

## FMM 03.1 Government Accounting Framework

Government accounting and financial reporting focus on fiscal compliance, economic resources, commitments, management stewardship of money and assets, services provided, and results achieved.

Public accounts, therefore, structure information about public moneys and property in a way to enable consistency, accountability, and transparency on the use of public resources.

The Constitution defines public accounts “...all accounts, books, records of, or in the custody, possession, control of the National Executive or of a public officer, relating to public property or public moneys.”

An accounting framework is a set of standards and rules to establish common standards in recording and reporting financial information.

### 1.1 Mandatory Policy

**1. All money collected, received, managed or paid by any public entity including government department, statutory body, provincial or local-level government, or statutory body is considered public money (public funds), even before it is formally deposited into the CRF or a Trust Fund.**

This means that:

- Government agencies do not own the money they collect—they hold it on behalf of the State.
- All revenues must be properly accounted for in line with the PFMA and financial policies.
- No public entity can retain revenue for its own use unless expressly authorised under law (e.g., statutory bodies with revenue retention powers under Sections 71A–71D of the PFMA).
- Any off-budget accounts or funds outside the CRF and Trust Fund framework are illegal.

## 1.2 Non-Mandatory Guidance

### 1.3 Overview of Public Funds and Public Money

#### 1.3.1 Definition of Public Funds

Public funds refer to all money received, held, or expended by the Government of PNG and its public entities in the execution of government functions. These funds are subject to strict financial management controls under the Constitution, PFMA and the organic laws.

At the core of our system is the principle that all money collected by government entities is public money, and unless specifically authorised, it must be deposited into government-controlled bank accounts and expended only through legislative approval.

Public funds in PNG are managed through two main fund categories:

1. **Consolidated Revenue Fund (CRF) and General Revenue Funds (GRFs) (for each sub-national Government)** – The primary government account environment where all public money is deposited, unless explicitly authorised to be held elsewhere.
2. **Trust Fund (and Trust Funds for each sub-national Government)** – Special purpose trusts where money is held separately mostly for 3<sup>rd</sup> parties, subject to strict conditions.

#### 1.3.2 Revenue Funds, Trust Funds versus Bank Accounts

The CRF or GRFs are not a bank account, it is a financial environment with many bank accounts.

The Trust Fund is not a bank account, it is a financial environment with many bank accounts under the control of its Trust Instruments.

The Funds are legal constructs that determine how public money is managed. Bank accounts are financial tools used to facilitate transactions within these legal frameworks.

CRF/GRFs bank accounts are used to receive and disburse public money that forms part of the government's general revenue, with expenditure strictly governed by appropriations approved by Parliament or Provincial Councils.

Trust Fund bank accounts, on the other hand, are established for specific, legally defined purposes, and funds held in these accounts must be managed in accordance with the terms of the trust instrument.

The PFMA Sections 13 and 14 establish that all public money must be deposited into the CRF unless lawfully exempt and cannot be spent unless appropriated by Parliament or otherwise legally authorised.

Under Trust funds, moneys cannot be deposited or spent except in accordance with the specific rules established in the trust instrument.

### **1.3.3 CRF/ GRFs – The Primary Government Funds**

The CRF/GRFs are the main repository of all government revenue, including:

- Tax revenues (e.g., income tax, GST, excise duties).
- Non-tax revenues (e.g., fees, fines, levies, dividends from state enterprises).
- Grants and donor funding (unless otherwise specified under agreements).
- Other lawful receipts of the government.

Funds within the CRF/GRFs are allocated through the National Budget or Provincial or Local-Level Government Budget and cannot be spent unless authorised by an Appropriation Act or other legal provisions.

This includes money transferred to a Trust Fund. A transfer is not allowed unless the trust instrument enables receipts from the CRF and the National Budget has specifically specified the appropriation to a trust.

Any unspent budget allocations must be returned to the Waigani Public Account in the CRF at the end of the fiscal year unless otherwise authorised under a multi-year funding arrangement.

### **1.3.4 Trust Funds – Special Purpose Government Funds**

The Trust Funds is an exception to the CRF, allowing for certain monies to be held separately when there is a specific legal or policy reason to do so. These

funds are created to manage money intended for specific projects, donor-funded initiatives, or legally mandated purposes.

#### 1.3.4.1 *Conditions for Establishing a Trust Fund*

- It must be legally authorised under the PFMA or another Act of Parliament.
- It must serve a defined purpose (e.g., holding money on behalf of third parties, disaster relief, statutory obligations).
- It cannot be used for general government operations.
- Financial reporting and audits must be conducted to ensure compliance.
- Will have a defined life.

#### 1.3.4.2 *Key Characteristics of Trust Funds*

- **Restricted Use** – Trust money can only be spent for its designated purpose.
- **Can be temporary in nature** – Once the purpose is fulfilled, any remaining balance must be returned to the CRF or legislated (such as unclaimed monies)
- **Financial Oversight** – Trust accounts are subject to audit and financial reporting to ensure compliance with government regulations.

Under Section 15 of the PFMA, when a Trust Fund is no longer needed, any remaining funds must be transferred back to the CRF unless specified otherwise by law.

<b>Further Information</b>	fcd@finance.gov.pg
<b>Version</b>	1.0
<b>Date Issued</b>	30 June 2025