



**DEPARTMENT OF FINANCE
Office of the Secretary**

FINANCE INSTRUCTION 10/2021

19TH OCTOBER 2021

SUBJECT: THE IMPLEMENTATION OF GTFS COMMODITY COMPONENT FUNDING FOR PROVINCES AND DISTRICTS AT THE SUB-NATIONAL LEVEL

1.0 INTRODUCTION

1.1 Authority

This Finance Instruction (hereafter FI), is issued under Section 117 of the *Public Finance (Management) Act*, (as amended) whereby the Finance Department Head may issue FIs that are necessary or desirable for carrying out or giving effect to the PFMA 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. Non-compliance with an FI issued under the PFMA, will invoke appropriate sanctions and / or penalties prescribed under the Act and / or under other relevant laws.

1.3 This Instruction is applicable for the annual National Budget allocation under the Government Tuition Fee Subsidy (GTFS) Policy Commodity Component funding for sub-national level agencies.

2.0 PURPOSE

2.1 GTFS Regulation & Funds Usage

This Finance Instruction (FI) and the Department of Education Commodity Component Administrative Guidelines (AG) for Provinces and Districts are designed to ensure the control and effective usage of GTFS Commodity Component funds for sub-national level. Provinces and Districts will now be mandated to procure and supply standard teaching and learning materials in their respective provinces and districts.

3.0 BACKGROUND

3.1 NEC Decision No. 25/2021 and Special Meeting No. 01/2021, dated 24th February 2021 by the National Executive Council:

- (a) Noted the submission by Department of Education to withdraw in its entirety the three shortlisted bidders recommended by the National Procurement Commission (NPC) for the award of the contract to purchase and supply the teaching and learning component materials under the Commodity Component of the Government Tuition Fee Subsidy (GTFS) policy on behalf of the Department of Education;
- (b) Noted that there is a need for more local content in the procurement and supply of basic school materials throughout the schools in the country;
- (c) Noted that the shortlisted bidders had no supporting document showing evidence of local content and or successful delivery of materials to schools on time;
- (d) Approved the submission in its entirety;
- (e) Directed that the Department of Education revisit the policy, in consultation with relevant Departments, to ensure funds under the Commodity Component of the GTFS Policy (20%) are disbursed in a following manner:
 - (i) 15% - funding transferred directly to Provinces for High Schools, Secondary Schools and Vocational Schools; and directly to Districts for Elementary and Primary Schools to procure the teaching and learning materials; and
 - (ii) 5% - Specialized STEM Subject Equipment; and
 - (iii) Noted that under the GTFS Policy, 80% is the School Operation and Functional Grant which is a cash component, that is remitted directly to the schools to be expended on activities identified by the school learning improvement plans.

3.2 The GTFS Policy emphasises shared responsibility and partnership with Parents, Provincial Governments, DDAs and all other stakeholders.

3.3 In accordance with NEC Decision No.25/2021, the DoE centralised procurement of Commodity Component (20%) to procure and supply standard teaching and learning materials to schools throughout PNG ceases with the functions being transferred to provinces and districts to encourage and promote local SMEs.

3.4 Provinces and Districts are now mandated to procure and supply teaching materials in their respective provinces and districts as of the date of this FI and onwards.

3.5 The provinces and districts will also take full carriage of providing administration and logistics to implement the program.

3.7 Budgetary Funding and Proportions

The break down of GTFS funding for CC, STEM and OFG budgetary allocations is as follows:

- 15% Commodity Component (CC);

- 5% Specialized STEM Subject Equipment; and
- 80% Operational and Functional Grants (OFG).

3.8 No administration management fees or charges will be deducted from the Commodity Component funding.

4.0 ESTABLISHMENT OF ECONOMIC LINE ITEM

4.1 An economic item has been created in the IFMS/PGAS Chart of Accounts (CoAs) for Commodity Component funding and expenditure.

4.2 **Appendix 1** outlines the PGAS CoAs for the receipt and the expenditure of the Commodity Component Funding. An example has been done for Western Province to follow.

4.4 **Appendix 2** outlines the IFMS CoAs for the receipt and the expenditure of the Commodity Component Funding.

4.5 No other CoAs other than those listed in the Appendices must be opened. If System Administrators require guidance on creating Chart of Accounts, they must contact the IFMS help Desk and PGAS Help Desk in ITCD of DoF.

5.0 PAYMENTS OF COMMODITY COMPONENT FUNDING INTO OPERATING ACCOUNTS

5.1 Funds appropriated in the National Budget under GTFS by Treasury, on the authority of the Treasurer may be reallocated only for the Commodity Component and paid into the respective Provincial and District Treasury operating bank accounts (PGOA & DDAOA).

6.0 PROCUREMENT PROCESS

6.1 Existing Procedures apply to all GTFS CC Expenditures

- All procurements shall be carried out in accordance with the National Procurement Act (NPA) 2018, guidelines and procurement instructions issued under NPA and associated sections of the PFMA on the Authority to Pre-Commit Issuance;
- All procurements are undertaken in accordance with thresholds specified under Section 26 of the NPA,

6.2 Selection and Approval of Minor and Standard Contracts

Purchase of learning and teaching school materials using GTFS CC funds must be procured with a Minor and Standardised Contracts.

The Department of Education may issue standards and minimum procurement requirements for the teaching and learning materials and these must be met when undertaking procurement.

7.0 PROCEDURE FOR PAYMENTS TO SERVICE PROVIDERS

To ensure accountability, payments will be made to service providers progressively on instalment basis are as follows:

- (a) First payment of 50% must be released upon DoE confirmation of a signed contract for provision of supply;
- (b) Second payment of 25% must be released on evidence of goods being purchased and commencement of distribution; and
- (c) Final payment of 25% must be released upon the presentation of the Completion Report including schools certifying the receipt of goods by DoE.

8.0 PROCEDURE FOR CLAIM AND PAYMENT

8.1 Payments Generally

All payments out of GTFS Commodity Component funds shall comply with the DoE Administrative guidelines; this Finance Instruction and other requirements of the PFMA where applicable. All payments must be authorised by relevant Section 32 Officer.

8.2 Acceptance of Claims

Claims shall be accepted for payment upon endorsement by the Provincial and District Education Advisor and authorised by relevant section 32 Officers. Advance or forward payments shall not be made.

8.3 Verification and Examination

All claims must be endorsed by the Provincial and District Education Advisors prior to claims examination and certification by Provincial and District Finance Officers and approval for payment by the responsible Section 32 Officers.

8.4 IFMS & PGAS Processing and Recording

The Provincial and District Finance Manager shall make all authorised payments to suppliers and furnish payment reports to the Provincial and District Education Advisors and Provincial and District Administrators, whichever is applicable.

8.5 Keeping of Accounts

The Provincial and District Finance Managers shall maintain proper accounts and records of GTFS Commodity Component financial transactions and assets in accordance with the PFMA and the Organic Law on Provincial and Local Level Governments, using the appropriate IFMS or PGAS system.

8.6 Cheque Usage Reports

Cheque Usage Reports must be provided to Banks to support the cheque clearance processes by Provincial and District Finance Managers.

All Commodity Component cheque payments **must** be system generated either from IFMS or PGAS systems, whichever is in use. Manual cheque books shall not be used in the disbursements of funds and/or payments.

9.0 OTHER FINANCIAL REPORTING

9.1 Reports by Provincial and District Administrators

The Quarterly and Annual Financial and Physical Report with evidence of tangible outcomes by all implementing agencies are compiled and submitted to the Departments of DoE in a timely manner.

The Provincial and District Education Advisors shall prepare the relevant reports detailing the following information to Secretary DoE to be endorsed by Provincial Administrator (PA):

- The amount of CFC relating to Provincial and District Operating Accounts received by PFM & DFM by month and expenditure vote and the total amount of money committed by expenditure vote;
- The total amount of CFC remaining uncommitted to be reported by expenditure vote; and
- An estimate of expected future cash requirements broken down by month and by expenditure vote.

9.2 Reports by Contractors

At the completion of the distribution of materials to schools, a full report by the Contractor to the respective Administrators of Districts and Provinces is to be submitted to the Secretary for Education.

The Report **must** contain the following:

- (i) Contract;
- (ii) Delivery slips and acknowledged from schools;
- (iii) Photo showing delivery by Contractor at schools; and
- (iv) Any other relevant report.

10.0 PUNITIVE MEASURES FOR NON- COMPLIANCE

Pursuant to Section 106 of the PFMA 1995 (as amended) and Section 78 of the NPA 2018, a person who, in whole or part, omits or fails to comply with a duty, obligation or requirement of this FI and PI is guilty of an offence. All offences are offences of strict liability. Penalties will be imposed for non –compliance.

In the event of non-compliance with the state procurement, accounting and reporting requirements, further release of funds will be withheld until compliance requirements are fully met.

11.0 AUDIT AND INSPECTIONS

11.1 Public Funds are Subject to Audit

All public funds are subject to audit by internal and external auditors under the PFMA by:

- (a) The PG,DoE and DoF have Audit Cells that will be routinely deployed to conduct audits and/or inspections including evaluations on the implementation of the program as determined by Secretary DoE in consultation with Provincial and District Administrators; and

(b) The Auditor General's Office will conduct the annual audits.

12.0 EFFECTIVE DATE OF THIS FI

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

13.0 HELP DESK

13.1 Should you require further information the following should be contacted for assistance in relation to technical or policy matters from the Departments of Education, Finance and Treasury:

Organization	Designation	Contact Number
Department of Education:	Executive Director, Subsidy & School Grants Unit	328 8800 Ext. 661
Department of Treasury: - Budgets Issues - Issue of Warrant Authority	FAS, Budgets Division	3288605 3128736
Department of Finance: - Cash management and EFT fund transfers - Financial Reporting & Compliance - Provincial Finance Operations - IFMS / PGAS	FAS, FRCD FAS, FCD FAS, PDFMD FAS, ITCD	3288201 3288605 3288595 3288277
National Procurement Commission: - Procurement/Tendering	CEO, NPC Board Secretary, NPC	3113777 Ext. 208



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Secretary for Finance



Date: 19/10/2021

Appendix 1

GTFS-CC EXPENDITURE – PGAS CHART OF ACCOUNTS

Provincial Finance Office

271 Western Province
2100 Provincial Finance Office
2101 Gov't TF Subsidy-CC
123 Office Stationeries
124 Office Materials & Supplies
271 Province Division Code
2 Development
100 Provincial Finance Office
2 Development
1 Administration
01 Grant
123/124Expenditure Item

District Finance Office

271 Western Province
2010 District Finance Office
2101 Gov't TF Subsidy-CC
123 Office Stationeries
124 Office Materials & Supplies
271 Province Division Code
2 Development
1 Provincial Finance Office
10 District Finance Office
2 Development
1 Administration
01 Grant
123/124Expenditure Item

Appendix 2

GTFS-CC REVENUE AND EXPENDITURE – IFMS CHART OF ACCOUNTS

Revenue budget

NNN-NNNNN	XYZ Provincial Government / DDA (Separate a/c for each Province / DDA *) GTFS Commodity Component – Revenue
00	GoPNG Recurrent Budget
152100	Recurrent Grants from National Government

Expenditure budget

NNN-NNNNN	XYZ Provincial Government / DDA (Separate a/c for each Province / DDA *) GTFS Commodity Component – Expenditure
00	GoPNG Recurrent Budget
223110	Office Stationery
223120	Other Office Consumables

* Provinces on IFMS

Province	# of DDAs	# of LLGS
1. East New Britain	4	18
2. Central	4	17
3. Oro	2	9
4. Morobe	9	29
5. New Ireland	2	10
6. East Sepik	6	26
7. Western Highlands	4	11
8. Jiwaka	3	8
9. Simbu	7	20
10. Eastern Highlands	7	25
11. Madang	6	19
12. Manus	1	12
13. West New Britain	2	12
14. Milne Bay	4	14
15. Gulf	2	8

Budget Adjustment

Normal budget maintenance process applies. The subnational budget adjustment template accessed via IFMS Manual Workplace must be completed by the provincial government (PHQ) and DDA to provision the 15 percent GTFS component in their annual revenue and expenditure budgets. The signed budget adjustment request is submitted by the provincial government and DDA to department of Treasury for endorsement and approval in IFMS.