

FMM 03.22 Payment Distributions to Groups such as Royalties and Land/Crop Compensations Process and Where Cash Handling is Required

22.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

22.2 Standards and Supporting Documentation

- Nil

22.3 Minimum Responsibilities

The department head is responsible for establish internal controls on cash handling and ensuring the safety and security of officers who undertake roles that require the handling and distribution of cash.

The department head may delegate and assign roles to support cash handling including Payment Planner, Payment Approver, Payment Releaser/Counter, Payout Officers and Payment Reconciler/Acquitter.

The Payment Planners are responsible to identification of beneficiaries and to undertake the calculations of benefits that need to be distributed.

The Payment Approver is responsible for reviewing and vetting all calculations and ensuring that these are correct, due and payable and those identified are the correct persons who should received distributions.

The Payment Releaser/Counter are the persons responsible for cash handling and cash in transit and will be required to undertake the necessary counting and confirmation that the cash arranged and withdrawn is correct and verified at the point of withdrawal, point of storage and at point of release.

Payout Officers are responsible for the process of cash distribution to the beneficiaries.

Payment Reconciler/Acquitter is responsible for undertaken the final check that benefits have been distributed, returned monies are returned back to the Trust Account (now treated as unclaimed monies) and submission of the final acquittal to the Payment Approver.

22.4 Mandated Policy

1. **All monies to be disbursed must first be credited to a Trust Account.**
2. **The method of payment (modality) depends on the specific circumstances and factors like existing financial infrastructure, remoteness/accessibility, the security situation and the urgency and timeframe can influence the modality most suitable. It is a requirement for agencies to adopt the following payment precedence (or of priority as a payment method):**
 - Electronic transfer to beneficiary's bank account (compulsory when account exists) (such as EFT or Kundu Pei).
 - Electronic transfer using mobile phone transfers (such as Kina Konnect, Anytime Banking NBC or BSP Wantok Wallet or BSP Pay, CellMoni/MyCash)
 - Bank cheque when the beneficiary has no bank account and the amount is more than K1,000 (note that the beneficiary will be required by law to still establish the bank account in order to present the cheque).
 - Cash only when the beneficiary has no bank account and the amount is less than K1,000 (no splitting).
3. **Agencies are allowed to use a mix of payment methods in order to maximise the amount of distribution by electronic methods and minimise the amount that is distributed as cheque or cash.**

22.4.1 Cash Handling

4. **Where payment of cash is required, there must be a separation of roles for Payment Planner, Payment Approver, Section 32 authoriser, Payment releaser/counter, Payout Officer, Payment Reconciler/acquitter.**
5. **A Cash Withdrawal Authority (CWA) must be completed and signed by two Section 33 delegates (Payment Approver). The form of the CWA is dependent on the agency and can be in the form of a FF3/FF4 or authority transfer form or form prescribed under legislation.**
6. **The CWA must be based on a verified and approved beneficiary list completed by the Payment Planner with clearly identified calculations for**

determining payments, with total cash requirement calculated and certified by the Payment Approver.

- 7. Cash must be collected from the bank by at least two officers, accompanied by a Police escort.**
- 8. Upon withdrawal, the officers must immediately complete and sign a Cash Hand-over Certificate detailing amounts collected and denominations by the bank and complete Finance Form 72 (Currency Packing Note)**
- 9. Before distribution, the cash must be counted in full at the payout site, reconciled to the beneficiary listing, and locked in a secure container and safe, also using Finance Form 72 by the Payment Releaser/Counter.**
- 10. Distribution must occur in a controlled and supervised environment (e.g., school, church, ward office, or village court) with a private payout area, two Payout Officers (one pays, one records), a witness preferably external representative. It is preferred (see non-mandatory guidance below to have these roles separated during the distribution exercise for increased checks and balances)**
- 11. The security and safety of the Payout Officers must be considered when coordinating the distribution, and preference is given to payments through Provincial Administration and District Offices or other government headquarter.**
- 12. There must be a Cash Distribution Register and each beneficiary must:**
 - Sign or thumb-print a Cash Distribution Register,
 - Present an ID (National ID, voter card, IPA registration, or signed ward endorsement),
 - Have a photo taken at the point of payout, matched to the Register row.

13. The Register must include (at minimum):

Register No	Beneficiary Name	ID Type/Details	Amount	Signature of Receipt	Photo file ref.	Witness Initials
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14. After distribution, there must be a reconciliation and return of unused cash. The Payment Reconciler must count and reconcile:

- Total cash disbursed
- Cash on hand
- Number of signatures/photos
- Bank withdrawal vs balance

15. Unpaid cash must be returned to the bank within 48 hours, with a redeposit slip filed.

16. A Cash Acquittal Pack (withdrawal slip, Register, reconciliation sheet, photos, redeposit slip) must be submitted to the Payment Approver and Head of Finance within five (5) working days.

17. The Cash Distribution Register and all associated records and photos must be Retained (and can be electronically) for seven (7) years, and made available to auditors, the Department of Finance, and the Public Accounts Committee upon request.

18. Splitting of amounts to stay below the K 1,000 threshold is prohibited.

19. Cash payments must never be made to persons acting as "representatives" or "agents" unless hold a notarised mandate and present photo ID.

20. All variances or cash losses must be reported immediately under the FMM loss reporting rules (FMM 03.42).

22.5 Non-Mandatory Guidance

22.5.1 Electronic Transfers to Bank Accounts

Bank transfers can only be done if the beneficiaries have bank accounts.

Agencies should look at any opportunity to support beneficiaries establishing bank accounts including negotiations with a bank to allow beneficiaries to open a bank account. The general approach for making payments through electronic transfers is:

- Officers verify beneficiaries from lists, with their identification or project ID card.

- Officers prepare payment documentation for bank transfer to beneficiaries with supporting documents, including the list of beneficiaries, bank account details, and amounts due.
- The payment is processed in the Approved Accounting System.
- Section 32 delegate reviews and approves the payment request.
- Finance staff verifies the request and issues a transfer request to the bank (either through the Approved Transfer System or as a separate authority).
- Section 33 delegate (or bank signatory) reviews and approves the payment.
- Finance staff process the payment.
- Finance staff inform the responsible officers of the transfer or if a transfer to a beneficiary fails so that the officers can follow up with the beneficiary. Remittance advices are provided for successful payments.
- Officers conduct post-distribution monitoring to verify with beneficiaries if amounts have been received.

22.5.2 Mobile Phone Transfers

Mobile phone banking has been used successfully by some agencies (or projects) where beneficiary payments are being paid more than once, not indefinite and not of an amount where bank accounts should be enforced. The phone/SIM acts as a bank account and cash is transferred from the mobile company or through the bank to the individual beneficiary's phone.

Beneficiaries use the balance to make payments by phone or to collect cash as vendors/shop owners who provide these services. Mobile phone and other digital payments can be an entry point for broader financial inclusion for beneficiaries.

The Bank of PNG hosts the Centre for Excellence in Financial Inclusion who actively support financial inclusion including supporting the development of agent banking and digital financial services. Agencies are encouraged to

Speak with CEFI to support government's aims for financial inclusion.

<https://www.thecefi.org/>

The above electronic transfer process steps will be the same except for the following:

1. Beneficiary details must be confirmed with their mobile phone details
2. The payment transfer from the trust account is likely to be deposited into a specific phone company or bank nominated account for distribution using their specific procedures.
3. There will be a company/bank specific template in which they require data to be submitted
4. The phone company/bank will transfer the funds onto beneficiary phones (SIM) and send SMS message to inform them.
5. Phone company/bank submits a distribution report (which states the funds were transferred to the phone of the beneficiaries) to finance staff with agreed supporting documentation. Not transferred funds are transferred back to the trust account for further action.
6. Finance staff shares a copy of the distribution report with officers and informs the project staff of any unclaimed cash transfers.
7. Officers follow up in the field with beneficiaries with spot checks and post-distribution monitoring.

22.5.3 Cash Payments

Where payments (or a proportion of the payments) must be made in cash the officers will go through the same beneficiary calculations and approval processes and as prescribed by legislation.

The safety and security of officers who are handling cash is paramount and must be planned well including the involvement of police during cash in transit, access to Safe to secure cash (preferably in the Provincial and District Treasuries or left within the bank until distribution).

On days of cash/cheque distribution it is generally easier for a Payout Officer to verify IDs and then provide a coupon or voucher to redeem for cash by the other Payout Officer.

Payout Officers can only distribute cash to beneficiaries as per approved distribution sheet and obtains a signature from each beneficiary on a cash

distribution sheet. The sheet needs to indicate name, id number, voucher number when applicable, gender, date, amount received and signature. Where appropriate, provincial, district, local government officials or community leaders should be present at cash distributions, both for security as well as for transparency.

At the bottom of each distribution sheet the Payout Officers will sign to confirm cash was distributed as stated. Additional verification can also be done by community leaders who would sign on the distribution list if this is appropriate in the context.

If there was a balance amount the Payment Planner (or officers who manage the banking) will receive a receipt for the returned amount.

22.5.3.1 Common Risk with Cash Distribution

When distributing cash to beneficiaries, particularly in remote areas, project sites or customary landowner settings, officers must be alert to the following risks:

- Persons attempting to claim funds without valid ID or proper vetting, including imposters or non-clan members.
- A beneficiary attempting to collect more than once under different names, or from multiple payout locations.
- Mismatch between counted cash and signed register totals due to error or misappropriation.
- Cash not adequately secured during bank withdrawal or travel to site.
- Officials or agents attempting to intercept, collect on behalf of others, or demand a portion of funds as a "cut".
- Cases where the rightful recipient (often a woman or youth) is pressured by a partner or relative to hand over the cash, despite it being legally theirs. Officers must ensure:
 - the named beneficiary is the person who signs;
 - ID is checked;
 - the payment is not made to another person unless formally authorised.

- Missing signatures, registers not properly completed, or absence of photographic evidence, making future verification impossible.
- Perceptions of unfairness in payout amounts or eligibility, leading to disruption, threats or community complaints.
- Deliberate breaking down of larger amounts into sub-K1,000 instalments to allow for cash payment - this is a breach of FMM policy and is strictly prohibited.

Further Information	frcd@finance.gov.pg
Version	1.0
Date Issued	30 June 2025