

FMM 03.41 Liabilities

41.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
 - Section 5 – Requires Departmental Heads to establish internal financial controls over liabilities.
 - Section 47K and 62 on ensuring liabilities are controlled and incurred by it in accordance with the PFMA for public and statutory bodies.
 - Section 68 – Covers liabilities arising from Provincial and Local-Level Government (PGLLG) financial activities and any commercial enterprises that it may own as subsidiary statutory bodies to ensure they are controlled and incurred by it in accordance with the PFMA.
 - PPP Act 2014 – governs arrangements for public private partnerships.

41.2 Standards and Supporting Documentation

- IPSAS 1 – Presentation of financial statements
- IPSAS 19 – Provisions, Contingent Liabilities, and Contingent Assets

41.3 Minimum Responsibilities

Department of Treasury monitors and reports on government liabilities, including public debt and guarantees.

Department of Finance ensures department heads can record all liabilities and are accurately recorded in IFMS.

Department heads:

- Identify and record all liabilities, including contracts, payables, and contingent obligations.
- Ensure liabilities are settled within approved budget limits.
- Submit financial reports detailing outstanding liabilities.

41.4 Mandated Policy

- 1. Under current IPSAS Cash Basis of Accounting, Liabilities are not required to be recorded in the accounts. However, those liabilities that are specified for financial reporting in Volume 4 will be required to be tracked and disclosed in the annual general purpose financial statements as a note.**
- 2. When disclosed, liabilities should be classified as current (due within 12 months) or non-current (due beyond 12 months).**
- 3. In accordance with Section 5 of the Fiscal Responsibility Act 2506, no Government agency, statutory authority, or public enterprise may table a submission to National Executive Council which has fiscal implications for the State without consultation with the Treasurer of this submission. The Department of Treasury is required to provided written notice of this consultation for attachment to the NEC Submission.**
- 4. Borrowings Loans and Guarantees by the State has a specific policy, please refer to FMM Volume 3.**

41.4.1 Arrears

- 5. Government agencies should avoid accumulating arrears unless in extraordinary circumstances. All arrears must be registered and track and reported to DoF on a commitment register (refer to FMM Volume 3 on Commitments and Contingent Liabilities).**

41.5 Non-Mandatory Guidance

The definitions of liabilities are as follows:

- Accounts payable are short-term obligations to suppliers for goods and services.
- Borrowings and loans are debt obligations incurred by the government.
- Employee entitlements are unpaid salaries, superannuation, and accrued benefits.

- Public-Private Partnership (PPP) liabilities are Government commitments under PPP arrangements.
- Guarantees and indemnities are obligations arising from financial guarantees issued by the State.
- Legal settlements and compensation are payments arising from legal judgments or settlements.
- Contractual commitments are future obligations resulting from legally binding contracts that are also executed under the authority of an Authority to Pre-commit.
- Contingent liabilities are potential liabilities arising from court cases, guarantees, or other conditional commitments.

The Treasurer has the discretion to notify Parliament of any liability that may be considered contentious or potentially repercussive. This can happen when:

- The type of liability is unusual or unfamiliar;
- Is of such a size, relative to the National Budget, that Parliament should be given notice;
- Arises under any specific statutory powers which require Parliament to be notified.

Further Information	enquiries@treasury.gov.pg
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