

FMM 03.28 Employee Expenses

28.1 Authority and Prescribed Requirements

- Public Finances (Management) Act of 1995 (PFMA)
- Organic Law on Provincial Government and Local-Level Government, 1998 (the ‘Organic Law’)
- Public Services (Management) Act 1995 (as amended)
- Income Tax Act– Requires tax deductions (SWT) and reporting of employee benefits to the Internal Revenue Commission (IRC).
- Superannuation Act 2000 – Requires superannuation deductions and reporting of remittances

28.2 Relevant Standards and Supporting Documentation

- IPSAS 25 – Employee Benefits – Governs the recognition of salaries, wages, leave entitlements, pension obligations, and post-employment benefits.
- IPSAS 39 – Employee Benefits (Replaces IPSAS 25 for certain entities) – Provides further guidance on reporting long-term employee benefits, pension liabilities, and severance payments.
- Employee Salary/Permanent Variation Advice (SALPVA) (off-line or screen)
- Personnel forms are identified in DPM’s General Orders
- Finance Instruction 12/2024, Terminating Paymaster and Assistant Paymaster processing, issued 31 October 2024
- Section 13.33, GO13, Salaries and Allowances, effective 1 January 2012

28.3 Minimum Responsibilities

Department of Finance (DoF), Department of Personnel Management (DPM), Heads of Departments and Agencies (HDA), Provincial Administrators, District Administrators, Bank of PNG, Bank of the South Pacific, Departmental/Agency HR.

Payroll is a shared responsibility between the Heads of Departments and Agencies (HDA), the Department of Personnel Management (DPM), and the Department of Finance (DoF). Both DPM and DoF access the Public Service Integrated HR/Payroll System. The DPM is responsible for the Human Resource module for its core functions and policy role over employee file numbers, organisation and salary structures, and assisting departments with policy matters on recruitment activities and coordination with DoF on

necessary updates and changes to *Alesco*, the software. DPM is the responsible agency for maintaining the software and processing payroll.

28.4 Mandated Policy

- 1. Salaries must be paid through the government payroll system and reported in IFMS using verified payroll records.**
- 2. Payroll transactions are recognised when paid (or receipted for repaid payroll transactions).**
- 3. Employee-related expenses, including travel and per diems, must be pre-approved and acquitted (see FMM Volume 3 FMM 03.38 on Advances and Acquittals).**
- 4. Severance payments, leave entitlements, and pensions are not recorded as liabilities and reported in financial statements.**
- 5. The use of Paymaster to draw a cheque for payment of salaries as cash is not allowed.**
- 6. Where there is an employee who is yet to be issued an employment file and is yet to be put onto the government payroll system, payment of salaries and wages is permitted through a EFT or direct deposit processes (Kundu Pei or Authority to Transfer Form) made directly to the employee only. All government employees are required to have a bank account to receive their remunerations and payment cannot be made into the bank account of another person.**

28.5 Non-Mandatory Guidance

28.5.1 Establishment and Manpower Budget

The DPM issues General Orders (GO) which covers the establishment of staffing and personal emoluments, cash ceilings, as well as establishing and reclassifying positions and other organisational matters. Figure 1 represents the process to request a change to establishment.

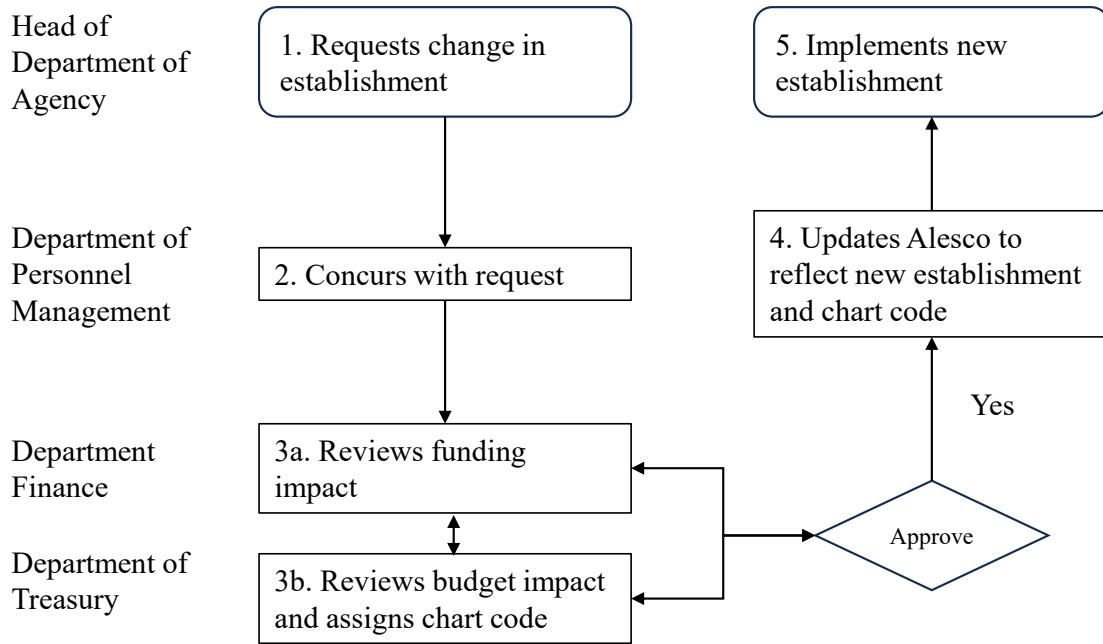


FIGURE 2: ESTABLISHMENT CHANGE

28.5.2 Payroll Management Roles and Responsibilities

The areas of responsibility in Payroll Management are:

HDA	DPM	DoF	DOT
Recruitment (with DPM) Employee compensation and benefits Data entry into Alesco (for on-line agencies)	HR Modules Help Desk for HR related queries Structure loading (with HDA) Customised HR reports for agencies New hires, transfers, reinstatements Implement awards Payroll Modules Help Desk for Payroll related queries Creation of new users System configuration of payroll related functions Global increases to pay rates Terminations / Suspensions, etc (data	Payroll deductions, tax, superannuation Leave recognition and recording in the financial statements Payroll reconciliation and integration with IFMS General Purpose Financial Statements employee costs Configuration of GL Accounts & Pay code linking accounts to GL.	Budget vote codes

HDA	DPM	DoF	DOT
	entry for offline agencies) Payroll reporting Payroll monitoring and audit Payroll processing and disbursement		

28.5.3 Payroll Process

Figure 10 illustrates the fortnightly payroll process.

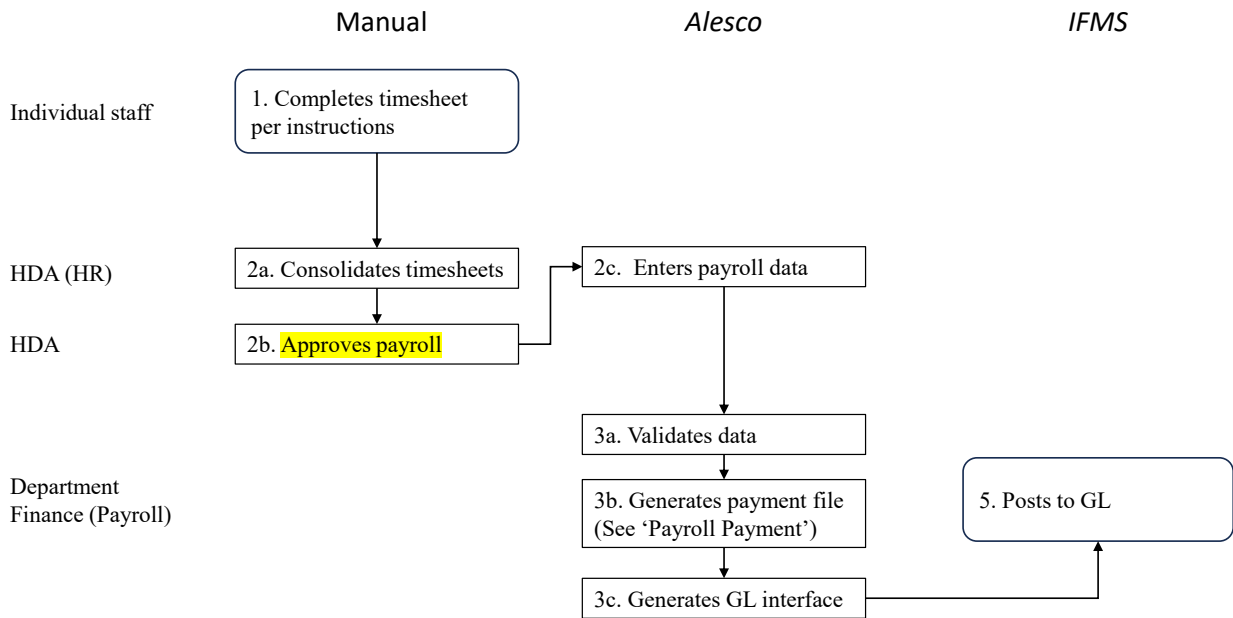


FIGURE 3: PAYROLL PROCESSING

28.5.4 Payroll Disbursement

Disbursement of payroll is through electronic fund transfers (EFT) into individual staff accounts held in the Bank of the South Pacific. No cheques can be issued for the payment of payroll.

Figure 3 illustrates the process. Individual’s may contact DoF (Payroll) if they do not receive their payslips through their servicing HR department.

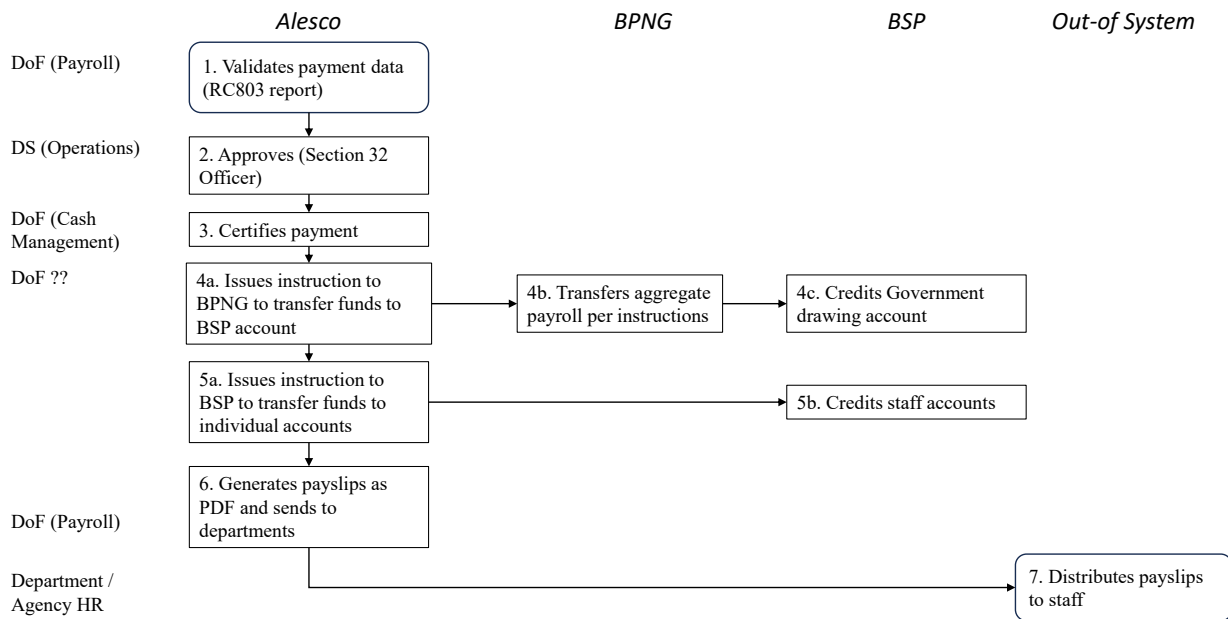


FIGURE 4: PAYROLL DISBURSEMENT PROCESS

If BSP is unable to credit the account, the funds are credited to a Clearing Account. Details are sent to DoF for further research to correct information in the Alesco to ensure staff are paid (see further FMM on recalled and repaid salaries).

28.5.5 Tax Withholdings

Fortnightly, the Department of Finance transfers the aggregate of withholdings for the pay period from the CRF into the Internal Revenue Commission account held in the Bank of PNG.

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