



DEPARTMENT OF FINANCE
Office of the Secretary

FINANCE INSTRUCTION No 7 of 2018

26th MARCH 2018

**SUBJECT: FINANCE INSTRUCTION FOR THE MANAGEMENT OF PUBLIC
MONEY MANAGEMENT REGULARISATION ACT FUNDS**

1.0 INTRODUCTION

1.1 Authority

This Finance Instruction (hereafter FI), is issued under Section 117 of the Public Finances (Management) Act, as amended. (hereafter PFMA)

1.2 Legality & Enforcement

Non-compliance with this and other FIs issued under the PFMA, will invoke appropriate sanctions and/or penalties prescribed under the Act and/or under other relevant laws.

2.0 PURPOSE

2.1 Management of Revenue Collected by the Public Money Management Regularization Act

This Instruction ensures control and effective management of revenue collected by operation of the Public Money Management Regularization Act (PMMR) to ensure that these funds act as a buffer fund to regulate the availability of funds within the Waigani Public Account (WPA) bank account to ensure there is sufficient cash availability to finance warrants issued by the Department of Treasury.

3.0 OPERATION OF THE PMMR HOLDING ACCOUNT - CASH MANAGEMENT

3.1 PMMR Holding Account to Operate as Cash Management Buffer Account

The Department of Finance Holding Account, established under the Finance Instruction that supports the implementation of the PMMR, shall operate as a cash management buffer account to ensure the availability of cash reserves to meet liabilities as they fall due when there are insufficient funds in the Waigani Public Account.

3.2 Payments Out of the PMMR Holding Account

- (a) Acting on the advice of the Treasury Secretary, the Treasurer may cause to be issued warrants pursuant to the Public Finances (Management) Act, and the Finance Minister, on the basis of those warrants, may direct the Finance Secretary to transfer from the Department of Finance Holding Account,

established under the Finance Instruction that supports the implementation of the PMMR, to the Waigani Public Account, an amount needed to meet temporary needs for cash so as to ensure that critical government expenditure needs can be met when the funds in the Waigani Public Account are otherwise insufficient for those purposes.

- (b) The Finance Secretary shall comply with a direction under Paragraph 3.2(a).
- (c) Temporary needs for cash to ensure that critical government expenditure needs are met, means –
 - (i) to meet the consequences of natural disasters;
 - (ii) to meet government payroll;
 - (iii) to meet critical transfer requirements to provinces, district development authorities and local-level governments;
 - (iv) to meet critical transfer requirements on key government policy initiatives, such as Tuition Fee Free transfers; and
 - (v) to meet such other critical expenditures that have been endorsed for payment from the Department of Finance Holding Account, established under the Finance Instruction that supports the implementation of the PMMR, by the National Executive Council on recommendation of the Treasurer and Finance Minister.
- (d) Temporary needs for cash to ensure that critical government expenditure needs do not include –
 - (i) development expenditures that are appropriated in the National Budget, other than those endorsed pursuant to Paragraph 3.2 (c)(v);
 - (ii) operating or recurrent costs of public or statutory bodies.
- (e) Payments out of the Department of Finance Holding Account, established under the Finance Instruction that supports the implementation of the PMMR, under this paragraph, shall be made only against warrants issued under the Public Finances (Management) Act against appropriations contained in the National Budget for a Financial Year.

3.3 Bank Reconciliation – PMMR Holding Account

- (a) Financial Controls Division of the Department of Finance shall reconcile the Department of Finance Holding Account, established under the Finance Instruction that supports the implementation of the PMMR, monthly to ensure the transparent operation of the accounts in accordance with this FI and the requirements of the PFMA.
- (b) The Secretary of Finance shall inform the Minister for Finance if he believes that the Department of Finance Holding Account, established under the Finance Instruction that supports the implementation of the PMMR, is operated other than in compliance with this FI.
- (c) The Department of Finance Holding Account, established under the Finance Instruction that supports the implementation of the PMMR, shall be operated solely on the Integrated Financial Management System in accordance with all other instructions, directions and guidelines given for the operation of accounts on the Integrated Financial Management System.

4.0 EFFECTIVE DATE OF THIS FI

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

5.0 HELP DESK

Should you require further information the following officers should be contacted:

- First Assistant Secretary, Cash Management Division, Department of Finance.



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