

FMM 03.20 Special Procedures for Certain Classes of Expenditure

20.1 Mandatory Policy

1. Expenditure is recorded in line with Expenses Policy, however, other additional requirements exist for specific classes of expenditure to maintain control over budget execution:

20.2 Travel (Domestic and Overseas)

- Use of travel agencies to manage travel is allowable but these services must be review under procurement rules in the context of their additional mark up rates for their services.
- Travel appropriations are allocated under each Department and administered by Departmental Heads through issuance of Cash Fund Certificates, based on Warrant authority for the purpose.
- All travel and travel related expenses, including allowances, must be in line with any related General Orders.
- When travel costs are met by the Government, ILPOCs for air tickets and travel allowances will be processed within the Department and any refunds from changes must be in the name of the agency that initially incurred the cost and not the traveller.
- Department heads to issue procedures and delegations for the authorisation of travel
- Department heads must establish delegations for persons who are authorised to use any travel accounts held by travel agencies including airlines and other transport companies. Advance and acquittals are to be completed (refer to FMM Volume 3).

If a Government Purchasing Card is used as part of travel, the FMM Volume 3 guidelines on government purchase cards and accounts will apply.

20.3 Air Charters (including helicopter charters) and Sea Charter

- Notwithstanding the delegations given under Section 32 of the Public Finances (Management) Act, any request for engaging air charters should receive the approval of the Departmental Head and this cannot be delegated.
- All Minister or Elected Official charters must be endorsed by the Chief Secretary and must be provisioned in the National Budget.
- The following guidelines should be taken into account before engaging air charters:
 - Scheduled air services are to be utilised unless the charter is economically advantageous.
 - Maximum utility in the use of air charters must be obtained by co-ordinating with other likely users and arranging back-loading wherever possible.
 - As far as possible official tours should be based on the flight schedules of scheduled air services (unless the air charter is more economical).
 - Funds for air charters for Provincial Government functions are included in the Administrative Support Grant paid to the Provinces. Cost of air charters (fixed wing or helicopter) should be met by the Provincial Governments from these grants.
 - Cost of air charters in relation to National functions should be charged to the Departmental votes.
- When private passengers are allowed to travel on Government charters because of availability of unused space, the passengers should pay the fares directly to the airline company and not to Departmental representatives.
- Departmental representatives will ensure that Airline Companies fully account to the Government for airfares paid by private passengers who are allowed to travel on Government charters.

20.4 Engaging Consultants

- While consultants must be engaged through standard procurement rules under the National Procurement Act 2018 and the PFMA, achieving value for money in consultancy contracts remains a challenge due to difficulty in benchmarking specialist skills and the risk of prolonged operational dependence.
- Consultant fees should be benchmarked against local and regional salary surveys.
- When engaging international consultants, pricing should be benchmarked against regional organisations, donor-funded projects, and similar economies.
- Any Terms of Reference must define:
 - Specific outcomes and expected impact of the consultancy.
 - Milestones with payment linked to deliverables rather than time-based billing.
 - Training and skills transfer as a contractual requirement for capacity-building.
- Contracts should always require a final report, documenting:
 - Findings, recommendations, and a roadmap for implementation.
 - Handover notes, templates, tools, and datasets to ensure continuity.
 - Contracts must not allow automatic renewal but should include a defined expiry date without the need to provide a minimum notification period for extensions.
- In addition to fixed-rate pricing, contracts should consider hourly or daily rates where appropriate. This approach:
 - Prevents overcharging for unused workdays.
 - Provides flexibility for shorter-term engagements.

- Ensures proper allocation of consultancy time to key deliverables.
- Require consultants to log and report hours worked against specific deliverables to ensure transparency and accountability.
- Consultants should not perform operational tasks indefinitely—they are to provide expert advice, frameworks, and capacity-building support.
- Contracts must include a clear strategy for skills transfer, requiring:
 - Training workshops or mentoring sessions for government staff.
 - Documentation of processes to ensure institutional knowledge is retained.
- Contracts must include specific performance standards such as:
 - Timely delivery of agreed outputs.
 - Penalty clauses for non-compliance or poor-quality work.
 - Defined review and reporting mechanisms to assess consultant performance.
 - Strict exit requirements must be enforced, including:
 - Mandatory submission of a final report and knowledge transfer documentation.
 - A structured handover process with clear documentation.
 - A transition period where the consultant supports the agency in implementation rather than continuing operational work indefinitely.
- Use open and competitive procurement rather than sole-source contracting, except in cases of highly specialised work.
- Encourage performance-based contracts rather than just time-based contracts.
- Require independent assessments of consultant impact post-engagement to determine if objectives were achieved.

20.5 Entertainment Expenses

- Expenditure allowance of department heads
- Where expenditure or hospitality is incurred by an agency, the department head must establish a documented policy and procedure on what is allowable entertaining and hospitality expenses and delegated powers to approve entertainment expenditure.

20.5.1 Expenditure from outside the Allowance:

- Departmental Heads and senior officials (with the approval of their respective Departmental Heads) may entertain guests in the interest of official business either at their residence or outside.
- Requisitions for approval for such entertainment should be submitted in advance except when the functions are held at short notice:
 - Place of entertainment
 - Guest list
 - Estimated cost
- Officers are to refer to the Department of Personnel Management to determine the allowable rates per head.

20.6 Funeral Expenses and Assistance

- Funeral expenses for public servants are governed by General Orders (Public Service) and relevant Department of Personnel Management (DPM) circulars. Generally:
 - Applicable to deceased public servants who were actively employed at the time of death.
 - May extend to immediate family members (spouse, dependent children) in limited cases, subject to departmental policy.
 - Retired officers are generally not covered, unless explicitly provided under their employment contract or entitlements.
- The PNG Government Insurance Scheme that came into effect in 2025 provides funeral coverage for public servants, reducing the financial

burden on government agencies. The funeral insurance payout is separate from departmental funeral assistance and is paid directly to the nominated beneficiary. Department support for funeral expenses is secondary and insurance benefits should be claimed first where applicable.

- All agencies must have a documented policy on funeral expense assistance for their employees that also reflects those expenses that are now covered under the insurance scheme.
- Approved Funeral Assistance Expenses (including those already covered by the insurance scheme):
 - Repatriation of the deceased's body to their home province (if required).
 - Basic funeral costs, including casket, transport, and associated services.
 - A one-off assistance payment may be provided to the deceased's family for immediate expenses.
 - Leave entitlements and final salary payments must be processed promptly for the deceased officer's dependents.
- Funeral assistance must be approved by the Departmental Head, ensuring expenses are reasonable and justified.
 - Expenses must be within approved budget allocations and comply with PFMA Section 32 (financial approvals).
 - Payments must be properly documented, receipted, and recorded in IFMS.
 - If cash advances are provided, they must be fully acquitted in line with government financial policies.
- Funeral assistance should not cover non-essential costs (e.g., excessive catering, large gatherings beyond reasonable limits).

- Departments must ensure funds are used appropriately and within available resources.

20.6.1 Service Improvement Program (SIP) Funds

- The Service Improvement Program (SIP) Funds are public funds allocated for development projects at the provincial, district, local-level, and ward levels. The management and use of these funds must comply with the Public Finances (Management) Act (PFMA), Finance Instruction 04/2019, and the National Procurement Act 2018.
- Expenditures must comply with the approved budget plans and be recorded in IFMS or PGAS and SIP funds cannot be used for operational or administrative expenses beyond the approved limits.
- This policy applies to the management of all categories of SIP funds, including:
 - Provincial Service Improvement Program (PSIP) Funds – Allocated to Provincial Governments.
 - District Service Improvement Program (DSIP) Funds – Allocated to District Development Authorities (DDAs).
 - Local-Level Government Service Improvement Program (LLGSIP) Funds – Allocated to Local-Level Governments (LLGs).
 - Ward Service Improvement Program (WSIP) Funds – Allocated to wards within LLGs.
- SIP funds must be allocated across five key sectors, as per NEC Decision No. 240/2018:
 - Infrastructure – 30%
 - Education – 20%
 - Health – 20%
 - Law and Order – 10%
 - Economic Sector – 10%

- Administration – 10% (with 1% allocated to DIRD for monitoring and audits)
- SIP funds must not be used for:
 - Salaries, wages, or allowances.
 - Hiring of consultants without Department of Finance approval.
 - Political or election-related activities.
 - Unapproved or private business activities.
- All SIP funds must be held in designated government bank accounts:
 - PSIP Operating Account – Held at the provincial level.
 - DSIP Operating Account – Held at the district level.
 - LLGSIP and WSIP Operating Accounts – Held at local-level governments.
- Signatories for SIP bank accounts must be as follows:
 - Provincial SIP Accounts – Provincial Administrator & Provincial Finance Manager.
 - District SIP Accounts – CEO of District Development Authority & District Finance Manager.
- LLG & Ward SIP Accounts – CEO of District Development Authority & LLG Manager.

20.7 Vehicle (Fleet) Management and External Motor Vehicle Hire

- All government vehicles must have current certificate of roadworthiness and have “Z” plates affixed.
- Purchase and/or long-term lease of motor vehicles will follow the procurement guidelines established under the National Procurement Commission.
- Fuel Purchases for Department/Agency Fleet

- To the greatest extent possible, the Department will establish a corporate account with a fuel vendor and establish the rules governing the distribution and use of fuel for fleet vehicles.
- All Departmental Heads must develop, issue, and implement a Fleet Management Policy that:
 - Covers the full lifecycle of vehicles including purchase, running costs (fuel, servicing, registration, insurance), and disposal.
 - Ensures that the fleet is fit-for-purpose and cost-effective.
 - Establishes vehicle allocation criteria (e.g. official vs private use).
 - Sets limits on vehicle types and value bands based on function and location.
- Departmental Heads and Heads of Finance must ensure that:
 - All fleet-related transactions are correctly coded under appropriate Economic Item codes (e.g. capital vs operating).
 - Annual fleet budgets are prepared and monitored against actuals.
 - Fuel and maintenance logs are maintained and reconciled against expenditures.
- Agencies must maintain:
 - A fixed asset register of all vehicles including registration, serial number, location, assigned officer, and condition.
 - A monthly log of kilometres travelled and fuel usage.
 - Approval controls for vehicle usage
- Disposal of Vehicles

- When a motor vehicle is no longer fit for purpose, the Department/Agency may initiate the disposal process, per instructions from the National Procurement Commission.
- The Department Head submits a note to the Department of Works, Plant and Transport Division (PTD), notifying them of the decision to dispose of the vehicle
- PTD evaluates the vehicle and prepares a report, to include a recommended evaluation.
- National Procurement Commission receives the report and sends an advice to the Department approving the request for disposal.
- The Department Head receives the advice and advertises the bid opportunity to the public.
- The successful bidder submits payment to the National Procurement Commission and receives the title.
- For accounting purposes, the bid price is coded as non-tax revenue and the processing fee accrues to the National Procurement Commission.
- All requests for hire of motor vehicles must be approved by the department head prior to any engagement and such engagement must only be done with an understanding of the **number of days of hire and the total cost of the hire** and this can only be granted when temporary in nature and not more than one month.
 - To provide a vehicle to an officer whose contract with the Government stipulates that a vehicle should be provided or who is otherwise entitled to a Government car, but no government vehicle is available at the time
 - For use when required by Ministers
 - For use by officers authorised for duty trips away from their home station.
- Procuring a Commercial Hire Vehicle

- A commercial vehicle hire is only allowable when a vehicle hire is not available through the Department of Works Plant and Transport Division.
 - The company must be registered with the Investment Promotion Authority and have a Certificate of Compliance with the Internal Revenue Commission.
 - The vehicle has a certificate a road worthiness and an affixed safety sticker, in accordance with Section 70 of the Road Traffic Rules – Vehicle Standards and Compliance, 2017.
 - Use of unregistered motor vehicles and hiring motor vehicles from private individuals are strictly prohibited.
 - Where the cost of hire exceeds K50,000 or is expected to exceed this amount, there should be three written quotations, and the lowest of the quotes be selected, in accordance with procedures established by the National Procurement Commission.
- Department Heads should identify funds needed to support departmental transportation requirements to include purchase or lease, maintenance and repair, insurance, and fuel. Department Heads should also budget for car rental for government officers' duty travel away from their home station. Financial Delegates will be kept informed through the issue of Cash Fund Certificates.

20.8 Government Office Accommodation and Short-Term Venue Hire

- The use of government office accommodation and venues must align with the Government's cost-saving measures and the efficient use of public resources. All government agencies must prioritise the use of existing government office spaces and venues before seeking external venues for workshops, conferences, and meetings.
- The Government Office Allocation Committee (GOAC) is responsible for allocating and managing office space for government agencies. Agencies must use government-owned office spaces before considering

commercial rentals. Any request for external office rental or relocation must be approved by the GOAC and supported by a cost-benefit analysis. Standard rental rates apply for agencies using government office accommodation, and these rates must be budgeted for annually.

- Agencies must use internal government venues such as APEC Haus, government conference rooms, or provincial government facilities before seeking external venues. If an external venue is required, it must be justified, approved under financial delegation, and budgeted for in advance. Preference should be given to government facilities to minimise unnecessary costs.
- Hiring external venues requires financial delegation approval in line with Section 32 of the PFMA. Agencies must demonstrate that no suitable government venue was available before approving external venue expenses. All venue expenses must be budgeted for and recorded in IFMS, ensuring proper expense tracking.
- The Department of Finance will monitor office accommodation and venue hire expenses to ensure compliance with government cost-saving policies. Non-compliance with this policy may result in expenditure reviews and corrective actions. Failure to justify external venue use may lead to disallowed expenditures under the PFMA.

20.9 Mobile Phones and Internet Expenses

- Government mobile phone, internet, and telecommunication services must be used responsibly and cost-effectively. Public funds must only be spent on official communication needs, and all costs must align with approved budgets and financial delegations. Agencies must prioritise cost-saving measures such as government-negotiated service contracts, data-sharing plans, and internal communication systems to reduce expenses.

20.9.1 Eligibility for Government-Funded Mobile Phones and Internet Access

- Government-funded mobile phones, internet access, and telecommunication services are restricted to:

- Departmental Heads, senior executives, and other officers whose roles require official communication outside of office premises.
- Employees with job functions that require constant availability for official duties.
- Officers authorised to access official email or government systems remotely.
- Agencies must have a documented policy on mobile phones and internet that also captures spending limits, access and financial delegations budgeted annually. The policy is to include procedures for employees found misusing public funds for personal phone bills, data usage, or non-official communications to reimburse costs and disciplinary action.
- Agencies must use corporate plans or bulk service agreements with telecommunication providers to reduce individual contract costs.
- Prepaid services must be prioritised over post-paid plans where practical.
- Excessive or unexplained usage must be reviewed by department heads or Heads of Finance.

20.10 Software Subscriptions, Licences and Development of IT Systems

- All software licences, ICT systems, and digital services procured and used by government agencies must comply with the Digital Government Act 2022, issued orders by the Department of Information and Communications Technology (DICT) who are responsible for setting policies, standards, and controls for software procurement, licensing, security, and integration. Agencies must obtain prior approval from DICT for all new major software acquisitions, upgrades, and cloud-based services to ensure alignment with national ICT policies, cost efficiency, and cybersecurity requirements.
- Agencies must ensure licences are legally acquired and comply with copyright laws to avoid legal and financial risks.

- Subscription-based software and cloud services must follow DICT-approved frameworks for procurement and implementation.
- Any third-party software that integrates with IFMS or other government finance systems must be approved by the Department of Finance and registered in the Integrated Systems Register.
- Agencies must not develop or acquire standalone financial management systems.
- Agencies must ensure cost-effective software licence management, avoiding duplicate licences, unnecessary subscriptions, or underutilised software.

20.11 Board & Committee Fees, Sitting Allowances

- Boards (Fees and Allowances) Bill 2024 has been developed to replace Boards (Fees and Allowances) Act 1955 and until this occurs, the schedule of fees and allowances has been certified through gazettal notice No. G693 13 October 2021 and is the legal framework for approving, classifying, and administering fees and allowances paid to board members, committees, and ad-hoc bodies.
- Section 64A of the PFMA remains applicable for the approval of establishment of boards or bodies receiving public funds, that is, it requires Treasury and Minister Finance approval.
- Payments are also subject to income taxation under the Income Tax Act 2025.
- No payment of board fees, stipends, or sitting allowances is permitted unless:
 - The board, committee, or ad-hoc body has been formally approved in accordance with the legislation.
 - A category classification (A, B, or C) has been made by the Minister based on the entity's contribution to GDP, sector, and other factors.
 - The required composition, term, governance structure, and performance monitoring requirements have been met.

- Board members (non ex-officio) may receive:
 - Annual stipends and sitting allowances in accordance with the approved schedule.
 - Committee members and ad-hoc bodies are only entitled to sitting allowances.
 - All payments must be captured in IFMS using the appropriate economic item code and classified according to entity type (Board/Committee/Ad-hoc).
- Ad-hoc bodies must have received approval by National Executive Council and who has also explicitly agreed to payment of sitting fees and allowances. This also requires approval by Treasurer and Finance Minister under Section 64A.
- Boards must report annually to the Minister not less than three months prior to the end of each calendar year detailing board activity, performance, and justify continuing classification and remuneration.
- NEC may abolish or reconstitute boards if governance and reporting obligations are not met. All approved entities are recorded in a Register maintained by the Department of Treasury.
- Audit Committees are covered under the gazettal notice No. G693 (Refer to FMM Volume 5 FMM 05.6 Audit Committees).

Further Information	frcd@finance.gov.pg
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