

FMM 04.1 Financial Reporting Obligations

This volume of the Finance Management Manual provides guidance to Public and Statutory Bodies including Provincial Governments, and Local-Level Governments (LLGs) on fulfilling their reporting obligations.

It outlines the preparation and submission of required financial statements and reports, in compliance with the Public Finances (Management) Act 1995 (PFMA), Finance Instructions and released National Gazette notices.

It is intended to assist agencies in the preparation of financial statements and to ensure consistency in presentation and is not intended to duplicate or replace the IPSAS standards.

1.1 Mandatory Policy

- 1. All public sector entities must produce both annual financial statements and performance reports at specified intervals to discharge their accountability for public resources in accordance with Section 47L, 50, 63 and 71 of the PFMA and under Section 114 the Organic Law on Provincial Governments and Local-Level Governments.**
- 2. All public sector entities are required to make reports publicly available including their publishing on the agency's website where it is in the public interest to do so.**
- 3. Reporting entities are allowed to and encouraged to adopt the IPSAS standards. However, if the entity that is adopting the IPSAS standards and is a consolidating entity of the Government of PNG Public Accounts, the adoption and treatment needs to be identified for consolidation elimination purposes.**
- 4. The Finance Minister (Section 3), Treasurer (Section 3A) and Finance departmental head (Section 4) and Treasury department head (Section 4A – limited to budget and economic matters) has powers to request financial or other reports or any other records on such matters and in such form on matters relating to any area of responsibility of a departmental head.**

- 5. In addition to the specified annual statements and reports required under Section 47L, 50, 63 and 71, the Finance department head will issue Finance Instructions specifying the form and content of special purpose financial statements, records or other matters as required.**
- 6. The FMM will also specify specific records and registers that are required of all public entities, particularly this volume on financial reporting.**
- 7. Bank reconciliations are to be performed regularly (if not daily) to ensure that reporting is accurate and reflects the balances of the bank accounts.**

1.2 Non-mandatory Guidance

The following are the main types of reports and statements for GoPNG:

- General Purpose Financial Statements (Annual Financial Statements) - Formal yearly financial statements prepared on a Cash Basis IPSAS format (or Accrual Basis IPSAS format if nominated), providing a full account of an entity's financial position and performance for the fiscal year.
- Special Purpose Financial Statements or Reports - the Finance Minister is required to publish within the 30 days after the end of a fiscal quarter, a summarised statement of the receipts and expenditure of the Public Funds up to that fiscal year. Therefore, all agencies who have received or expended public funds for that fiscal year are required to provide financial information to consolidate into this report and this is classified as a special purpose financial report and are not covered by the IPSAS standards.

Special purpose financial statements and reports are also any additional financial statements or schedules required for specific purposes (e.g. trust account statements, appropriation reports, or other statements as directed by Finance Instructions or the Finance Minister or Treasurer).

- Management and Performance Reports – Reports on non-financial and financial performance, including Performance & Management Plans (forward-looking plans at the start of the year) and Performance/Annual

Reports (backward-looking reports on operations and achievements, typically annual, as well as any interim performance reports required). These fulfill PFMA requirements (Section 50 for plans and Section 63 for annual performance reporting).

In addition to legislated financial reporting, agencies should have in place a series of Periodic Financial Reports which are routine monthly and quarterly reports that support oversight and control, such as monthly accounts and bank reconciliations, and quarterly budget execution and management reports.

These ensure issues are identified and addressed throughout the year rather than only at year-end.

A significant problem in producing financial reports to comply with the PFMA and Fiscal Responsibility Act 2006, is the completion of bank reconciliations. It is important that bank reconciliations are performed regularly (if not daily) to ensure that reporting is accurate and reflects the balances of the bank accounts.

Further Information	frcd@finance.gov.pg
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