



DEPARTMENT OF FINANCE
Office of the Secretary

FINANCIAL INSTRUCTION 11/2021

4 November 2021

SUBJECT: PROVINCES AND DISTRICTS BUSINESS CONTINUITY PROCEDURES TO UNDERTAKE FINANCIAL PROCESSING WITHOUT ACCESS TO IFMS.

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 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 penalties prescribed under the PFMA or under other relevant laws.

1.3 In-scope

This FI applies to all Sub-National public and statutory bodies that are operating on the Integrated Finance Management System (IFMS). It does not apply to public and statutory bodies using PGAS or other financial systems.

This FI remains in effect until such time as the remote environment used to access IFMS is restored for the Province or District.

This FI replaces a Circular Instruction 07/2021 dated 28th October 2021 *Allocation of Funds for Operational Expenditure into Covid-19 Trust Account*

3.0 PURPOSE

3.1 Restricted Access to IFMS

The purpose of this Instruction is to give direction to all, Provincial Administrators, CEOs of District Development Authorities (DDA) and Provincial and District Finance Managers on the temporary protocols in place to access IFMS.

Some of the Department of Finance data centre servers were infected with malware. The result of this infection is that files on the infected servers were encrypted and this including the remote access Citrix environment used to

access IFMS. The IFMS database was not infected and temporary arrangements are now in place to enable continued access to IFMS where possible.

4. PROVINCES AND DISTRICTS TRANSFERS TO COVID-19 EMERGENCY TRUST BANK ACCOUNT

4.1 The Covid-19 Emergency Trust Bank Accounts will be used as a temporary operating account until IFMS is restored

Provinces and Districts will have up to K3 million for Provinces and K3 million for Districts of their own funds (or a lesser amount for those with bank balances below this amount) from their PSIP/DSIP and/or Operating accounts, transferred into the Covid-19 Emergency Trust Accounts.

The Covid-19 Emergency Trust Deed will be amended to enable the Trust bank account to be used to hold funds to meet expenditures to allow business continuity when IFMS is unavailable subject to an FI.

4.2 Further transfers to the Covid-19 Emergency Trust Bank Accounts to be under the authority of the Provinces and Districts

Any additional amounts are to be authorised by the respective Provincial Executive Council (PEC) or delegated committee or DDA Board, from their respective PSIP/DSIP and Operating accounts to the Covid-19 emergency trust bank account.

Provinces and Districts may continue to transfer funds subject to availability and within limits approved by the PEC or the DDA Board.

This transfer can only be made with written authorisation from the Provincial Administrator or DDA CEO using Authority to Transfer Funds (ATF) to initiate the transfers with the Bank of South Pacific.

4.3 Payments from the transfers is for critical and continued operating expenditure and normal compliance and instructions will apply.

The transferred funds are for expenditure related to continued operations.

The Provincial Governments and District Development Authorities are in the best position to identify what is considered critical and the level of funding that is required to maintain operations temporarily while IFMS access is not available.

Any expenditure used from the transferred funds under this FI is subject to the Public Finances (Management) Act and the National Procurement Act. The transfer of funds does not entitle the funds to be expended under the rules established for Covid-19 emergency response related funds held in this account.

For SIP and PIP procurements and expenditures, Provinces and Districts are to comply with current SIP/PIP Guidelines and expenditure approval processes for the allocation and the management of the funds.

5. EXPENDITURE MANAGEMENT AND REPORTING

It is important that Provinces and Districts separate the funds transferred between operational, SIP and those balances that are solely for Covid-19 pandemic response.

The transfer is being made to enable the Provinces and Districts to continue business operations in the absence of IFMS to record transactions and print cheques. Therefore, we will need to be able to retrospectively record these transactions within IFMS when access is restored.

Provinces and Districts need to maintain both a manual cash book to retain information ordinarily recorded in IFMS as well as the supporting documentation.

The manual cash book must be maintained that records at least the following information:

- i. Date,
- ii. Amount,
- iii. IFMS appropriation and chart of account codes,
- iv. Cheque Number,
- v. Name of the supplier on the cheque (must match the invoice),
- vi. Invoice no,
- vii. Invoice date,
- viii. Goods and services supplied/ description,
- ix. Name of officer recording the entry,
- x. Date cheque presented and cleared.

All expenditure must be accompanied by the Forms (FF3 & FF4) with all certifications and delegated approvals that are required as if they are being processed in IFMS. This documentation must be kept for audit purposes and the final acquittal report.

All cheques issued must be accompanied by Form 11 as well as the supporting documentation when presented to the Bank.

6. TRUST ACCOUNT BANK RECONCILIATIONS

Under Finance Instruction 7A, reconciliations of the COVID-19 Trust Accounts are to be completed in accordance with PFMA provisions, as follows:

- a. Provincial Trust Bank Accounts. The PFM is to ensure that the provincial subsidiary bank account is reconciled within 14 days of the end of the month. A copy of the completed bank reconciliation, including a copy of the cash book, is to be provided to the Department of Finance, Financial Reporting and Compliance Division (FRCD) and Provincial and District Financial Management Division (PDFMD) by the 14th day of the month.

The PFM is to ensure that the bank reconciliation and cash book clearly identify expenditure related to the Covid-19 emergency, SIP or operating expenditure under this Finance Instruction for critical operations.

- b. District Trust Bank Account. The DFM is to ensure that each District subsidiary bank account is reconciled within 14 days of the end of the month. A copy of the completed bank reconciliation, including a copy of the cash book, is to be provided to the Department of Finance, Financial Reporting and Compliance Division (FRCD) and Provincial and District Financial Management Division (PDFMD) by the 14th day of the month.

The DFM is to ensure that the bank reconciliation and cash book clearly identify expenditure related to the Covid-19 emergency, SIP or operating expenditure under this Finance Instruction for critical operations.

7. RETURN TO NORMAL WITH REMOTE IFMS ACCESS

Once IFMS is restored for the Province or District, the following steps must be undertaken:

- 1) An acquittal report is prepared that acquits the funds that were transferred into the bank account against the payments that were made including any unpresented cheques.
- 2) Any residual balance in the Covid-19 Emergency Trust Account that remains from the operating funds transferred, is to be deposited back into the Province or District's operating bank account by the respective Province or District. A copy of the acquittal report including any outstanding copies of the bank reconciliations and cash book is to be provided to the Department of Finance (as above).
- 3) PFMs and DFMs will be required to complete general journal entries into IFMS to record the details of the payments made and the expenditure incurred from the Covid-19 emergency trust bank account using the information recorded in the manual cash book.

The completion of the acquittal report, transfer or remaining balances and the journal entries into IFMS must be completed within one month of the restoration of IFMS for the Province or District.

8. IMPLEMENTATION RESPONSIBILITY

As the custodians of the funds and expenditure delegates responsible for the moneys allocated through the Covid-19 Emergency Trust Bank Account, Provincial Administrators, DDA CEOs and Provincial and District Finance

Manager are accountable for the effective control and accounting treatment of payments under this FI.

9. DATE OF IMPLEMENTATION

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

10. HELP DESK

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

- Max Bruten, First Assistant Secretary, Provincial and District Financial Management Division (Phone: 79986000). Email: max bruten@finance.gov.pg.
- Jacob Mark, First Assistant Secretary, Financial Controls Division, Department of Finance. Telephone number 79986000. Email: jacob mark@finance.gov.pg.
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Secretary

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