jan-16	Jun-17
16.5	IRC to establish a risk management division to manage risk to revenue	Number of staff recruited for placement in the new division Automated debt recovery report  Identify capable staff for placement in the new division	Case Selection & Intelligence Division Established in April 2016	IRC	Case Selection & Intelligence	Mar-16	Mar-17

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

#### INTERNAL REVENUE COMMISSION

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	Large Business Audit & International  CSI – International and Domestic  Taxpayer Education and Awareness	Activity 16					
Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues	

16.0	Reforms in Accounts Reconciliation and risk management practices for internal revenue collection					
16.1	Improve accounts reconciliations processes in order to avoid serious backlogs	An automated daily reconciliation	Able to provide reconciliation report upon request.	Sep 2015 - Dec-2017	<p>IRC is liaising with DoF for the possibility to have the reconciliation functions performed on IFMS accounting system</p> <p>IRC is currently developing a Tax Reconciliation system to assist with the manual reconciliation process.</p> <p>Taxpayers can pay their tax liabilities through electronic payments directly to IRC admin account.</p>	<p>Need to have IMFS accounting module configured and operational in order to automated reconciliations.</p> <p>Lack of co-operation by relevant stakeholders</p> <p>Funding constraints and issues.</p> <p>Internet cost and delay issues.</p> <p>Slowness of internet connection</p>
16.2	Improve risk management processes, develop a structured risk management plan, strengthen compliance audits and an develop audits plan	<p>Develop and apply a risk identification Process</p> <p>Profile taxpayers that exhibit risk</p> <p>An active audit compliance plan for IRC.</p>	<p>Risk identification able to be done by Division</p> <p>Audit Compliance Plan/Strategy</p>	Nov 2015 - Jun-2017	<p>Initial process developed and is undergoing refinement.</p> <p>Tax audit have started initial discussions to develop the plan. This will also be dependent on the risk identification process</p>	<p>Very minimal</p> <p>Meeting and communication breakdown.</p>
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 - Jun-2016	<p>So far Tax Circular issued on Salary and wages tax.</p> <p>Tax Agent liaison meeting held.</p> <p>Meeting arranged with Industry associations.</p>	<p>Resource constraints, suitable officers for this task to take place.</p> <p>More effort will be put into this activity in 2017</p>

					<p>Few targeted tax awareness sessions conducted eg banks and PNGHR.</p> <p>Updated tax information brochures.</p> <p>Updated website.</p> <p>Circulars have being issued to public.</p>	<p>Delays in the update of information.</p> <p>Minimal</p> <p>Lack of funding.</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 Jun-2017	<p>Part of the SIGTAS Rollout program.</p> <p>Debt module is being tested by lead division.</p> <p>PEFA team has plans to meet with the lead division (DLED) and our Legal services Division.</p> <p>Need to review and research the most common definition appropriate and used around other Revenue administrations.</p>	<p>Lack of Funding on Capital funding to assist with rollout.</p> <p>Staff training</p> <p>Powers to write-off limited.</p> <p>Delay from other stakeholders</p>
16.5	IRC to establish a risk management division to manage risk to revenue	Identify capable staff for placement in the new division	CSI division established	Mar 2016 – Mar 2017	Case Selection & Intelligence Division Established in April 2016	<p>Minimal Staff capacity.</p> <p>Need to recruit more personnel.</p>



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

### 3. PNG Customs Service

2016	QUARTER FOUR	AGENCY	Period of Reporting : As at 31 <sup>st</sup> December 2016			
	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</li> </ul>

2016	QUARTER FOUR	AGENCY	Period of Reporting : As at 31 <sup>st</sup> December 2016			
		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
						unresolved cases <ul style="list-style-type: none"> <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
16.	<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	Most Accounts are reconciled.  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.	CUST	Trade and Revenue Division (TRA)	Sep-15	Jun-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
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.	Strategic Risk Management Plan Reviewed  ASYCUDA system fully integrated.	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  A Strategic Risk Management Plan was developed in 2011 but needs review to date.	CUST	Internal Audit Section	Sep-15	Nov-15
16.8	Update client education pamphlets and circulars, and other information dissemination to improve voluntary compliance with customs laws. Establish a detailed plan.	PNG Customs Service website fully operational and accessible.  Number of Pamphlets distributed  Number of Circulars issued  Approved communication plan  5 awareness workshops conducted	Awareness conducted in all Regions and a updated website  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.	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	Centralized customs tax arrears database fully operational  Quarterly Customs Tax Arrears Report	Updated Debt database.  PNGCS has a Debt Management Section with	CUST	TRA –DEBT MANAGEMNT SECTION	May-16	May-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	Management		<p>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>				
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 bank to bank on a daily basis through the KATS System.	CUST	TRA	Sep-15	Mar-16
16.12	Review penalties for non-compliance to accommodate increase in penalty rates to enhance international best practice in payment of revenues	<p>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.</p> <p>Consistent with international best practice</p>	<p>PNGCS has seen increased the level of compliance rise by stakeholders</p> <p>Revenues are paid electronically from bank to bank</p>	CUST	TRA	Nov-15	Jun-16
16.13	Establish an appeals tribunal to redress appeals and backlog of unresolved cases within 6 months	<p>Fully functional appeals tribunal</p> <p>Reduce backlog of cases to 1 month</p>	<p>There is no physical existence of a tribunal for PNGCS.</p> <p>The Customs Act, 1951 has legislation for establishment of an Appeals Tribunal, however, the physical</p>	CUST	Modernisation Division	Oct-15	Mar-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			tribunal is yet to be set up.				
16.14	Review existing policies and procedures on cost of foregone revenue	<p>Policy Paper on review of cost of foregone revenue - confirmed</p> <p>Policy Decision on approved review recommendations - confirmed</p> <p>Procedures on obtaining foregone revenue- confirmed</p> <p>Database on Foregone revenue</p>	<p>A Policy paper has been prepared on the review of the cost of foregone revenue and has been approved.</p> <p>Procedures are now underway in collecting foregone revenue.</p> <p>Foregone revenue is being published in the PNG Customs Service Annual Reports.</p>	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> <li>• Provide a review on cost of foregone revenue</li> </ul>

Activity No.	Activity	KPI	Means of verification	Timeframe	Progress update	Constraints and issues
<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 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	Number of workshops Number of pamphlets and	Reports on client	December 2016	The International and Public Affairs Section are responsible	

	compliance with customs laws. Establish a detailed plan.	other circulars disseminated  Number of persons attended	education awareness		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	Weekly reports on the transfer of	August 2016	PNG Customs is now cashless and cheque less nationwide. Revenue is paid electronically	No issues.

		basis	funds		from bank to bank. PNG CS has realized an unprecedented increase in revenue collections	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 a Customs Tribunal	No issues.  Should be considered in 2017
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	2014 and 2015 Annual Reports are ready for NEC. It is through these reports that revenue foregone are published.  The Database of foregone revenue is being managed by the Economic and Fiscal	None.  Considerations are before Parliament to reduce



					Division and is up to date.	exemption provisions by Treasury.
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#### 4. DEPARTMENT OF FINANCE

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

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at 31 <sup>st</sup> December 2016		
	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-	D+	Yes	

		Salary Expenditure		
	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	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 WPA	Consequential Amendments to PFMA on 100% revenue collection to CRF	Consequential Amendments have been drafted on Revenue Sharing regarding MVIL and Worker's Permit Trust Account Revenue Collection Arrangements that 100% collections are deposited into CRF	DoF	NTRD	Oct-15	Jun-17
6.2	Abolish revenue withholding sharing trust accounts	<p>Already implemented per directive by PM in 2014/105, however was not implemented due to other interest.</p> <p>This activity may not be effected as mentioned above however can be controlled through Activity 6.1</p>	Specific details to revenue withholding trust accounts are being noted in the draft Consequential Amendment Bills 2016 and pending parliamentary approval.	DoF	NTRD	Sep-15	Dec-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
5.	<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	Oct-16

## 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	Fully functional non-tax arrears	System Report	Oct 2015 – Oct 2017	The NTRD has commenced work on recording all non-tax	Awaiting the Gazettal of the Certified amended

	non-tax revenue arrears to the State	database.			<p>revenue arrears through a centralised registration system.</p> <p><u>Work is progressing with NTRD in consultation with relevant stakeholders and data compilation.</u></p> <p><u>Part of 2017 work plan</u></p> <p><u>A draft ToR on the Land Lease Rental Arrears Collection &amp; Management Reform has been prepared.</u></p>	<p>PFMA.</p> <p><u>Lack of funding</u></p>
<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	Oct 15 – Jun 17	<p>Awaiting PFMA 2016 amendments to be passed by parliament in August 2016</p> <p>To be implemented in 2017</p> <p><u>Work to begin in 2017 after the amended PFMA is certified and gazetted. Part of 2017 work plan.</u></p>	Pending PFMA 2016 amendment bill to be passed by parliament
6.2	Abolish revenue withholding sharing trust accounts	PM's NEC Decision Directive 2014/105.	NEC Submission(Draft)	Sep 15 – Dec 16	<p>Awaiting PFMA 2016 amendments to be passed by parliament in August 2016</p> <p>Already approved as per directive by PM in 2014/105, however implementation was</p>	Pending PFMA 2016 amendment bill to be passed by parliament

					delayed then. <u>Work to begin in 2017 after certification and gazettal of amended PFMA</u>	
6.3	Demarcate clearly the Contingency Economic Items in the IFMS in 2016 Budget	Clear demarcation of Contingency economic items and in the 2017 budget	2017 Budget	Oct 15 – Nov 15	No progress has been made on this activity. To be undertaken by FCD.	Need to verify what contingency items; are they shortfalls, mis-matched named, items configured in wrong departments or some other.



## C. Macroeconomic Statistics

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

59. **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;
- Compiling the national accounts based on the 2008 System of National Accounts (SNA) Euro-Stat edition established.
  - GFS compiled and reported annually from administrative data from national and SNGs.
  - Import of Census of business activities and other data to National accounts and GDP estimates compiled and reported.
60. **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.
61. **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 being are 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 are have not been supplied to NSO and therefore not fulfilled in the reporting for national accounts.

Core Data Set	Indicator
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

<sup>7</sup> National Statistical Office Corporate Plan 2015 – 2019, p14

62. **Majority of data are supplied by NSO, BPNG, Finance and Treasury Departments, IRC amongst others.** The PNG National Accounts Data 2006 – 2013 was released in March 2016 using the SNA 2008 and classified according to the PNG Standard Industrial Classification 2014<sup>8</sup>.
63. **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.
64. **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**

65. **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.
66. The following is the progressive report for NSO.

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<sup>8</sup> PNG National Accounts 2006 - 2013



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

### 4. National Statistical Office

2016	QUARTER FOUR	AGENCY		Period of Reporting: As at 31 <sup>st</sup> December 2016		
	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	Performance Information for Achieving Efficiency in Service Delivery	D	Yes	<b>Reforms in Reporting on Reporting of Socio Economic Indicators</b> <ul style="list-style-type: none"> <li>Improve national accounts data collection and analysis</li> <li>Enhancement capacity of officers in the collection and analysis of national accounts data</li> </ul>
		PI - 9	Public Access to Key Fiscal Information	D	Yes	
		PI-14	Credible Fiscal Strategy(Macro Economic and Fiscal Forecasting)	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 plan for its officers in the analysis of national accounts data	Plan for capacity development is broken down by 4 major institutional sectors; General Government, Non-Financial Corporations, Households, Financial Corporations  Number of Graduates recruited	Report on GDP estimates  Two Graduates were recruited 5 more are expected before the end of 2016 under the new structure	NSO	Economic Statistical Division	Oct 2015	Jun17
20.2	Provide an updated national account data and analysis	Publication of National Accounts Data  Report on GDP per capita 2006 – 2013	NSO released 2006 to 2013 National Accounts Report based Nominal GDP figures in 31 March 2016.  Report on contribution to GDP by Industry 2006 – 2013	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	Reforms in Reporting of National Accounts Data			
Branch(s)	National Accounts Statistics Business Statistics Consumer Price Index International Trade	Activity 20	<ul style="list-style-type: none"> <li>Improve national accounts data collection and analysis</li> <li>Enhancement capacity of officers in the collection and analysis of national accounts data</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 enhancement plan for its officers in the analysis of national accounts data	<p>Capacity Development of staff tasks broken down by 4 major institutional sectors; General Government, Non-Financial Corporations, Households, Financial Corporations</p> <p>Number of Graduates recruited</p> <p>Number of Trainings conducted on National Accounts</p> <p>Approved capacity building training plan developed</p>	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 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>	<p>GoPNG 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>

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>GoPNG 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>
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## OUTCOME 2: STRATEGIC ALLOCATION OF RESOURCES

### D. Public Financial Management

#### Legal Framework Revision

67. **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. In late May the first stage of consequential amendments for Parts I, II, IV and Sections 39, 39A and 41 was completed and the FFR finalised. Legal Clearance and Certificate of Necessity were being sought from the State Solicitor by the Constitutional Law Reform Commission. CACC then deliberated on the FFR Drafting Instruction and directed that the First Legislative Council draft the amendment bill. The FLC then issue the certificate of Compliance. The draft Public Finance (Management) (Amendment) Bill 2016 was be tabled in the August Parliament sitting hence was successfully approved in the floor of Parliament. All Consequential Amendments with the bill was passed in the floor of Parliament in the August 2016 Sitting of Parliament. The revised PFMA become effective 1<sup>st</sup> January 2017.
68. **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 2017 National General Election. 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 mandatory 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 and was successfully sanctioned by NEC and directed for new Procurement Commission to be established to independently manage the entire procurement system in the country. The Draft Bill is ready before NEC to be passed in Parliament, thus the new incoming 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

69. **Integrated Financial Management System has gone live to 32 Line Agencies and a business case and prototype is being developed for the East New Britain Province as at June 2016.** Two Provinces are being piloted this year for IFMS roll-out. The target is to have 2 provinces go live on IFMS by 2017 and all provinces and districts to be covered by 2018. All government agencies should be live on IFMS by 2017. As of June 2016, 32 Agencies had IFMS systems configured. The IFMS accounting and budgeting modules configuration is being rolled out to government agencies – departments, CSA who are recipients of government grants and SNG.
70. **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. At present IFMS, accounting module had not been fully configured for operational functionality at IRC for statutory authorities. IFMS roll out is on target and full rollout is being mapped to 2018 for all agencies to be online including SNG.

## National Procurement and Asset Management

71. Legal clearance has been sought for a Policy Submission on the establishment of the National Procurement Commission. Due to serious staffing capacities CSTB will be transforming its operations. The reforms in procurement will affect the entire government system at all levels of governance and all procurement operations for major procurement. A national procurement policy will be delivered that will outline the transition of CSTB to the NPC. NPC will be the autonomous procurement entity that will oversee the operations of the PSTB and DDAs.

The National Procurement Policy was successfully sanctioned by NEC and directed for new Procurement Commission to be established to independently manage the entire procurement system in the country. The Draft Bill is ready before NEC to be passed in Parliament, thus the new incoming government will table in the floor of Parliament. The new National Procurement Commission will replace the Central Supply and Tenders Board.

72. **The Goods 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 mechanism.

73. **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 once rollout to all agencies. Depreciation will not be accounted for in IFMS only cost price.

### Timeliness and Quality of Submission of Financial Reports

74. **Enhancing of data integrity for mandatory reporting is improving due to the implementation of the expansion of IFMS.** MYEFO and FBO 2016 have been prepared with IFMS system 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. The Department is now in the process of completing the 2015 Public Accounts. Once IFMS is fully interfaced online the compilation of Public Accounts would be produced on a timely basis.

75. **The DoF through the PCaB Program developed a M&E system tool for reporting against the status of 492 monthly bank accounts reconciliations and 342 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. In the first 12 months of implementation timely reporting of BR improved by 74% from 1% submitting on time whilst reporting of AFS improved by 90% from 4% as well. A system for

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

monitoring national agencies - Departments, CSA and SOE's submission of BRs and AFS is yet to be developed.

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

76. **The DoF was supported with a specialist in cash management from IMF PFTAC in 2016 to review the current 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.
77. **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 is seeking to have its accounts reconciliations automated through the IFMS accounting system. However, this will be pending full configuration of the accounting module some time in future.
78. **Analysis of actual weekly and monthly revenue inflows trend from 2016 against the annual budget revenue for 2016 revealed the need to execute revenue forecasting projections for the future years.** The shortfall in revenue collections between January to December 2016 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.
79. **Reform proposals for a Government Banking Framework<sup>10</sup>, in June has been drafted to manage balances in TA and pool the balances relative WPA Trust Accounts held in Banks.** Trust Accounts held in ANZ and Westpac bank Bill be transferred to BPNG, except for BSP. This Prodoc will be submitted to BPNG for consideration. A draft was issued in May 2016.
80. **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 Draft PFMA Bill. 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.

#### **Reforms in Payroll System**

81. **Alesco/HR payroll interfacing is continuing in loading all government employees on Alesco.** As at June 2016, 30% of SNG employed casuals were re-categorised to be integrated into the Alesco Payroll System. 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
82. **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

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

constraints. Meanwhile, no progress has been made on recruitment of personnel for payroll monitoring.

83. **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
84. **Awareness on Business process for HR and Payroll management has commenced with 6 Provincial administrations and their respective Provincial Health Authorities as at June 30<sup>th</sup>.** 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

85. **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.

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

86. 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, in the cash management function of the whole government.
87. 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 second year with 2 officers attached to the DoF, Canberra.
88. The ADB support particularly to the DoT is on the MTFs and macroeconomic assessments.
89. 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.
90. The following schedules are covering DoF, DNPM, DPM, CSTB and AGO.



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

### 5. Department of Finance

2016	QUARTER FOUR	AGENCY	Period of Reporting : As at 31 <sup>st</sup> December 2017 Divisions/Programs : FMIP - IFMS/FFR, FCD, IACD, / NTRD, FRCD, PDFMD, CSD -FTB Duration of PFM Road Map : FEB 2015 - DEC 2018			
	206	DEPARTMENT OF FINANCE				
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	<b>Design and implement a new Government banking framework</b>
		PI - 9	Public Access to Key Information	D	Yes	<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</li> </ul>
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	

						to use cash in accounts established
		PI - 13	Management and Reporting on Debt and Expenditure Arrears	D	Yes	using GoPNG funds outside WPA
V	Predictability and Control in Budget Execution	PI - 22	Effectiveness of Payroll Controls	D+	Yes	<b>Legal Framework Revision</b> <ul style="list-style-type: none"> <li>Integration of FI/Finance Manual and IFMS Training Manual</li> </ul>
		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	32 National Agencies in total 10 Agencies so far in 2016	DoF	IFMS	Feb-15	Jan-17
1.3	IFMS accounting pilot implementation in two provinces	2 Provinces to be covered by 2017	IFMS Prototype for ENB Province Development in Progress	DoF	IFMS	Dec-16	Feb-17
1.4	IFMS budgeting used by all provinces and districts	100% provinces to be covered by April 2018	IFMS Prototype for ENB Province in Development in Progress	DoF	IFMS	Apr-15	Apr-18
1.5	IFMS accounting used by all provinces and districts; retirement of PGAS	All provinces and districts using IFMS by December 2018	Not commenced as yet	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	Project plan drafted to BPNG	DoF	FCD	Oct-15	Oct-16
2.2	Increased staffing to support broad-based cash management reform	Recruitment of 5 Accountants by November 2016	Recruitment of 5 staffing	DoF	FCD	Nov-15	Nov-16
2.3	Reform proposals developed to manage balances in trust relative to WPA	Draft Reform Proposal by June 2016	Through the Banking Framework Project	DoF	FCD	Nov-15	Jun-16
2.4	Cash forecasting unit established in Department of Finance	Personnel recruited for Cash Forecasting Unit	Unit established	DoF	FCD	Dec-15	Oct-16
2.5	Reconciliation backlog eliminated; reconciliations conducted on a daily basis	All backlog of Bank Reconciliations	Daily bank reconciliation through IFMS	DoF	FCD	Jan-16	Dec-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		eliminated					
2.6	Banking framework reforms submitted to NEC for approval	NEC Submission and Decision of Banking Framework	To get BPNG to agree before NEC Submission	DoF	FCD	Mar-16	Jun-16
<b>3.</b>	<b>PFM Legal Framework Review</b>						
3.1	Initiate PFM Legal Framework Review project <b>under</b> FMIP and bring in staff	<p>FFR Team appointed. <i>This activity has been achieved.</i></p> <p>Mobilization to PNG – result of extensive dialogue between donor partners (EU).</p> <p>FFR team meetings twice a week, TWG meetings on fortnightly basis.</p>	<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 finalisation of drafting instruction</p>	DoF	FMIP/FFR	<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
3.2	Submit proposed PFM law changes to Parliament for approval	<p>Draft Amendment Submitted by June 2016</p> <p>Conducted Legislative Review (PFMA) by providing discussion papers, drafting PFMA amendment bill, drafting instruction and draft consequential bills for 26 enabling legislations</p> <p>Request State Sol legal clearance and FLC drafting compliance certificate</p> <p>Policy deliberation at CACC level and Policy submission to NEC</p> <p>Presented the PFMA Amendment Bill and 26 consequential amendment Bills (fees &amp; charges) to Parliament</p> <p>Minister's advice to the Head of</p>	<p>PFMA (Amendment) Bill 2016 has been forwarded to Parliament for tabling in the June Parliament Sitting but Parliament adjourned to 2<sup>nd</sup> August 2016.</p> <p>Consequential amendments on other legislations to PFMA progressing.</p> <p>Completed Drafting Instructions &amp; draft amendment bill</p> <p>State Sol issued legal clearance (CoN) and FLC issued certificate of compliance (CoC) on the draft bill (two weeks)</p> <p>CACC's endorsement granted and NEC's approval granted (one week)</p> <p>PFMA Amendment Bill &amp; 26 Consequential Bills passed with 70/0 votes on 11 August 2016</p>	DoF	FMIP/FFR	Dec-16	<p>June-16</p> <p>July-16</p> <p>Aug-16</p>

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		State on the gazettal for the Act to come into force on 1 <sup>st</sup> Jan 2017.	Amended PFMA and amended consequential legislation certified by the Speaker and Clerk of Parliament  Pending notice in the national gazettal			Jan-17	
3.3	Publish first draft of revised Finance Management Manual and Instructions	Draft of FMM and FI integrated	Work in Progress and will be circulated to concerned agencies for comments  Drafting new Finance Management Manual & Finance Instruction capturing all sections of the PFMA	DoF	FMIP/FFR	Jun-16  Aug-16	Sep-16  Dec-16
3.4	Final draft of revised Finance Management Manual and Instructions	Draft of FMM and FI integrated	Pending passing of the Amended PFM Act	DoF	FMIP/FFR	Dec-16	Mar-17
3.5	Implement PFM Legal Framework	Consolidation of the principal act with the amended provisions	Media Release to be published on the new Financial Management Framework  Major awareness is planned to be conducted throughout the four regions of PNG to enable	DoF	FMIP/FFR	Jun-17	Dec-19

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			users of the changes to PFMA  Awareness and media releases on PFMA, FMM & FI			Jan-17	
3.6	Review PFMA to allow SOE's, Statutory Authorities to follow public Tender Process in some respects	<p>A new national procurement commission and procurement law is planned to be established.</p> <p>Conduct Procurement Review by providing discussion papers, drafting procurement bill, drafting instruction.</p> <p>Design new national procurement policy</p>	<p>Government procurement is administered under PFMA and a plan to review whole of government procurement system is progressing.</p> <p>PFMA amendment has re-grouped all procurement provisions into one single Part making it easy to repeal when conducting the procurement review</p> <p>New NPP (National Procurement Policy) finalised and sent to State Sol for legal clearance (pending state sol's clearance)</p> <p>NEC to endorse policy submission on NPP and drafting of instruction &amp; bill will commence immediately.</p> <p>New procurement law to be introduced in March 2017</p>	DoF/DoT	FRCD/SPID	<p>Feb-16</p> <p>Aug-16</p>	<p>Oct-16</p> <p>Feb-17</p>

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
4.	<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	<p>Number of Public Sector Certified Accountants attending accounting degree and CPA Programs.</p> <p>Existence of educational, professional and workplace training programs that address the AFS training needs.</p>	<p>No comprehensive plan has been developed as yet.</p> <p>Trainers progressively undergoing tertiary training to improve qualifications.</p> <p>Staff eligible for CPA Exams progressively continuing in program</p> <p>Other trainings in progress include;</p> <p>Two year Accounting Degree Program (UPNG) is running with full budgetary support from DOF.</p> <p>DoF has initiated efforts for staff to acquire professional qualifications through enrolment to CPAPNG program.</p> <p>FTB is working with PDFMD to develop short training courses</p>	DoF	<p>FTB</p> <p>/FCD – Trust Accounting</p> <p>/ CSD – FTB</p> <p>/FMIP –</p> <p>IFMS and PCaB</p>	Jan-16	Mar-16



Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>in AFS compilation for Provincial and District Treasury staff. Plan should be completed in the next quarter.</p> <p>PCaB has an on-the-job mentoring and coaching program in Bank Recs and AFS targeting PT and DT offices in 15 provinces - Central, Western, Gulf, Milne Bay, EHP, WHP, Enga, Jiwaka, Hela, ENB, NIP, ARB, Morobe, ESP, Sandaun.</p>				
4.2	Roll out of training plan in AFS to all SNG and National Agencies completed by 2019	<p>Number of staff participating in Public Sector Accounting (Degree)</p> <p>Enrollment to CPA PNG professional program</p> <p>Number of short coursed and workshops conducted &amp; number of attendees.</p> <p>Number of Provinces covered by PCaB program</p>	<p>No Roll out plan has been developed from the consolidated CD Plan however other trainings are being provided by the individual CD units.</p> <p>UPNG Accounting program is running with the following intakes:</p> <p>2014-15 intakes had 16 staff from DoF &amp; other Agencies– 6 of them graduated in April 2016.</p> <p>2015-16 intakes have 25 staff, 23 of them from Provinces and Districts.</p> <p>2016-17 intakes have 12 staff with 11 from National Departments (4 of them from DOF) and 1 from the</p>	DoF		Apr-16	Nov-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>Provinces.</p> <p>One workshop was conducted for PDFMD staff on AFS compilation. No courses were conducted for SNG and National Agencies</p> <p>Professional qualification program with CPAPNG is running with 90 staff enrolled by the end the quarter:</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	This activity was not performed in 2015 however in 2016 the level of compliance has been raised with the introduction of the new monitoring framework by the department on Bank reconciliations and AFS.	DoF	FRCD	Sep-15	Dec-15
<b>5.</b>	<b>Expenditure and Revenue Arrears Management</b>						
5.1	Develop a central expenditure arrears registry to maintain and monitor arrears of the State	System Report on expenditure arrears	<p>This activity is to be implemented after parliament approves the PFMA (Amendment) Act 2016.</p> <p>The PFMA (Amendment) Act 2016 included an arrears management in Section 71D and when implemented in 2017 Key performance indicators include;</p> <ul style="list-style-type: none"> <li>Data base for all arrears outstanding</li> </ul>	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
			<ul style="list-style-type: none"> <li>All arrears to be updated 30 days after the lapse of the previous year</li> <li>All entities including individuals that owe arrears to the State shall be published in a gazette</li> </ul> <p>Penalties will be applied to individual defaulters if they do not pay.</p>				
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	<p>Already implemented per directive by PM in 2014/105, however its implementation is being controlled due to other policy directives.</p> <p>To be implemented through</p>	DoF	NTRD	Sep-15	Dec-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			the Consequential amendments once approved.				
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 reconciliations in order to raise compliance levels of National Agencies and SNGs	<p>Number of training sessions conducted.</p> <p>Number of staff from SNG and NAs attended training</p> <p>Increase in number of bank reconciliations reports compiled correctly and received on time</p> <p>Number of Generic Principles of Bank Reconciliation training to trainers to reinforce understanding to embrace</p> <p>Number of IFMS Bank Reconciliation conducted.</p> <p>Number of Officers attended training</p>	<p>A consolidated plans has not been developed as yet.</p> <p>Between January and June there has been considerable improvement in the reduction of a backlog of Bank Reconciliation Reports received at HQ for PGAS &amp; IFMS sites from SNG and National Agencies.</p> <p>IFMS staff training staff in NAs linked to IFMS system</p>	DoF	<p>FTB</p> <p>/FCD – Trust Accounting</p> <p>/ CSD – FTB</p> <p>/FMIP – IFMS and PCaB</p>	Jan-16	Dec-17
<b>8.</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	<p>Finance Instruction of Non tax revenue collections</p> <p>Number of CRS installed</p> <p>Number of EFTPOS installed</p> <p>Number of agencies with CRS and EFTPOS</p>	<p>Issued FI -3/2016 on cashless payments and receipts being rolled out to National Departments, SAs, 22 provinces and districts that have ICT infrastructure on the ground.</p> <p>Issued FI -03/2002 on</p>	DoF	FCD/IACD	Mar-16	Jun-16

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
		<p>Number of SNG with CRS and EFTPOS system installed</p> <p>Issue FI on the appointment of Financial Controllers</p>	<p>appointment of FCs to major spending government departments and agencies. 15 FCs are currently serving in various government departments and agencies.</p> <p>There been a significant improvements and compliance to PFMA and FMM from agencies where our FCs have been deployed.</p>				
<b>9.</b>	<b>Reconciliation of Suspense accounts</b>						
9.1	Reconciliation of Suspense accounts conducted before year lapses annually	Annual Public Accounts Report	2012, 2013 and 2014 Public Accounts have been completed. 2015 is in the process of being completed. Technical Advisory Support through DFAT to the DoF strengthened the position of the DoF to produce the reports.	DoF	FCD FRCD	Dec-15	Dec-16
<b>10.</b>	<b>Reforms in Internal Auditing</b>						
10.1	Facilitate advanced level training program for public sector auditors in consultation with the Institute of Internal Auditors	<p>Number of participants attended Audit training</p> <p>Number of Audit Committees established</p> <p>Number of PSAP training provided</p>	<p>Certificates issued to 200 participants.</p> <p>Quality and quantity of audit reports produced by Internal Audit Units in government agencies and SNG has improved.</p>	DoF	IACD	Jan-16	Jan-17
<b>11.</b>	<b>Reforms in Asset Management</b>						
11.1		Approved National Fixed Asset	Working document for Fixed	DoF	FRCD	Sep-15	Dec-15

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
	Develop national standards and procedures for maintaining and registering fixed assets	Registry	Assets Policy submitted to IFMS team to assess & report.  Officers are to be nominated for training on the IFMS Fixed Assets in order to identify the gaps and review the policy.  National Fixed Assets Policy is to be finalised for all agencies.				
<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	Number of trainings conducted for PTs & DTs.	CSD – FTB is liaising with PDFMD on AFS, Bank Reconciliation and other PFM courses. Still in progress. As in 4.1	DoF	FTB/PDFMD	Jan-16	Jun-16
<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	This activity has been achieved through the draft banking framework. Trust instruments are expected to include this clause. A draft Banking Framework is being prepared with support from PFTAC.	DoF	FCD	Oct-15	Dec-15
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

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
13.14	Issue FI to effect the cessation of transfer of lapsing funds into trust accounts	To be legislated in the new PFM Act	This activity will be included in the new legislation.	DoF	FRCD	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	All budget submissions should outline estimates of both expenditure and revenue  Reports of expenditures, revenues and receipts is mandatory under Part VIII of PFMA	DoF	FRCD	Jun-16	Jun-17
<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>		Activities 1,3, 4 and 7	<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	25 central government departments online with accounting functions	Budgeting and accounting functionality enabled  Functional	Feb 15 – Dec 15	21 Agencies as at end Dec 2015 using the full IFMS functions for Budgeting; increase from three (3) central agencies at start of year. 5 more Agencies have been prepared to start using IFMS as Accounts open in 2016, pending	The absence of Government wide communications infrastructure for IFMS inhibits wide-scale implementation of IFMS.



	central agencies		reports		availability of Cheque Stationary.  54% of the Budget Expenditure captured on IFMS.  Delivered 115 training modules to 23 Agencies	
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	29 Agencies implemented YTD; 8 in 2016 - IRC, DIRD, NSO, PT Central, Department of Transport, National Art & Museum, Urbanisation and Department of Works (Boroko)  Configuration to use sub-appropriations successfully implemented at Department of Works.	
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	Project Business Case approved (Pilot East New Britain). <ul style="list-style-type: none"> <li>Stakeholders meetings commenced</li> <li>Chart Mapping completed</li> <li>IFMS &amp; Treasury designing Provincial Budget in Program Budgeting format – progressing.</li> <li>Site visit to ENB planned for 02-06 May 2016 <ul style="list-style-type: none"> <li>Business requirements workshop</li> <li>Site assessment</li> </ul> </li> </ul>	The absence of Government wide communications infrastructure for IFMS inhibits wide-scale implementation of IFMS.
1.4	IFMS budgeting used by all provinces and districts	All Province & LLG budgets input to IFMS	Functional reports	Apr 15 – Apr 18	Design, configuration and implementation of budget function included in Provincial	As above.

					Pilot; refer Activity 1.3	
1.5	IFMS accounting used by all provinces and districts	100% Provinces & LLG using IFMS. PGAS retired.	Functional reports	Jan 18 – Dec 18	2 Provinces are being trialed in 2016, ENB and Central Provinces. All Provinces to be online by 2018	As above.
<b>3.</b>	<b>PFM Legal Framework Review</b>					
3.1	Initiate PFM Legal Framework Review project under FMIP and bring in staff	FFR Team created under FMIP and operational	Staff appointed Legal Expert TA	Oct 15 - Nov 15	FMIP restructure approved by Secretary Finance; commenced Jan 2016. EU Technical Adviser supporting FFR team/processes.	Nil  Completed activity.
3.2	Submit proposed PFM law changes to Parliament for approval	Revised Act and Bill submitted to Parliament	Amended Bill	Dec 16 – Jan 17	<ul style="list-style-type: none"> <li>Technical Working group (TWG) established; 6 meetings held.</li> <li>All Parts of PFMA reviewed. <ul style="list-style-type: none"> <li>Issues Papers (Version 8) circulated for comment</li> <li>Draft PFMA Amendment Bill 2016 prepared</li> <li>Draft DDA Amendment Bill 2016 prepared</li> </ul> </li> <li>Media briefing held</li> <li>Advertisement for national newspaper was done to inform and initiate public response.</li> </ul> <p>Successfully passed in Parliament in August 2016 Sitting of Parliament. The revised PFMA is effective 1<sup>st</sup> January 2017.</p>	Waiting for National Procurement Law to be passed in Parliament so Financial Management Manual will be updated especially on the part of procurement and would be released. FMM has been updated only waiting on the part of procurement.

3.3	Publish first draft of revised Finance Management Manual and Instructions	Revised FMM and FI's <i>first draft</i>	First Draft	Jun 16 – Sep 16	First drafts to be prepared by October	Nil.
3.4	Final draft of revised Finance Management Manual and Instructions	Revised FMM and FIs <i>Second Draft</i>	Second Draft	Dec 16 - Mar 17	Second draft to be prepared by December	Nil.
3.5	Implement PFM Legal Framework	Rollout plan for FFR	Roll out plan	Jun 17 - Dec 19	Rollout plan to be determined in September	Nil
3.6	Review PFMA to allow SOE's, Statutory Authorities to follow public Tender Process in some respects	Amended Bill	Parliament approved amended bill	Feb 16 - Oct 16	Separate Procurement Act to be drafted; however, in the interim it is being included in PFMA revision (refer Activity 3.2)	Nil
<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	Approved three year Training Plan  Number of Certified Public Sector Accountants	Affiliation to CPA PNG or a government professional body	Jan-16 - Mar-16	Trainers progressively undergoing tertiary training to improve qualifications.  Staff eligible for CPA Exams	CD units to converge and determine a joint and comprehensive CD plan
4.2	Roll out of training plan in AFS to all SNG and National Agencies completed by 2019	Number of Finance Officials from 89 districts up-skilled in compiling AFS  Number of Trainings per year  Number of competent Certified Public Sector	Quality in BR and AFS from government agencies	Apr-16 - Nov-16	IFMS has been conducting training on other modules. Once the accounting module goes live IFMS would be able to conduct training on the Bank Reconciliation and AFS platforms.	

		Accountants				
4.3	Ensure compliance to PFMA S. 19 for reports from central government agencies and SNG to consolidate fiscal information in 2015	Configuration of Accounting Module	Real time reports on bank reconciliations and AFS	Sep 15 – Dec 15	IFMS is rolling out the budgeting module. Plans are underway to configure and roll out the accounting module.	IFMS Accounting Module would greatly improve and enhance the financial reporting once agencies go live.
<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 National Agencies and SNGs	Training Plan approved	Up to date production of Bank Reconciliations and AFS by government agencies.	Jan-16 - Dec-17	<p>Training plan is being discussed with other CD units in the Department</p> <p>Marked levels of improvements in PGAS Bank Reconciliation Reports from Provinces as per M &amp; E Tools by PCaB Project.</p> <p>FTB instructed to cease PGAS Training effective as from Feb 2016 hence no PGAS Bank Reconciliation training planned or conducted since beginning of year.</p> <p>PGAS materials (hardcopies /electronic) handed over to PCaB Project for provinces' use</p>	<p>Various CD units in the department need to formulate a committee to discuss a comprehensive CD plan for PTs and DTs</p> <p>Training of trainers in Principles of Bank Reconciliation to reinforce understanding to embrace IFMS Bank Reconciliation.</p> <p>PCaBs concentration of Capacity building is currently targeting PCaB Provinces.</p>
<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	Number of District Treasury and Provincial Treasury officials trained	Training Reports  Raise level of quality in reporting	Jan 16 – Jun 16	<p>Training plan is being discussed with other CD units in the Department.</p> <p>TNAs to be confirmed by PTs/DTs.</p>	Focus of training and trainer up-skilling now is IFMS oriented due to timing and resource limitations.


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.	<b>PFM Legal Framework Review</b>					
3.6	Review PFMA to allow SOE's, Statutory Authorities to follow public Tender Process in some respects	Amended PFMA Certified	Certification of amended PFMA	Feb 16 – Nov 16	Separate Procurement Act to was drafted, waiting for final NEC endorsement to be tabled in Parliament; however, in the interim will be included in PFMA revision (refer Activity 3.2)	Nil
4.	<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 standards	System reports.	Sep 15 – Dec 15	2015 Financial information is being compiled. The Public Accounts will be updated to 2015. The AGO is currently here Auditing the 2015 Annual Accounts. Started Auditing on the 9 <sup>th</sup> November 2016	
11.	<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	Sep 15 – Dec 15	Working document for Fixed Asset Policy	Work in progress and waiting for officers to


			policy		submitted to IFMS team to asses & Report.  Officers will be nominated for training on the IFMS Fixed Assets to identify the gaps comparing to our policy to review the system.  National Fixed Asset Policy will then be formulated for use and apply by all agencies	be trained to use the system in the IFMS to identify the gaps comparing our policy to review the system.
<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.	FRCD & IA&CD will commence discussion as to which division will be tasked up PAC recommendations.	Unit formally established	Feb 17 – Jun 17	FRCD & IA&CD will commence discussion as to which division will be tasked to take up PAC	


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 PT and DT Officers in PFM areas  Incorporate with existing CSD or DoF Training Plans	Number of training conducted for PTs & DTs.  Number of officers trained at SNG  About 56 staff of PT and DT have completed their Diplomas and Degree programs at PNGIPA this year	Improvements in the quality and timeliness of submissions of Bank reconciliations and AFS  All sub national accounts are updated, reconciled and reports submitted to DoF  Improvements in the DT and PT management and operations,	Jan 16 – Jun 16  On going	PDFMD is liaising with CSD - FTB on AFS, Bank Reconciliation and other PFM courses required for provinces based on their specific need. Still in progress.  As in 4.1  FTB is working with PDFMD to develop short training courses in AFS compilation for Provincial and District Treasury staff. Plan should be completed in the next quarter. Consultations commenced on the comprehensive short to medium term Capacity Building training plan.  About 56 staff of PT and DT have completed their Diplomas and Degree programs at PNGIPA this year.	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

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Lead Division	Corporate Services Division		Priority Action Areas	4. Timeliness and Quality of Submission of Annual Financial Statements 7. Timeliness and Quality of Bank Reconciliations 12. Capacity Building Training Plan		
Branch/Program	• Finance Training Branch		Activities 4,7 and 12			
Activity No.	Activity	Performance Indicator	Means of Verification	Timeframe	Progress Update (and achievement) towards KPI	Constraints/Reasons for Non-Achievements
4.	Timeliness and Quality of Submission of Annual Financial Statements					
4.1	Develop comprehensive capacity building training plan on <b>compilation of Annual Financial Statements</b>	<p>FMTB 2017 Training Plan milestones achieved as scheduled.</p> <p>PCAB Development Plan for 2017</p> <p>IFMS Training Plan for 2017</p>	<ul style="list-style-type: none"> <li>Approved 2017 training Plan for implementation.</li> <li>Meeting Minutes schedules &amp; reports.</li> <li>On the job-reports specifying relevant data</li> <li>On the job training plans in the Provinces</li> </ul> <p>Approved PCAB Capacity Building Plans for 2017</p> <p>Approved IFMS training and capacity development plans for 2017</p>	<p>Jan-17 – Dec- 17</p> 	<p>FMTB Tentative Training Plan has been developed and for approval for implementation commencing April 2017.</p> <p>In-house workshop conducted in FMTB classroom for AFS compilation for FRCD /FMTB (17) officers in March 2017.</p> <p>Meeting with PCAB Advisors to discuss workshops, joint measures to achieve capacity building deliverables.- March 2017</p> <p>Strategize for incorporating all 3 training plans; IFMS, PCAB &amp; FMTB.</p>	

4.2	Roll out of training plan in AFS to all SNG and National Agencies completed by 2019	<p>FMTB 2017 Tentative Training Plan developed.</p> <p>No. of AFS trainings conducted.</p> <p>No. of AFS Workshops conducted</p> <p>No. of target group / officers trained in AFS.</p> <p>No. of OJT, Coaching &amp; Mentoring facilitated (PCAB)</p> <p>No. of staff facilitated with OJT, Coaching &amp; mentored (PCAB)</p> <p>No. of IFMS AFS Training conducted</p> <p>No. of IFMS AFS Workshops conducted.</p>	<p>Implementation of Training Plan 2017</p> <p>FMTB Periodic Training Reports.</p> <p>FMTB Periodic Workshop Reports.</p> <p>Database Report recording target group trained in Provinces/districts.</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</p> <p>M &amp; E Checklist signed off by PCAB Mgt</p> <p>IFMS periodic Training reports</p>	<p>Apr-17 – Dec- 17</p> 	<ul style="list-style-type: none"> <li><b>FMTB 2017 Tentative Training Plan submitted for approval for implementation.</b></li> </ul> <p>PCAB 2017 Workplans on hand and to be reviewed.</p> <ul style="list-style-type: none"> <li>One in-house training conducted for 17 FRCD &amp; FMTB Officers on AFS compilation in March 2017</li> </ul>	

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	<b>FMTB Tentative Training Plan developed.</b>  Improved timeliness of Bank Reconciliation Reports received at HQ.  Improved quality of Bank Reconciliation reports.  No. of OJT training, coaching and mentoring to all NAs and SNGs in Bank Reconciliation.  IFMS Bank Reconciliation skills.	Approved Plan for implementation.  No. of training sessions conducted.  No. of officers in SNG and NAs trained  No. of target group facilitated in OJT/coaching & mentoring.  No. of skilled officers in generic Bank Reconciliation.  No. of IFMS trainings conducted. (National Agencies)  No. of Agencies trained  No. of staff trained  Improved training facilities.	Jan 17 – Dec 2017  	In-house training in Generic Principles of Bank Reconciliation training to trainers to reinforce understanding to embrace IFMS Bank Reconciliation.  PCAB advisors mentoring provincial staff in the provinces they operate in.  Meeting with PCAB/ FMTB on implementation of 2017 Training Plan  Strategise to meet with IFMS/ PCAB/FMTB on way forward.	Frequent loss of access into Dev training.  Frequent downtime in IFMS system  Only one training room to meet IFMS training needs. VH TR still under renovations.  Key stakeholders to take responsibility for their divisional objectives.  Increase number of training rooms to provide IFMS training
12.	Capacity Building Training Plan					
12.1	Develop a	FMTB Tentative Training plan is	Approved Training Plan.	Jan 17 – Dec – 17	Target group is PFM, DFM and Accountants.	<ul style="list-style-type: none"> <li>FMTB trainings as requested by PTs</li> </ul>

	<b>comprehensive capacity building training plan</b> for PF and DF Officers in PFM areas	developed.  Career Development Plan for PF, DF offices  No. of trainings to be delivered for PTs/DTs. Professional Development with CPAPNG  Outsourced training programs that address the training needs of PFs and DFs.	Planning meeting schedules reports FMTB Training delivery reports  3 year Staff Development Plan for Dept FMTB Training reports. No. of staff progressing through for 2017 CPA exams.		First Batch of PFM & DFMs completed their Degree program @PNGIPA in 2016. Awaiting graduation in 2017. PFMs to be responsible for recommending provincial & district staff training needs.  Staff progressing with respective professional exams.  Respective divisions to recommend accordingly for external training in Supervisory, HR, middle management courses, soft skills Trainings.	or DTs based on their training needs.
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Lead Division	Internal Audits and Compliance Division	Priority Action Areas	Reforms in Internal Audits Compliance			
		Activity 8 and 10.	8. Compliance in Accounting Functions <ul style="list-style-type: none"> <li>Compliance to PFMA in ensuring that Accounting Functions exists in National Agencies and SNGs</li> </ul> 10. Reforms in Internal Auditing			
Branch/Program						
Activity No.	Activity	Performance Indicator	Means of Verification	Timeframe	Progress Update (and achievement) towards KPI	Constraints/Reasons for Non-Achievements
8.	Enabling all revenues and expenditures through the budget					
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			Mar 16 – Jun 16		
10.	Reforms in Internal Auditing					
10.1	Facilitate advanced level training program for public sector auditors in consultation with the Institute of Internal Auditors			Jan 16 – Jan 17	Under FI 2/2009 it requires National Department, Provincial Government and Statutory Authorities together with Local level Governments, Public Bodies and other entities that receive grants from the state and are subject to Audit by Auditor General Office, to establish internal audit unit and audit committees.  The establishment of Internal Audit and Audit Committees to support	

				<p>compliance with Public Finances in 2005.</p> <p>In 2010 agreement signed to assist fund Public Sector Audit Program (PSAP) The program was jointly funded by Australian government and GoPNG on 50/50 basis for five years. The Aus aid funding came to cease in November 2015.</p> <p>Department of Finance is funding the program through its operational funds.</p> <p>Department of Finance has already established 43 Audit Committees as highlighted below:</p> <ul style="list-style-type: none"> <li>• National Departments – 16</li> <li>• Provincial departments – 13</li> <li>• Statutory Bodies - 14</li> </ul> <p>The departments of Finance recruited 56 Independent members and out of them 16 have been appointed to chair Audit Committee in various Audit Committees.</p> <p>The department of Finance pay sitting fee on quarterly basis and annual stipend each year for the independent year.</p> <ul style="list-style-type: none"> <li>○ Sitting Fee <ul style="list-style-type: none"> <li>• Independent member - K300</li> <li>• Chairman - K 500</li> </ul> </li> <li>○ Annual Stipend <ul style="list-style-type: none"> <li>• Chairman - K3500</li> <li>• Committee Member – K 2500</li> </ul> </li> </ul>	<p>The objectives of improving internal audit functions and audit committees would be enhanced if standard procedures and were document and adopted especially in an environment where capacity is lacking across the country.</p> <p>Lack of funding support from PNG Government for continuing</p>
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					<p>Public Sector Audit Program Board in 2012 approved a proposal for training of around 110 auditors' national wide</p> <p>There are two main type of training; a) 10 days on –the job training), b) Theoretical training for 150 auditors done annually c)Co-source audits</p> <p>There are 5 service providers that have been selected for training in 2012 through tender process whose contracts were approved by the Board.</p> <p>Since then and to date the same providers are used to deliver the training for 26 agencies.</p> <p>c) Further to expend the engagement and include co-coursed audits, in order further build capacity within the internal units where a group of auditors//trainers travel to designation and undertake audits with the auditors in both National agencies and provincial governments.</p> <p>(PSAP) training to 160 internal auditors to 26 agencies that have already established audit committee for National agencies, Provincial Government and Statutory Authorities.</p> <p>MOU signing with University of Technology on 7<sup>th</sup> March 2014 funded by Public Sector Auditing</p>	<p>support of PSAP.</p> <p>Lack of Knowledge and skill personnel's in the audit unit.</p>
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					<p>Program (PSAP) funded by PSAP. The training categories into two parts Introductory to secure graduates coming out from Universities and Intermediate advance level to acquire an understanding of role of auditing in corporate governance, the purpose of internal audits and audit committees, and type of and purpose of audit reports. The training is run for two for each level of training.</p> <p>In 2015 31 auditors had attended first batch Introductory level 14 auditors and Intermediate level 17 auditors.</p> <p>In 2016 35 auditors had attended first batch Introductory level 16 and second batch Intermediate 19 auditors to undergo the same training in 2016. The purpose of the training is to enhance the skills and competences of the auditors while carrying out their duties in their working environments.</p> <p>University of Technology, Head of Business Studies facilitated the training for the auditors.</p> <p>Department of Finance, Internal Audit &amp; Compliance through Public Sector Audit Program has provided High level training and resource provided to enhance their productivity.</p>	
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					<p>In 2014 the Department Finance, Internal Audit and Compliance Division took in additional task the Phone against corruption.</p> <p>The program is support by UNDP through PCAP.</p>	
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Lead Division	Financial Controls	Priority Action Areas	
Branch(es)	<ul style="list-style-type: none"> <li>Cash Management</li> <li>Expenditure Control</li> <li>Trust Accounting</li> </ul>	<b>Activities</b> <b>2,5,8, 9 and 13</b>	<p><b>2. Cash Management Reform</b></p> <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><b>5. Arrears Management</b></p> <p><b>8. Compliance to PFMA in ensuring that Accounting Functions exists in National Agencies and SNGs</b></p> <p><b>9. Reconciliation of Suspense accounts</b></p> <p><b>13. Reforms in Budgeting, Trust accounting and strengthening debt</b></p>

			management practices and monitoring of fiscal risks.			
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.	Nil
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 structure.	Nov 15 - Nov 16	The structure has been completed; positions were advertised and applications received. Awaiting Secretary's approval	New Unit Need to move positions within
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.	Trust instrument to move to State Solicitor Office.
2.4	Cash forecasting unit established in Department of Finance	Number of Personnel recruited for Cash Forecasting Unit	Approved structure	Dec 15 - Oct 16	A structure was been created and submitted to Secretary for approval.	Nil
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	Nil

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	
<b>5.0</b>	<b>Expenditure and Revenue Arrears Management</b>					
5.1	Develop a central expenditure arrears registry to maintain and monitor arrears of the State	Operational expenditure arrears registry for whole of government Arrears database management.	Report on Expenditure arrears	Oct 15 – Oct 16	<p>To be implemented after parliament approves the draft PFMA (Amendments) Bill 2016 in August 2016.</p> <p>Created a Bi-annual register as and when claims are received.</p> <p>PFMA (Amendments) Bill 2016 included an arrears management in Section 71D and when implemented in 2017 Key performance indicators may include;</p> <ul style="list-style-type: none"> <li>• Data base for all arrears outstanding</li> <li>• All arrears will be updated 30 days after the lapse of the previous year</li> <li>• All entities including individuals that owe arrears to the State shall be published in a gazette</li> </ul> <p>Penalties will be applied to individual defaulters if they do not pay.</p>	
<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	Finance Instruction on Non tax revenue collections	SNG Non tax Reconciliation report	March 2016 – Jun 2016	Introduction of cashless payments and receipts through EFTPOS and CRS. This exercise has been rolled	Non-compliance to the PFMS and FMM is a concern across all government agencies. To

	Financial Management Manual by Government agencies in order to establish an accounts payable and receivable branches	<p>Number of CRS installed</p> <p>Number of EFTPOS installed</p> <p>Number of agencies with CRS and EFTPOS</p> <p>Number of SNG with CRS and EFTPOS system installed</p> <p>Issue FI on the appointment of Financial Controllers</p> <p>Number of officers deployed to Government Agencies</p>	<p>IFMS and PGAS generated receipts</p> <p>Number of FCs deployed to government agencies</p>		<p>out to National Departments, CSA Provincial and District Treasuries.</p> <p>Tougher penalties and sanctions are planned to be applied to government agencies for non-compliance after passing of the PFMA Bill.</p> <p>15 Financial Controllers (FCs) are serving in various government agencies. There has been significant improvements and compliance to PFMS where FCs have been deployed. This is a good imitative by DoF</p>	<p>create a proper assessment to measure the current level of compliance to PFMA and FMM by government agencies, DoF may need to create both revenue and expenditure databases for WoG in the FCD and NTRD based on quarterly revenues and expenditure.</p> <p>Due to chronic shortage of personnel in FCD FC's cannot be deployed to government agencies.</p> <p>Timeframe to achieve this activity may need to be extended.</p>
<b>9.0</b>	<b>Reconciliation of Suspense accounts</b>					
9.1	Reconciliation of Suspense accounts conducted before year lapses annually	Annual public accounts	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>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	This clause has been included in the Trust	Revised Trust	Oct 15 – Dec	This activity is being sanctioned through Trust Instruments and the	This activity was not implemented in 2015 needs to

	their replacement wherever possible by end-year carryover provisions.	instruments	Instruments	15	new banking framework. The framework is still being drafted under support from PFTAC.	be implement this year.
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. Once completed it would be forwarded to 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.	Issuing of FI's need to be limited.
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
13.18	Legislate SOE's and Statutory Authorities to make and or, provide full disclosure of all source revenues to the DoF.	Approved in the PFM Act  Approved Consequential Amendments(2016)	All budget submissions must have estimates of both expenditure and revenue	Jun 16 – Jun 17	To be included in Public Finance (Management) Act Amendment Bill 2016 under Part VIII of the revised Act.  Reports of expenditures, revenues and receipts are mandatory under Part VIII of Act.  The revised Part VIII of PFMA provides for the budget submission on estimates of expenditure and revenue to be mandatory.	

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

### 7. Department of National Planning and Monitoring

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at December 31 <sup>st</sup> 2016		
	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	

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at December 31 <sup>st</sup> 2016		
		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>	<ol style="list-style-type: none"> <li>Stage 1 Budget Submission Circular is released <ul style="list-style-type: none"> <li>List of prioritized proposals consistent with sectoral plans</li> <li>Cost Benefit Analysis Reports</li> </ul> </li> <li>Stage 2 Budget Submission Circular with sector ceilings is released</li> </ol> <p>Revised Sectoral Plans and Costings</p> <p>Budget Circular</p> <ol style="list-style-type: none"> <li>2017 National Budget</li> </ol>	Unified budget process is underway between DoT and DNPM. Currently, integration of budget process is applying the three stages of budget submission through Budget reforms.	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	List of multiyear prioritisation of investment projects for migration to recurrent budget in 2017	Preliminary discussions are underway for a MTBF. Work has not 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			
Branch/ Program	BUDGETS	Activity 14.0	<b>ADOPTION OF THE 3 STEP APPROACH FOR PRIORITISATION OF CAPITAL PROJECTS</b>  <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	Stage 1 Budget Circular is released  List of prioritized proposals consistent with sectoral plan/provincial plans  Cost Benefit Analysis reports for major investment projects  Stage 2 Budget Submission Circular is	1 <sup>st</sup> Stage Submission report        Cost Benefit Analysis	July-November 2016	There is a stages of budget reform process in place for Unified Budget, which is currently being implemented  There is an ongoing need to improve the dissemination of understanding to this Unified Budget reform process  3 stages of budget submission under the current and newly designed Budget Reform	Budget Submissions are made at the agency level, when 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

		released Revised Sectoral Plans and Costing  2017 National Budget	Budget Circular		<p>process.</p> <p>Ongoing activity</p> <p>1. List of sector priorities consistent with the Stage 1<sup>st</sup> Stage Budget submission circular- <i>not addressing the report strategy of having projects aligned to sectoral plans</i></p> <p>Quite the contrary. 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>Sectoral and agency submissions were received</p> <p>2. List of sector priorities <del>against</del> consistent with the Stage 2</p>	<p>timeframe to respond back to sector agencies</p> <p>Treasury need to set sectoral ceilings to address sectoral projects</p> <p>The CBORs is calling this process a 2 stage process. There needs to be a compromise on the correct terminology following the process which is a three stage process</p>
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					Budget submission circular, within the recommended 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	<p>Report on multi-year prioritizing of investment projects for migration to recurrent budget in 2017</p> <p>List of investment projects to be migrated to 2017 Budget</p>	<p>1<sup>st</sup> Stage 2017 Budget Submission circular</p> <p>1<sup>st</sup> Stage 2017 Budget Submission circular</p> <p>2017 Annual Capital Investment budget Cashflow &amp;</p>	<p>July 2016</p> <p>August 2016</p>	<p>1<sup>st</sup> Stage Budget Submissions received and assessed</p> <p>1<sup>st</sup> Stage Priority from the Budget Submissions is compiled</p> <p>These were received and are completed</p> <p>2<sup>nd</sup> Stage Budget Submission received and assessed</p> <p>2<sup>nd</sup> Stage Priority from the Budget Submissions is compiled</p>	<p>Budget Submissions are made at the agency level, when the requirement is seeking Sector submissions</p> <p>Not all submissions are made within the required period</p> <p>Preparation of Sector ceilings by Treasury is affecting the projected timeframe to respond back to sector agencies</p> <p>Additional Sector consultation workshops are required</p> <p>Re-assessment of submissions have to be undertaken</p> <p>Not all sector agencies are cooperating within each sector</p>

			Workplan submission circular			Sector agencies are lack knowledge about being in a 'sector'
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## SCHEDULE 1: SUMMARY OF PEFA ASSESSMENT RESULTS AND PRIORITY AREAS

### 8. Department of Personnel Management

2016	QUARTER FOUR	AGENCY	Period of Reporting: As at December 31 <sup>st</sup> 2016			
	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

2016	QUARTER FOUR		AGENCY	Period of Reporting: As at December 31 <sup>st</sup> 2016		
		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>

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### DEPARTMENT OF PERSONNEL MANAGEMENT

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	Set up on Alesco all employees of departments, ministries, and public authorities regardless of the nature of their position	System Report of Re-categorization of genuine casuals employed under Employment Act 1978 to be absorbed into the integrated Alesco Payroll System	Re-categorized: 755 genuine casuals 410 casuals on Short Term <b>Total = 1,165</b>  <b>Grand total = 43,246</b> Permanent employees on Alesco Payroll including the re-categorized casual but excluding Teachers DPM is currently assisting agencies to re-categorise	DPM	HRAS&CB  MIS, MCAR	2008	Dec-2017  May continue into 2018
15.2	Strengthen staffing/position establishment controls	Number of Staffing Establishment Reviews conducted on quarterly basis  Cost Based Analysis Report  Instructions of offline control measures	Conducted regional and sectoral workshops prior to budget screening. However, following activities and control measures are in place:  System controls has been put in place to monitor <ul style="list-style-type: none"> <li>• Unattached Officers</li> <li>• Inflation of allowances</li> <li>• Staff movements</li> </ul> Cost Based Analysis	DPM	HRAS&CB  MIS		UFN  Recurrent activity

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>carried out as an ongoing task</p> <p>Offline control measures are being undertaken to verify underpayments, recouping of overpayments and validation of marginal and normal taxes</p>				
15.3	Conduct fortnightly whole of Government Payroll Analysis on Personnel Emolument Expenditure	<p>Cost benefit Analysis Report</p> <p>WoG PE expenditure fortnightly report</p>	<p>Cost-Benefit Analysis is conducted as a normal compliance activity and reported upon.</p> <p>WoG PE Expenditure Fortnightly report is tracked and reported on fortnightly basis</p>	DPM	MCAR HRAS&CB/ MIS		UFN  Recurrent activity
15.4	Conduct more awareness on Business process for HR and Payroll management	<p>Number of Departments, SOE's, SAs, the Human Resource Business Process is rolled out to National Departments, Provincial Administrations, Public Health Authorities, Public Hospitals and Government Funded Statutory Authorities</p> <p>Conversion into a National Qualification Framework at PNGIPA</p>	<p>Rolled out to:</p> <ul style="list-style-type: none"> <li>Manus Administration &amp; PHA</li> <li>Oro Administration and Hospital</li> <li>Milne Bay Administration and PHA</li> <li>West New Britain Administration and PHA</li> <li>New Ireland Administration</li> </ul>	DPM	HRAS&CB MIS	<p>Nov 2014</p> <p>June 2016</p>	<p>UFN</p> <p>Funding constraints limited further roll outs</p> <p>June 2017</p>

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			and Hospital <ul style="list-style-type: none"> <li>• Madang Administration and Hospital</li> <li>• National Agencies – in the project plan to roll out including the other Provinces</li> </ul> The Department has commenced work on the HR Business Process in partnership with PNGIPA to convert the business procedures manual into a national qualification.				
15.5	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		

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

Division	Human Resource Advisory Services & Capacity Building	Priority Action Areas	15. Reforms in Payroll System			
Branch/ Program	Staffing & Establishment HR Client Services Branch		Activity 15	<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><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	Constraints/Reasons for Non-Achievement



					KPI	
	<b>ANNUAL PROGRESSIVE REPORT</b>					
<b>15.</b>	<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	Re-categorization of genuine casuals employed under Employment Act of 1978 to be absorbed into the integrated Alesco payroll system  <b>Score rating has improved from D to C</b>	Loading all Government employees on Alesco  Circular Instruction to cease PGAS payments – genuine casuals being transferred to Alesco.	On going	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	Capacity issue  DPM not having access to PGAS Report on item  Agencies ignorant on instructions on the s
15.2	Strengthen staffing/position establishment controls	Fortnightly desk top analysis of staffing numbers against the funding capacity.  DoT and DPM through OSPEAC to conduct staffing & Establishment Reviews every quarter.  <b>Score rating improves from D to C</b>	Agencies to inform OSPEAC on timely basis on their staffing requirements to ensure funding is appropriated accordingly.  Agencies require to submit reconciliation reports to DPM & DoT on the changes in staffing	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 discrepancies in the staffing figures (as per Table 6 of the Budget Book) and match against Alesco &amp; Agency actual</li> <li>Identify any in-balance in the 2017</li> </ul>	Slowly implementation 15/2015          90% of all data in the Alesco System has b

			<p>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>budget and agree on rational options to minimise the over-expenditure in the PE budget</p> <ul style="list-style-type: none"> <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>cleansed.</p> <p>Restrictions are imposed on selections, structures pending assessment of expenditure trend prior to exemption.</p>
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>	Financial constraints endorsing all NFI recommendations before DPM

					<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>	
15.4	Conduct more awareness on Business process for HR and Payroll management	Business process Workshop conducted for sub-national agencies	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>	Financial constrai
15.5	Develop and Review a user friendly S&E reporting template for all agencies	Template populated and used during the quarter 1	To capture all staffing numbers and other mandatory	Going	DPM, DoT with Agencies	Relieve misinterpretat data's

		S&E Review	allowances for budget consideration			
15.6	Staffing & establishment Reviews	<p>Projected K300 + 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>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>	Ongoing	No progress as yet	Financial Constraints

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

### 9. Central Supply and Tenders Board

2016	QUARTER FOUR	AGENCY		Period of Reporting: As at 31 <sup>st</sup> December 2016		
	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	

## SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES

### CENTRAL SUPPLY AND TENDERS BOARD

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  Activity 17	Reforms in Procurement Planning <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>			
Branch	Training, Market/Industrial Development, Compliance & Audit (TMCA).					
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 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 Development, Compliance & Audit (TMCA) (with consultation DPM and DoF)	The new approved organization structure	Apr 16 – Feb 17	Currently, the new Division has 4 out of 5 officers executing duties of training, Marketing, Compliance & Audits.	New division with new functions and roles (mostly overlapping) resulting a slow progress.
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
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.	Stronger (effective) and regular (efficient) communication amongst All stakeholders is required.

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

### 10. Office of the Auditor General

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at 31 <sup>st</sup> December 2016		
	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	

SCHEDULE 2: SUMMARY OF KEY PRIORITY ACTIVITIES  
OFFICE OF THE AUDITOR GENERAL

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 National (10) staff in the Division</p> <p>New staff should be recruited in 2017 in Graduate recruitment program</p> <p>A draft structure is in progress for the division. there are 9 staff in the Division. The Performance Audit Division (PAD) was established in 2008.</p> <p>AGO has an ANAO advisor who is engaged for 3 years to guide and train the national officers on performance auditing.</p>	AGO	<p>PAD</p> <p>Corporate Division</p> <p>Executive Division</p>	Jan-16	Jun-17
18.2	Develop staff to conduct performance audits for significant public services		Two(2) staff attended short attachment at Melbourne state Audit office in August 2016.	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>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>The office conducted in-house training on 1 July 2016 with help of ANAO advisor.</p> <p>An officer (team leader) to attend 2 weeks performance audit workshop in China in November 2016.</p> <p>One (1) staff confirmend and will attend ANAO one year attachment in 2017 on performance auditing.</p> <p>Staff development is on-going. AGO has sent officers to ANAO for long and short term training. In-house training and on the job training are undertaken in audit assignments.</p> <p>AGO is planning an in-house training on 1 July 2016 with help of the ANAO advisor.</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	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
	relevant government concerned.		<p>It requires the AG and Divisional Heads concurrence.</p> <p>There are 4 divisions/branches within the AGO who are responsible for the follow up of the PAC recommendations related to their portfolios.</p>				
			<p>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.</p>	DoF(lead) /AGO	FRCD	Feb-17	Jun-17

## SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

### OFFICE OF THE AUDITOR GENERAL

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>There are 9 staffs in the division. AGO envisages that Performance Audit Division will be increased to 30.</p> <p>Currently ten National (10) staff in the Division</p> <p>New staff should be recruited in 2017 in Graduate recruitment program</p> <p>A draft structure is in progress for the division.</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	An Officer completed a years attachment program at ANAO in 2015 and recently resumed duties.	Yet to develop the AGO performance audit manual. AGO does not have sufficient financial resources to attract experienced performance

					<p>.</p> <p>Two (2) staff attended short attachment at Melbourne State Audit office in August 2016.</p> <p>Ongoing in-house training are being conducted.</p> <p>One (1) staff confirmed and will attend ANAO one year attachment in 2017 on performance auditing.</p>	auditors.
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	<p>Job Descriptions</p> <p>Finance Minute</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>

		statements submitted by AGO. Senior Accountant – PAC and Accountant.	Approved Divisional Structure			Both DOF and AGO needs to discuss the issuance of and receipt of a "Finance Minute".
		Finance Minute from AGO				



## OUTCOME 3: EFFICIENT SERVICE DELIVERY

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

91. **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, DPALLG and NDOE as joint implementing partners. These agencies will form a subcommittee and report to the PFM RMG on the design, the targeted areas for study, the data and other technical requirements and resources to enable this study.
92. **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.** Terms of reference will be prepared and an evaluation design drafted. A subcommittee will be formed to commence this process. NDoH, NDoE, DPLGA will be responsible for providing the necessary data required for this assessment. DPM will be called to support where necessary.
93. Funding support will be required for the team to conduct the evaluation study. And the timeframe reviewed.
94. The following forms are the agencies noted above.

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

### 11. National Economic and Fiscal Commission

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at 31 <sup>st</sup> December 2016		
	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	Reforms determination remuneration in if for Service Sector
		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	Number of stakeholder meetings Number of provinces covered. Terms of Reference Evaluation Design	Two meetings have been held with the stakeholders and a subcommittee established to be led by NEFC. NEFC to identify the cost of service delivery in the health and education sectors respectively	NEFC /DPLGA /NDOE /NDOH	Dec-16	Jan-17
19.2	Begin Analysis of SNG	Design of the evaluation Research Forms Report of the findings	Stakeholders had follow up meetings a design is set to begin by August	NEFC/DPLGA NDOE/NDOH	Jan-17	Oct-17

## 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 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-Achievement
19	<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	1. Draft Terms of References 2. Regular Sub-Committee Meetings 3. Draft Evaluation Design	Sub-Committee meeting minutes No.1 & 2.	Dec16 - Jan17	1. Draft Terms of References was completed. 2. Two stakeholder meetings were conducted. 3. Commence work on the Evaluation Design	None
19.2	Begin Analysis of SNG	Applicable in 2017		Jan17 - Oct 17	Applicable in 2017	Funding constraints, for team to travel to SNG.

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

### 12. Department of Provincial and Local Level Government Affairs

2016	QUARTER FOUR	AGENCY		Period of Reporting: As at 31 <sup>st</sup> December 2016		
	232	DEPARTMENT OF PROVINCIAL AFFAIRS AND LOCAL LEVEL GOVERNMENT		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	Reforms determination in of remuneration for Service Sector
		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	Four agencies are to form a sub-working committee to develop an evaluation design to conduct the review.  A sub- working committee established comprising DoE, NDoH, DPM, DPLGA and NEFC to develop an evaluation design to conduct the review.  The agencies will identify 2 selected provinces to conduct evaluation review  The sub- working committee to develop TOR for endorsement	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	A sub-committee will determine where the evaluation will be conducted.  The sub –committee to	NEFC /DPLGA	Finance/Admin & Internal Audit	Jan-17	Oct-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD		Lead Agency	Lead Division	Start Date	End Date
		Final report	determine provinces evaluation	selected conduct	/NDoH /NDoE			

### 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	• 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		
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	Establishment of a Sub-Committee comprising Education, Health, NEFC and DPLGA to develop an evaluation design for review.  TSC to be included for the Sub- committee to provide data input on Teachers’	Funding required for the evaluation to cover selected provinces  Lack of accurate data

					salaries and positions Two provinces may be selected in the design and review to determine allocation of positions and equitable salary scales in the delivery sector.	
19.2	Begin Analysis of SNG	Approved Evaluation Report  Analysis and Research Forms	Final Report	Jan17 - Oct 17	Necessary information will be supplied for the study.	The time frame may be reviewed.

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

### 13. National Department of Health

2016	QUARTER FOUR	AGENCY	Period of Reporting : As at 31 <sup>st</sup> December 2016			
	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



2016	QUARTER FOUR	AGENCY		Period of Reporting : As at 31 <sup>st</sup> December 2016		
		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	<b>Reforms in determination of remuneration for Service Sector</b>
		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>The NDoH representative met with the NEFC team on Monday 4<sup>th</sup> July as planned to kick start the process.</p> <p>It was agreed at this meeting that NEFC will organize another meeting in August that will involve all relevant stakeholders like NEFC, DPLGA, DoT, DoF, NDoH, DoE and DPM.</p> <p>NEFC will organize the date and venue for this meeting and the stakeholders will be informed accordingly.</p> <p>The design of the evaluation tool will be one of the agenda items that will be discussed at</p>	One issue for clarification that was raised was whether only positions would be tracked or salaries as well.

					<p>the above consultative meeting</p> <p>The team will also identify the 2 pilot provinces in which the evaluation tool will be used to track the allocation of positions and other services for which salary support is provided to SNGs.</p> <p>It was agreed at the Monday meeting between the NEFC and NDoH that one of the provinces will be a well performing province, whilst the other will be poor performing province.</p> <p>One of the issues that was raised at the Monday meetings is, whether we are going to track the positions only or, are we going to track both positions, as well as the salaries attached to these positions?</p> <p>The DoF PEFA team will have to provide clarity on this issue.</p> <p>To date i.e., 31 Oct 2016 two further meetings that were chaired by NEFC have already been held to work on the ToR for the subcommittee that has been assigned this task.</p> <p>Prior to the 2<sup>nd</sup> meeting that was held on the 26 Oct 2016, the NDoH provided its inputs on the draft ToR that was earlier sent out to both th</p>	<p>It was noted that the DPM rep was not present at the meeting 26 Oct.</p> <p>It was also discussed at</p>
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				<p>Education and the NDoH for their comments and submitted it to NEFC as requested.</p> <p>At the 26 Oct meeting, it was noted that Education did not provide inputs as required. Education reps assured the meeting that they will submit their inputs to NEFC straight away.</p> <p>At this meeting it was also agreed that 4 pilot provinces instead of 2 provinces will be used by the team to do evaluation exercise.</p> <p>The proposed pilot provinces are Southern Highlands, Central, East Sepik and East New Britain Provinces representing the four regions. It was also agreed at this meeting that only selected districts will be used to do the exercise.</p> <p>The meeting agreed that the proposed pilot provinces and districts will be submitted to DoF PEFA team for its perusal and endorsement.</p> <p>The DoF PEFA team is expected to make its final decision on whether four or two pilot provinces will be used for this exercise.</p> <p>The NDoH reps informed the meeting that in terms of detail</p>	<p>the meeting that there is a need for a rep from the Teaching services commissioner to be a member.</p>
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					<p>salary information such as salary levels and grades of the health workers in those pilot provinces, DPM rep will have to provide this information.</p> <p>The NDoH will have to provide the other data to NEFC during the month of November and December 2016.</p> <p>Examples of such data include the number and types of health facilities in the pilot provinces, and the number and cadres of health workers.</p> <p>The final meeting to finalise the ToR will be held on Wednesday 2<sup>nd</sup> November. It will continue to be chaired by NEFC.</p> <p>The NEFC is also expected to come up with a work plan and the costing involved and provide it to DoF PEFA team for budget consideration.</p> <p>After this meeting the sub-committee is expected to work on the design of the evaluation tool and have it finalized during the month of November 2016.</p> <p>It is envisages that the exercise conducted in the pilot provinces using the evaluation tool will commence in January</p>	
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					2017.	
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>No progressive update at this stage as this is a new activity that is yet to be implemented</p> <p>Analysis done in the 2 pilot provinces i.e. one well off verses one less well-off province.</p> <p>Progressive report of this exercise will be provided to DoF PEFA team on a quarterly basis in 2017 as planned</p>	

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

### 14. National Department of Education

2016	QUARTER FOUR	AGENCY		Period of Reporting : As at 31 <sup>st</sup> December 2016		
	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	<b>Reforms in determination of remuneration for Service Sector</b>
		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	<p>The department is currently in the process of forming an internal assessment committee to critically look into the priority area activity.</p> <p>The department has been working closely with the lead agency (NEFC) to formulate terms of reference (TOR) for study in 2017.</p> <p>Identified line agencies dealing with specific issues and to be included in the committee. This includes TSC, research and policy divisions of the department.</p> <p>NEFC as a lead agency is</p>	NEFC /DPLGA /NDOE /NDOH	DoE	Dec-16	Jan-17

Activity No.	PFM Reform Priority Activities	Key Performance Indicator/Output	Actual Output YTD	Lead Agency	Lead Division	Start Date	End Date
			<p>currently working to establish the sub-committee to discuss the priority areas and develop strategies for effective assessment and reporting.</p> <p>Completed the terms of reference for the study in consultation with sub-committee NEFC as a lead agency.</p>				
19.2	Begin Analysis of SNG	<p>An evaluation analysis</p> <p>Research methods</p>	<p>NEFC as lead agency is working on the evaluation analysis based on the terms of reference for the department.</p> <p>The analysis will commence after the evaluation following the assessment by the stakeholders.</p> <p>Final Report</p>	<p>NEFC</p> <p>/DPLGA</p> <p>/NDOE</p> <p>/NDOH</p>	DoE	Jan-17	Oct-17

### SCHEDULE 3: DETAILED PROGRESSIVE REPORT BY DIVISION

#### NATIONAL DEPARTMENT OF EDUCATION

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 evaluation design	Evaluation Report  Minutes of Meeting	Dec16 - Jan17	The department is in the process of forming the internal working committee to develop the evaluation template for the review of the positions for education services for which salary support is provided to SNG based on transparent and horizontally equitable rules.  Attended three sub-committee meetings on the terms of reference.  Completed the terms of reference for the study in consultation with sub-committee and with NEFC as a lead agency.	NEFC, NDoH and NDOE will commenced official discussion by August 2016.

19.2	Begin Analysis of SNG	Analysis tool employed	Evaluation Report	Jan17 - Oct 17	<p>A subcommittee will be formed with NEFC and NDoH to discuss the terms of the evaluation study and analysis of the findings.</p> <p>Sub-committee established and work on the terms of reference began with drafts submitted for reporting and advice.</p>	The Agencies concerned commenced consultation in July. Further consultations will take place by August.

## F. Summary of Donor Support to PFM

A matrix of PFM support by Donors to the GoPNG as of December 2016

No:	Donor and Type of PFM support	National Agency
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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 Treasuries (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 2017.</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> <ul 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> </ul>	
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, to improve the Financial Audit function, for the roll out of the Integrated Financial Management System, improve Cash Management, and for Behavioural Change.</p>	Department of National Planning and Monitoring and Department of Finance
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:</p> <p><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)</p> <p style="text-align: right;"><u>Phase 2</u>: Drafting a road map for sector reform</p> <p>(Road map released in April 2014)</p>	Department of Education

<b>9</b>	<b>ADB</b> <b>Strengthening Public Financial Management Phase II</b>	Treasury, Finance
	PFMTA Phase II activities include the following: i) Support for establishing financial and performance monitoring frameworks for statutory bodies within the Department of Finance; ii) Advisory services and analysis for the evaluation of a proposed Infrastructure Development Authority; and iii) Analysis of sub-national funding mechanisms and their potential to be used for counter-part funding contributions towards ongoing infrastructure projects.	
<b>10</b>	<b>ADB</b> <b>Supporting Anti-Money Laundering and Counter Terrorism Financing in PNG</b>  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.	DJAG
<b>11</b>	<b>ADB</b> <b>Supporting National AML Risk Assessments in the Pacific</b>  Support for undertaking AML-CFT National Risk Assessment's in line with the revised 2012 FATF standards.	DJAG/BPNG
<b>12</b>	<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:  Reform of capital markets and the financial sector including microfinance and superannuation regulation and business environment;  Reform of business legislation and regulation, including support for collateralized debt frameworks;  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;  Promotion of competition policy frameworks and consumer protection.	BPNG, Treasury, IPBC, SOE's, DPE et al.



13	<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)
15	<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> <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>	National Department of Health