

FMM 04.5 Annual General Purpose Financial Statements (GPFS)

All government reporting entities are required to prepare annual financial statements as their primary general purpose financial reports. These Annual General Purpose Financial Statements (GPFS) must comply with IPSAS and with the legal framework set out in the PFMA, Finance Instructions and the Government of PNG Finance Management Manual (this manual).

5.1 Mandated Policy

5.1.1 Submission & Deadlines

- 1. The GPFS are to be completed within 3 months after year-end and submitted to the Auditor-General who will conduct the audit.**
- 2. The reporting entity GPFS should be compiled and responsibility for preparation lies with the departmental head including the Provincial Administrator and the LLG Manager respectively, who must ensure the statements are completed and submitted.**
- 3. Bank reconciliations are to be performed regularly (if not daily) to ensure that reporting is accurate and reflects the balances of the bank accounts.**
- 4. The agency GPFS that form part of the Whole-of-Government Public Accounts are to be submitted to the Department of Finance within 3 months after year-end and earlier submission facilitates finalising the Whole-of-Government Public Accounts.**
- 5. In all cases, non-compliance with the required format or failure to produce the statements can trigger sanctions (PFMA Section 71 and Section 114 enforce compliance).**
- 6. The GPFS is to be prepared using International Public Sector Accounting Standard (IPSAS) Financial Reporting Under the Cash Basis of Accounting (IPSAS Cash Standard). For this standard, all reporting entities are to comply with the IPSAS Cash Standard under Part 1, and Appendix 1A provides templates for these statements:**

- 1A Financial Statement for National Government A
- 1B Government Entity B (this entity controls its own bank account)
- 1C Government Department C (this entity operates within the WPA)

- 7. The Government of PNG has elected for its reporting entities to disclose additional non-cash information in the notes to the financial statements and the templates for the discloses are provided as Part 2 of the IPSAS Cash Standard:**
- 8. Non-cash grants and in-kind contributions, Borrowings and other liabilities, investments, commitments and contingent liabilities, performance indicators and the achievement of service delivery objectives.**

5.1.2 National Departments

- 9. The departmental head should ensure that the department's accounts for the year are accurate and complete in IFMS, and cooperate with Department of Finance and Auditor-General requirements for the national financial statements.**

5.1.3 Provincial Governments and Local-Level Governments

- 10. Under Section 114 of the *Organic Law on Provincial Governments and LLGs* and PFMA Part IX, every province and LLG must prepare a full set of annual financial statements and comply with this FMM and adopt the templates provided as an Appendix A to this FMM Volume 4.**

5.1.3.1 Mandatory Components (refer to Appendix A for sample statements)

- 11. Appendix A to this FMM Volume, format (and the statements can be produced by IFMS) include five core components and also require an additional disclosure of commercial enterprises (interests):**
- **Declaration by Management** – A statement signed by the Provincial Administrator and Finance Manager (for provinces) or LLG CEO and District Finance Manager (for LLGs) certifying that the financial statements fairly present the financial affairs and that they comply with PFMA and IPSAS requirements.

- **Statement of Cash Receipts and Payments** – The primary financial statement showing total cash receipts and cash payments for the year, classified by appropriate categories (e.g. by sources of revenue and types of expenditure) for the reporting entity’s operations. It should also show the opening and closing cash balances for the year. *(For transparency, separate columns or sections can distinguish controlled funds vs. administered funds, if any).*
- **Statement of Budget Comparison (Budget to Actual Statement)** – A comparison of actual receipts and payments against the final approved budget for the year, showing variances. As Provincial Governments and LLGs receive budget appropriations approved by Parliament and deliver their budgets in accordance with the Provincial Executive Council, this statement is required to demonstrate compliance with budget limits. Major variances should be explained in the notes.
- **Notes to the Financial Statements (including Accounting Policies)** – Detailed notes providing accounting policies and additional information on amounts in the statements. Each entity should disclose the specific accounting policies used (e.g. cash basis of accounting, classification definitions) and provide breakdowns of key figures. Notes are to include analyses of significant receipt/expenditure categories and explanations for important trends or anomalies. They should also list any payments made on behalf of third parties or receipts collected on behalf of the national government, etc., as applicable.
- **Schedules of Assets, Liabilities, and Commitments (Non-cash disclosures)** – While not part of the core cash receipts/payments statement, Provinces and LLGs are encouraged (and in some cases required by Finance Instructions) to disclose balances of assets, investments, outstanding liabilities (such as payables or loans), committed expenditures, un-acquitted advances, and contingent liabilities at year-end.
- **Sub-national commercial enterprises** – the accounts are to declare any commercial enterprises and their financial performance in the annual financial statements.

12. **If any modifications to line items are needed of this template to suit an agency's operations, they should be minimal and explained (to maintain comparability) within the notes to the financial statements.**

5.1.3.2 District Development Authorities

13. **District Development Authority (DDAs) are classified as a reporting entity and District/Provincial Treasury will continue to compile all mandatory reports for DDAs using the mandatory reporting templates used for PG&LLG.**

5.1.4 Statutory Bodies

Statutory authorities, state-owned enterprises, and other public bodies established by law must also prepare annual financial statements. Under Section According to PFMA Section 47L and 63, GPFS are to be completed by all statutory bodies, overriding any contrary provisions in their own establishing Acts.

14. **Public and Statutory Bodies who are self-accounting entities can nominate to adopt an accrual basis of accounting under IPSAS.**
15. **Section 63 of PFMA explicitly states that "trading enterprises" should follow commercial accounting practices.**
16. **All statutory bodies defined by the PFMA and are a reporting entity are to submit their GPFS and performance reports under Section 63 and this applies **without exception** to *all* such bodies.**

5.1.4.1 Contents

17. **Every statutory body's annual report package to Department of Finance by 30 June of the fiscal year, should include at minimum:**
 - **Annual Financial Statements** for the year (either in full accrual format with notes if the entity uses accrual accounting, or in the prescribed cash/modified format if not), and
 - **Performance/Management Report** on its operations (see Section 4 below for details on performance reporting). The financial statements should be prepared in accordance with the entity's applicable standards, and include comparative figures, notes, and a statement of responsibility

by management or the Board. Templates or reporting formats provided by the Department of Finance or Auditor-General should be adhered to for consistency.

5.1.5 Audit and Submission

- 18. All GPFS must be submitted for audit to the Auditor-General promptly after preparation before they are officially submitted to the Minister for tabling. PFMA Section 63 requires that the financial statements be audited (or reviewed) by the Auditor-General prior to submission.**

By fourth month each year, the final Annual Report and Financial Statements for the previous fiscal year must be provided to the Auditor-General and notified to the Minister Finance.

For public and statutory bodies, this is a statutory deadline under PFMA Section 47L and 63(2). The Minister (Finance Minister) will then present these reports, along with the Auditor-General's report, to the National Parliament.

5.1.6 Publication and Compliance

- 19. All reporting entities must publish their annual reports (including financials) once tabled in Parliament, ensuring that any publication includes the Auditor-General's opinion or review as required by law.**

Failure to submit reports on time can lead to serious consequences. For statutory bodies the PFMA Section 64B allows the Finance Minister to issue a notice of non-compliance and without remedy can provide a recommendation to the NEC for the suspension or termination of the departmental head or members of the controlling authority.

5.1.7 State Owned Enterprises

For government-owned corporations under Companies Act, their own legislation identifies their reporting requirements and generally required to

follow accepted accounting standards (often within 4-6 months of year-end for AGM).

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