



DEPARTMENT OF FINANCE
Office of the Secretary

FINANCIAL INSTRUCTION 02/2022

04TH APRIL 2022

SUBJECT: ISSUANCE OF AUTHORITY TO PRE-COMMIT

1.0 INTRODUCTION

1.1 Authority

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

1.2 Legality & Enforcement

Pursuant to section 4 of the PFMA, the Finance Secretary has control and direction of all matters relating to the management of the financial affairs of the State.

1.3 Precedence

This FI replaces FI- 02 of 2020 issued on 10th March ,2020.

This FI is issued based on amendments to the Public Finances (Management) (Amendment) Act 2021 and National Procurement (Amendment) Act 2021 certified 25 October, 2021.

2.0 SCOPE

2.1 In-scope agencies and Threshold

This FI applies to all public and statutory bodies both at the National and Sub National levels where the procurement exceeds the threshold limit established by Section 26 of the National Procurement Act.

The threshold below which public and statutory bodies can procure themselves is K1 Million under the NPA Section 26 (1)(b). All public and statutory body with procurements above this threshold shall have procurements undertaken on

their behalf by the National Procurement Commission (NPC) or a Committee of the NPC.

An APC is not required for public and statutory bodies both at the national and sub national levels where the value of the goods, works and services procured is within the threshold limit and does not fall under the control of the National Procurement Commission.

2.2 An APC is required regardless of fund source

An APC is not limited to funds from National Budget appropriations. An APC is required for any contract which is greater than the threshold regardless of the source of funds. This includes contracts that may be 100 percent funded from international agreements or own source funds.

3.0 PURPOSE

3.1 Authority to Pre-Commit (APC) defined

An APC is an authority that authorises an agency or National Procurement Commission (for procurement under the authority of the Commission) to enter into a contract for:

- the procurement of goods, works or services specified in the authority; and
- an amount not exceeding the maximum amount specified in the authority.

An APC can only be issued by the APC Committee or their delegates.

The APC will be issued on a standard template on approval by the APC Committee. A copy of this template is attached to this FI.

3.1.1 Single versus Multi-Year APCs

An APC is issued as either a single year or multi-year. Generally, an APC is issued as a single year APC. Where the APC Committee considers, based on reasonable evidence presented to it, that a contract for the procurement of goods, works or services is to be executed over multiple financial years, the APC Committee may issue an APC under Section 42(1) to enter into a contract for the procurement of goods, works or services for multiple financial years.

A contract entered into as a consequence of a multi-year APC is to be conditional in all future financial years on Parliament making sufficient appropriations in the National Budget to meet the undischarged obligations of the contract.

The APCC Secretariat will request formal approval in writing by the Department Head of Treasury prior to consideration by the APC Committee.

Where a multi-year APC is conditional on other fund sources, the agency will be required to demonstrate that fund sources are available and the accountable

officer will be requested to formally approve in writing that the funds will be made available.

In any of these financial years, the APC shall not exceed the appropriation contained in the National Budget for that financial year. Where future year appropriations (or other sources of funds) are less those specified on the initial APC, the APCC will review the APC and reissue in line with the appropriation.

3.2 When an APC is issued by the APC Committee

To commence a procurement, an agency needs to seek a Certification to Commence from the APC committee. The Certification will be issued on a standard template on approval by the APC Committee. A copy of this template is attached to this FI.

Once the procurement has been undertaken and a contract has been recommended for award with legal clearance, an APC is issued.

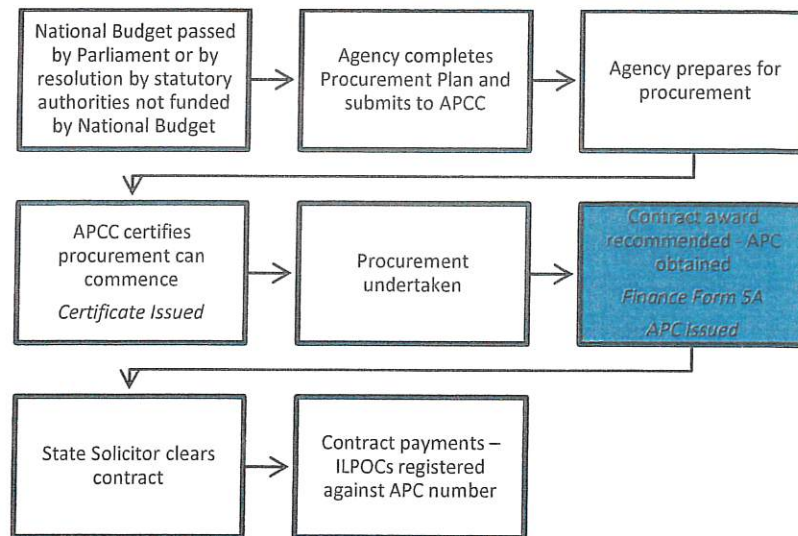


Figure 1 Summary of procurement for APC Committee

3.3 Applying for an APC

An APC is applied for using Finance Form 5A. The template for Finance Form 5A is provided as part of this FI. Public and statutory bodies or the National Procurement Commission (for procurement under their control) are to apply to the APCC via the APCC Secretariat. An application must be signed by the appropriate delegate accountable for the procurement.

3.4 Enforceability of Contracts and Claims against the State

A contract is null and void if it is not accompanied by either an Integrated Local Purchase Order (ILPOC) or an APC. Claims through the courts against the State are also not enforceable unless it accompanies an authorised and valid (not expired at time of certified claim) integrated local purchase order or APC.

3.5 Contract Variations

A contract amendment or variation cannot be executed where such change will result in either exceeding the maximum value of the underlying APC; and/or extends the contract term outside the approved National Budget financial years of the underlying APC.

In these instances, a variation cannot be executed without a new APC. A variation to the underlying APC must be requested using the same method outlined in sub-section 3.3 above.

Section 70(5) of the National Procurement Act (as amended) requires all variation to a contract drawn, approved and cleared by the State Solicitor.

4.0 MANDATORY REQUIREMENT TO TRACK CONTRACT EXPENDITURE USING THE APC NUMBER

4.1 Performance of Authorisation Requisition Officers (AROs)

All public and statutory authorities and National and Sub-National level are required to track contract expenditure against the contract and use the APC number as the reference number.

For agencies where the Integrated Financial Management System (IFMS) has been implemented, creating a new purchase requisition in IFMS will require the additional mandatory step of completing the APC Number field if issued for the contract.

4.2 AROs accountability and usage of APC Number field for IFMS

- i. Any requisition raised for a contract will require the ARO to enter the APC number into the APC Number field on the IFMS purchase requisition creation form.
- ii. APCs are required for all contracts greater than the threshold regardless of funding source and should be clearly stated on the FF3.
- iii. The APC field is now a mandatory field to be filled by the AROs regardless of the value of the actual claim being processed. Every claim processed must now be linked to the APC issued for the contract.
- iv. It is mandatory that the Purchasing Method field is also completed. For all contracts, AROs must use the TENDER or COI (if issued) as the Purchasing Method field.
- v. The APC Number must be entered exactly in the field. The number will be used to track payments within an APC contract commitment database and reported regularly as part of the cash management processes.

4.3 Agency accountability to track APC Number with expenditure to record contract expenditure without IFMS

- i. Where an agency is using a finance system other than IFMS, the finance delegate is required to ensure that the expenditure has been recorded in the finance system or a contract commitment register using the APC Number.
- ii. This information will be collected from agencies who are not using IFMS on a monthly basis and consolidated as part of the National Contract Commitment Database maintained by the Department of Finance.

5.0 ENFORCEMENT

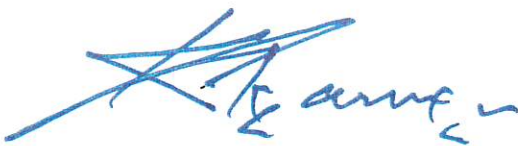
Non-compliance with this and other FIs issued under the PFMA, will invoke appropriate sanctions and/or penalties prescribed under the Act and/or under other relevant laws.

6.0 EFFECTIVE DATES OF THIS FINANCE INSTRUCTION

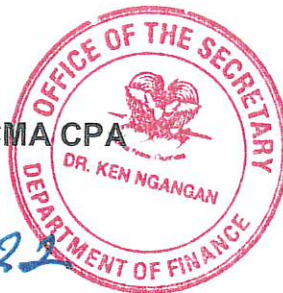
This FI is effective as of the date of signing by the Secretary of Finance.

7.0 HELP DESK

Should you require further information the following should be contacted:
apccsecretariat@finance.gov.pg.



DR KEN NGANGAN OBE PhD CMA CPA
Secretary



Date: 06 / 04 / 2022

Authority to Pre-Commit Request

Agency

Agency Request Code

APC / Anti-Corruption Number

APC / Procurement Plan Registered Number

Description

Name of Department

Contact Officer

Designation

Contact Phone Number

Contact Email Address



Request Form 04

Estimated Pre-Commitments in current year
 Estimated Pre-Commitments in year 2
 Estimated Pre-Commitments in year 3
 Estimated Pre-Commitments in other years
 Subtotal National Budget contract value

Fund Source - National Budget Appropriations

Appropriation Level	Fund Source	Economic Item
0		

Fund Source - Other

Estimated Pre-Commitments in current year	Provincial Government	Local Level Government	District Authority	Donor Funding	Other Fund Source	If other - please specify
Estimated Pre-Commitments in year 2						
Estimated Pre-Commitments in year 3						
Estimated Pre-Commitments in other years						
Subtotal Other Contract Value	0	0	0	0	0	0
TOTAL Contract Value						

Name of supplier

APC or Agency Procurement Reference Number

Requester address of supplier

APC Board or Delegated Committee Decision Meeting Reference Number

APC Board or Delegated Committee Meeting Date

Page

1. This Authority to Pre-Commit Form does not constitute an Authority to Pre-Commit. This will be issued once approved by the APC Commission under the PFMA.
 2. An Authority to Pre-Commit Form is issued after recommended award and prior to State Solicitor clearance to execute a contract.
 3. By requesting an Authority to Pre-Commit, the requestor is confirming that the procurement was conducted in compliance with the requirements of the Government of PNG.