

FINANCE MANAGEMENT MANUAL



Volume I - Public Financial Management Overview



issued by Department of Finance

Framework of Public
Financial Management
and Public Entities

Principles of Public
Financial Management
and how they operate

Individual Officeholder
responsibilities for
financial management

Government of PNG

Financial Management Manual

Volume 1

Overview of Papua New Guinea's Public Finance Framework

This document is available in electronic form and is constantly updated. For the latest version of the manual and its volumes or any inquiries on this Document, please contact:

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Secretary Foreword

I am pleased to present this Finance Management Manual, prepared under the authority of the *Public Finances (Management) Act 1995*. As stewards of Papua New Guinea's public resources, we bear a profound responsibility to ensure our financial decisions and practices are guided by transparency, accountability, and the highest standards of governance.

This Manual is intended to equip Departmental Heads, Heads of Finance, Internal Auditors, and all public officials with robust guidance on how to comply with legislative requirements, strengthen oversight, and foster a culture of fiscal integrity throughout every level of government operations.

Through our commitment to aligning with International Public Sector Accounting Standards, integrating environmental, social, and governance factors, and promoting the principle of value for money, we affirm our determination to continuously improve our public financial management framework.

In this pursuit, Departmental Heads will play a pivotal role in championing the processes and controls set out in this Manual, while Heads of Finance and Internal Audit will be instrumental in applying rigorous checks, producing timely reports, and identifying areas for further refinement.

By working together and adhering to these guidelines, we will not only safeguard Papua New Guinea's public finances but also deliver essential services more effectively, respond to our citizens' evolving needs, and strengthen trust in government institutions. I look forward to your unwavering dedication and collaboration as we strive for excellence in public finance and pave the way for a more sustainable, equitable future for our nation.

Authorised for release.



Mr. Samuel Penias
Secretary
Department of Finance

Volume 1 (this volume) discusses the principles underlying public financial management in PNG including the *Public Finances (Management) Act 1995 (as amended)* (**herein termed PFMA**).

Volume 2 discusses PNG Public Financial Accountability and Governance

Volume 3 discusses Procedures and Controls for Public Accounts

Volume 4 discusses Financial Reporting

Volume 5 discusses Internal Controls and Internal Audit

Volume 6 is an Elected Member's Guide to PNG PFM

Volume 7 is the Department of Treasury Budget Manual

Contained in Volume 1

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FMM 01.1 Introduction to the Finance Management Manual

All Government of PNG public entities (also called agencies) must comply with the *Public Finances (Management) Act 1995 (as amended)* including issued Finance Manuals and Instructions issued under s117 of the Act.

The Finance Management Manual is designed to assist agencies in complying with the various public financial management legislations and to also assist departmental heads in developing a framework for the financial management within their agency or agencies of responsibility.

This manual consists of a number of different volumes, each addressing a specific aspect of PNG's Public Financial Management (PFM) framework. The FMM is a key resource for government officials, public administrators, and elected representatives responsible for financial oversight and decision-making.

Under the *Fiscal Responsibility Act 2006* Section 5 -

(a) Government agencies shall have regard to the provisions of the Public Finances (Management) Act 1995 and instructions issued under Section 117 of that Act; and

(b) the Treasurer must be consulted on any submission to the National Executive Council that will have a financial implication on the State prior to its consideration by the National Executive Council; and

(c) Government agencies shall not be permitted to borrow funds without the prior approval of the Treasurer.

FMM 01.2 Framework of PFM legislation and directions

Public financial management (PFM) framework refers the set of laws, rules, systems, processes, and procedures the Government uses to collect revenue, allocate available funds across competing priorities, expend those funds in purchasing goods, works or services, account for the funds spent, and audit the results of that spending.

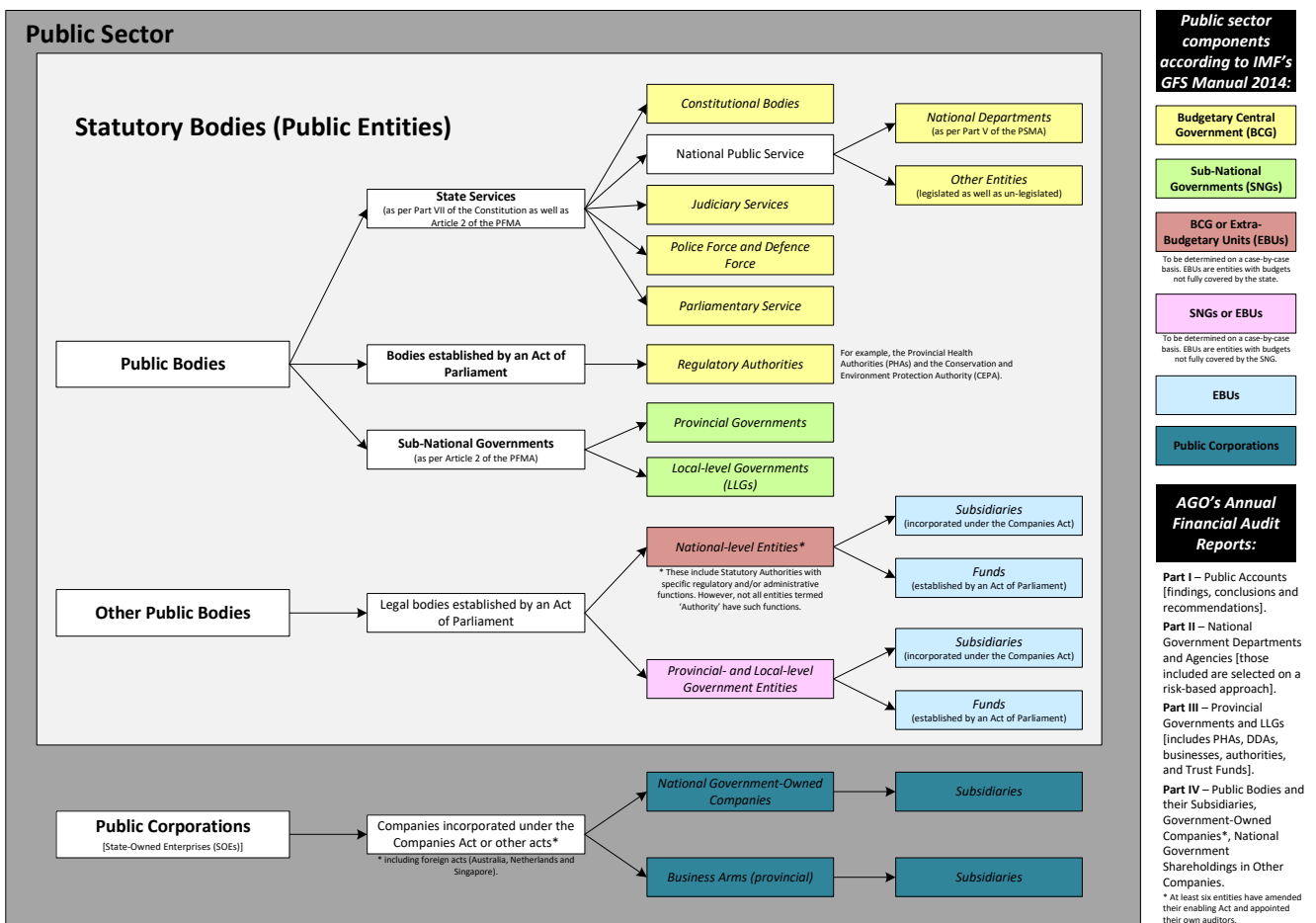


Figure 1 Legislative Framework

All revenue collected, every expenditure made, any use of public property, regardless of how small, must be transacted in accordance with the PNG Laws, particularly, the Public Finances (Management) Act (PFMA).

A basic understanding of this legal framework is important for all persons entrusted with public resources for two reasons:

1. Failure to act within the authorisations is a disciplinary risk of suspension, disbarment, and even court action (Part XI, PFMA).
2. Working within this framework protects public servants and accountable officers from accusations of misuse of public resources or attempts by others to for them to act illegally.

The figure below shows how the principles of the Constitution are translated into budgetary or financial processes and practices.

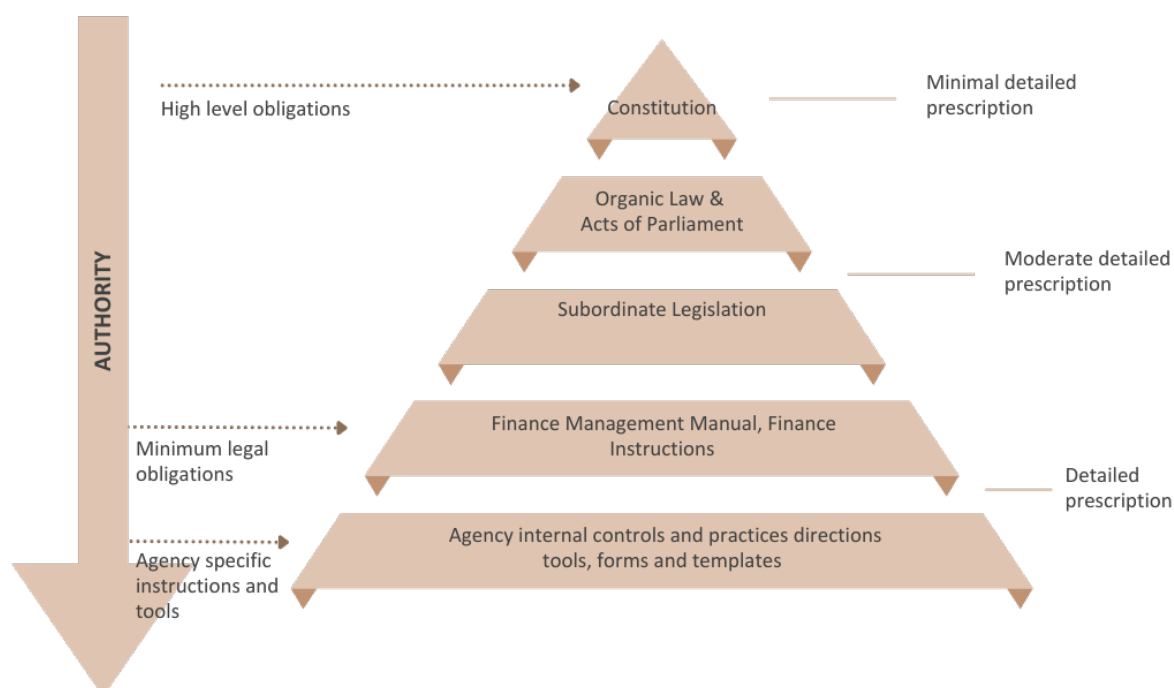


Figure 2: Legal Framework Hierarchy

Under the **Constitution**, Section 209 provides authority for the Government to impose taxes, obtain loans, and incur expenditures subject to authorisation and control through Acts of Parliament. In Part VIII, Supervision and Control, the Constitution provides more detail on roles and responsibilities of Parliament, in working with the Prime Minister and the National Executive Council (NEC) in passing laws to regulate PFM.

To strengthen oversight on the use of public moneys and assets, the Constitution provides for an independent Auditor-General who has the authority to inspect, audit and report to Parliament on Government accounts.

Another oversight body is the Public Accounts Committee, and is a permanent Parliamentary Committee further empowered to examine public accounts.

Parliament, from its powers under the constitution has passed a number of key laws for PFM the most significant of these is the ***Public Finances (Management) Act 1995*** (as amended) and the ***National Procurement Act 2018***. For sub-national governments, the other important laws are the Organic ***Law of Provincial Government and Local-Level Government 1998*** ('Organic Law') and ***District Development Authority Act 2014***.

The Organic Law adds detail to the rights of PGLLG in relation to the National Government. Section 82 of the Organic Law outlines sub-national finances derived from National Government Grants and their own revenues. The Organic Law further stipulates the kinds of taxes and fees PGLLG's are authorised to raise and retain (Sections 86 and 87), benefit from natural resources (Section 98) and the authority for revenue sharing of certain National Government revenues (Section 99).

Other key laws include, but not limited to:

- Annual ***Appropriations Acts*** are the legal authority to implement the National Budget. Passage of these acts is the authority to prepare the accounts that will be used during that fiscal year to record receipts and expenditures.
- The ***Non-Tax Revenue Administration Act 2021*** provides a more consistent approach to the imposition and collection (receipting) of non-tax revenue charges. Non-tax revenues are those collected through fees and other charges for services provided by public and statutory bodies. Changes to fees are generally imposed through notices published in the National Gazette.
- The ***Electronic Transaction Act 2021*** is not specifically related to PFM, but its implementation will impact the move to introduce more efficiency into government operations. This act establishes the legal equivalency of electronic signatures and documents to physical signatures and documents.
- The ***National Procurement Act 2018*** (NPA) centralises all public procurements under the National Procurement Commission (NPC). The NPA aligns public procurement to international best practices and promotes fair competition for government contracts. It also establishes the role and authorities of the Authority to Pre-Commit (APC)

Committee. Under this act, the Board of the NPC has the authority to issue instructions.

- ***Fiscal Responsibility Act 2006*** to promote economic and financial transparency and accountability.
- ***Provincial Government Administration Act 1997*** and ***Local Level Government Administration Act 1997*** establishes the system for Provincial and Local Level Governments, their administration including the powers to establish Special Purpose Authorities.
- ***Intergovernmental Relations (Functions and Funding) Act 2009*** lays out the roles and functions of PG-LLG, defines the formula to calculate subnational grants, and the distribution of shared national revenue.
- ***Income Tax Act 2025 and other related acts on taxes including the Goods and Services Tax Act 2003, Departure Tax Act 1980, Customs Tariff Acts*** etc. These Acts and Regulations require agencies to comply with a range of obligations including GST, withholding and other employer obligations.
- ***Organic Law on the Sovereign Wealth Fund 2015*** set shares of resource taxes and state-company dividends into two sub-funds—a Stabilisation Fund for smoothing budget revenues and a Savings Fund for long-term wealth through the national budget.
- Other legislation includes the ***Proceeds of Crime Act, Anti-money Laundering and Counter Terrorism Financing Act, Claims Against the State and District Development Authority Act.***

Finance Instructions are issued to provide guidelines and procedures as needed when a change in government policy requires a procedural change, a new procedure is adopted, or to resolve an issue with an existing procedure.

Section 117 of the PFMA gives the Finance department head the authority to issue instructions and manuals to “better manage and control public moneys and assets.”

The **Finance Management Manual** is also issued under this authority and both issued instructions and manuals issued under Section 117 have the same effect as law.

There are other guidance and practice manuals that are issued, including **Circular Instructions**, these are guidance and information documents there to

assist agencies in complying or interpreting public finance practices, procedures and processes.

Procurement Instructions also have the force of law and are issued by the National Procurement Commission Board.

In addition to the guidance from the Finance department head, the Departmental head of public body or statutory authority is responsible for establishing process and practices not inconsistent with the PFMA, other legislation, and issued instructions, guidelines or manuals issued by the Finance department head.

For budgetary management, the Department of Treasury and the Department of National Planning and Monitoring jointly issued the *Budget Manual* in 2008. This document assists officers in departments and agencies responsible for preparing budget submissions understand the processes for compiling the National Budget and what budgetary controls are in place to prevent over-appropriation and over-commitments of their budgets.

The *Good Procurement Manual* was released by the National Procurement Commission Board.

The *SIP Administration Guidelines* are jointly issued by the Department of Implementation and Rural Development.

The *PIP Guidelines (Public Investment Program)* issued by the Department of National Planning that provides the framework and templates for all national budget submissions for public investment program funds.

These manuals are examples of detailed instructions that are issues to assist agencies in meeting their PFM obligations.

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FMM 01.3 Efficient, Effective, Economical, Ethical and Value for Money

Public financial management is the collection, custody, reporting and expenditure of public funds. It is managed by the principles of efficient, effective, economical, ethical and value for money.

1. Section 5 of the PFMA requires departmental heads to establish internal controls and take all necessary actions to ensure the efficient, effective, economical and ethical use of the public money and property for which they are responsible for.
2. Section 3A requires the Treasurer to develop and implement strategies to promote economic and financial transparency to achieve a stable macroeconomic environment.

3.1 Efficiency

Efficient management of financial resources ensures that resources are used in delivery of services with minimal waste.

It requires robust financial management systems, clear processes, and regular assessments to identify and eliminate inefficiencies. For instance, improving budget execution processes, reducing unnecessary administrative layers, and using technology to streamline operations are practical steps toward enhancing efficiency. Additionally, a focus on efficiency helps in maintaining fiscal discipline, ensuring that public funds are used responsibly and sustainably.

For instance, systems and equipment may become obsolete, leading to longer or wasteful processes. Upgrading relevant systems or equipment can significantly enhance efficiency.

Efficiency is not measuring how much you spend but what you are spending your money on to maximise delivery of an agency's services.

3.2 Effective Operations

The effectiveness of agency operations is how well you are delivering your responsibilities. Being effective requires that you are monitoring the results – using performance indicators and other ways to evaluate if you are achieving the expected outcomes.

An effective PFM system enhances the government's ability to respond to public needs efficiently and transparently. It ensures that budgetary allocations are spent as intended and that public services are delivered in a timely and quality manner. This involves not only the proper allocation of resources but also the execution of projects within set timelines and budgets

The departmental head should evaluate whether the controls and processes in place are achieving the desired outcomes. For example, is the reporting adequate for management to monitor achievements of the corporate plan.

3.3 Economical Operations

It involves procuring goods and services of the required quality at the lowest possible cost, ensuring that expenditures are justified and contribute to the efficient delivery of public services. Economy emphasises the importance of cost-effectiveness without compromising the quality or quantity of public services provided.

A common example of economy in PFM is the procurement of office supplies for a government agency. By negotiating bulk purchases or seeking competitive bids, the agency can secure the necessary supplies at a lower cost, thereby conserving public funds.

3.4 Ethical PFM

Ethical management in PFM ensures that all actions, decisions, and practices adhere to the highest standards of integrity and accountability. Departmental heads must foster a culture of honesty, fairness, and transparency, ensuring that public funds and resources are used solely for their intended purposes and in the public interest.

This involves implementing robust internal controls to prevent and detect fraud, corruption, and misuse of resources. Ethical management also requires promoting an environment where staff feel empowered to report unethical behaviour without fear of retaliation.

Departmental heads must lead by example, demonstrating ethical behaviour in all their actions and decisions. This includes making decisions based on objective criteria rather than personal interests, ensuring equal treatment of all stakeholders, and maintaining transparency in financial reporting and procurement processes.

Training and awareness programs should be in place to ensure all staff understand and adhere to ethical standards.

3.5 Value for Money

Value for money is a comprehensive concept encompassing whole-of-life costs, opportunity costs, and non-cost factors such as fit for purpose, quality, service and support, reliability, and sustainability. It involves maximising the benefits from every dollar spent. The dimensions of value for money include:

- Careful consideration and prioritisation of objectives on a cost-benefit basis.
- Assessment and prioritisation of competing objectives, funding only those with high benefits.
- Selection of the most cost-effective options to achieve objectives.
- Explicit evaluation of whether the government or other potential providers are best placed to provide services.
- Rigorous analysis of all activities, both recurrent and capital.
- Close monitoring of implementation to ensure adherence to budgets.
- Continuous review and evaluation of programs, activities, and projects to ensure outcomes align with stated objectives and benefits are realised.

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FMM 01.4 Public Financial Management Oversight

Governance encompasses the management behaviour and accountability for the way it directs an agency's operations.

PNG has specific functions to provide an external accountability to proper PFM and whose oversight and directions must be followed including:

- Auditor-General
- Independent Commission Against Corruption
- Parliamentary Committees (notably the Public Accounts Committee)

4.1 Auditor-General

The role and responsibility of the Auditor-General and the Office of the Auditor-General are outlined in the Audit Act 1989.

The primary responsibility of the Auditor-General is to provide Parliament with an objective and independent assessment of the public accounts of Papua New Guinea, and on the control of, and on transactions with, or concerning the public moneys and property of Papua New Guinea.

4.2 Appointment of an Auditor

Under Section 214(2) of the Constitution of the Independent State of Papua New Guinea, the Auditor-General is empowered and required to inspect and audit all bodies set up by Acts of the Parliament, or by Executive or Administrative Act of the National Executive for governmental or official purposes unless other provisions are made by law in respect of their inspection and audit.

The Auditor-General is also empowered under Section 214(3) if he/she considers it proper to do so, to inspect and audit and report to the Parliament on any accounts, finances or property of a body, in so far as they relate to, or consist of, or are derived from public moneys or property of Papua New Guinea.

Under Section 8 of the Audit Act 1989, the Auditor-General is required to inspect and audit the accounts and records of financial transactions and the records relating to the assets and liabilities of public bodies and their

subsidiaries including government companies, and to report to the Minister vested with the responsibility for the public body and the Finance Minister.

The PFMA requires the same audit oversight for statutory bodies and subsidiary bodies under Section 63(1) and (3) of the PFMA and these bodies are required to prepare and furnish to its Minister before end of fourth calendar month from close of a fiscal year, a report on its operations for the year ended 31 December preceding, together with financial statements in respect of that year duly audited by the Auditor-General.

The Minister is then required to table the report on the operations and the financial statements, together with my report on the financial statements, at the first meeting of the Parliament after receiving them.

The Auditor-General is required to audit National Government owned Companies and their subsidiaries. Though these companies are registered under the Companies Act 1997, the responsibility to audit them is by virtue of Section 63 and 64 of the Public Finances (Management) Act (PFMA) and Section 3 and 8 of the Audit Act.

Type of entity	Audit Act
<ul style="list-style-type: none"> • Departments of the National Public Service and arms, agencies and instrumentalities of the National Government; and 	✓
<ul style="list-style-type: none"> • Provincial Governments and arms, agencies and instrumentalities of Provincial Governments; and 	✓
<ul style="list-style-type: none"> • Bodies established by– 	
<ul style="list-style-type: none"> ○ a Constitutional law; or 	✓
<ul style="list-style-type: none"> ○ an Act of the Parliament; or 	✓
<ul style="list-style-type: none"> ○ executive or administrative act of the National Executive; or 	✓
<ul style="list-style-type: none"> ○ a provincial law; or 	✓
<ul style="list-style-type: none"> ○ executive or administrative act of a provincial executive, 	✓
<ul style="list-style-type: none"> ○ for governmental or official purposes and subsidiary corporations of such bodies except the company referred to as “the company” in the Mineral Resources Development Company Pty 	✓

Type of entity	Audit Act
Limited (Privatisation) Act 1996 and the subsidiaries of that company; and	
• Government associations; and	✓
• Government-owned companies; and	✓
• Provincial Government associations; and	✓
• Provincial Government public projects; and	✓
• Public projects	✓

4.2.1 Appointment and use of Authorised Auditors

Section 8(5) of the Audit Act empowers the Auditor-General (and not the public or statutory body or its Minister) to employ registered auditors to assist in undertaking audit constitutional duties, where such assistance is required.

4.2.2 Types of Audits

The Auditor-General has the power to conduct audits on financial management in accordance with the PFMA which means that they have the powers to conduct:

- Finance and assurance audits – where an audit assesses the agency financial accounts and statements as being true and fair and kept in accordance with the PFMA; and
- Performance audits – focussing on the performance of the agency, entity or public project and how effectively, efficiently and economically their objectives are being met.

For further information and to see published audits visit <https://ago.gov.pg/>

4.3 Independent Commission Against Corruption

The ICAC is an independent statutory body established with functions and powers under the Constitution and the *Organic Law on the Independent Commission Against Corruption* (OLICAC).

The ICAC may investigate suspected corrupt conduct that may amount to an offence under:

- the OLICAC

- the *Criminal Code Act 1974* that fall within the definition of corrupt conduct.
- any other laws that fall within the definition of corrupt conduct

The ICAC may also prosecute indictable offences with the consent of the Public Prosecutor.

It also has a prevention role and special powers to conduct a public enquiry where an issue or complaint has been brought to their attention which have the potential to reduce public confidence in fundamental systems of public administration and government.

For further information on their activities, visit <https://www.icac.gov.pg/>

4.4 Parliamentary Committees

A number of parliamentary committees are established to assist Parliament to operate effectively, and the Public Accounts Committee has specific powers and functions under the PFMA, and a permanent committee of Parliament.

Some committees such as the Public Sector Reform & Service Delivery Committee have roles to monitor and review agencies. The Plans and Estimates Committee has a function within the National Budget process.

Further information on the role of Parliamentary Committees and their current work can be found by visiting <https://parliament.gov.pg/work-of-parliamentary-committees>

4.5 Ombudsman Commission

The Ombudsman Commission is established under the Constitution and its primary function is to ensure that public officials and entities adhere to the principles of good governance.

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FMM 01.5 Public Accounts Committee

5.1 Mandated Policy

1. **Government entities and Accountable Officers must cooperate fully with Public Account Committee (PAC) hearings or inquiries.**
2. **Agencies are required to implement recommendations from either the Auditor-General or the PAC. The PAC can follow up in subsequent sessions to ensure action has been taken to correct identified weaknesses.**

5.2 Non-Mandatory Guidance

The Public Accounts Committee (PAC) is constitutionally mandated to examine and report on government financial accounts, including those of statutory bodies, sub-national governments, and the consolidated Public Accounts. This can include specific hearings on elements of the government financial accounts such as value for money.

For annual public accounts, Auditor-General's reports serve as a primary input for the PAC's scrutiny, once tabled in Parliament.

The PFMA sets overarching rules for the PAC, managing public funds, including reporting obligations. The PAC can inquire into compliance with PFMA provisions and examine the accounts and statements that result from PFMA-based reporting.

The *PNG Constitution* (Section 214) mandates the Auditor-General to audit and report on the public accounts of Papua New Guinea. These audit reports must be submitted to the Parliament, and the Public Accounts Committee (PAC) is empowered to examine these reports.

Under Section 113(8)(a) of the *Organic Law on Provincial Governments and LLGs*, the Auditor-General's reports relating to provincial and local level bodies must similarly be submitted to the Parliament.

5.2.1 Role and Functions of the Public Accounts Committee

The PAC's primary function is to examine and report on the accounts of receipts and expenditure of public funds. This includes:

- The annual Public Accounts (Consolidated Revenue Fund statements, Trust Fund statements, etc.).

- Any financial statements or audit reports produced by the Auditor-General relating to national, provincial, or local level governments.

5.2.2 Scrutiny of Auditor-General's Reports

The Auditor-General provides reports to Parliament on the financial statements of government departments, statutory bodies, and provincial/LLG administrations. Once tabled in Parliament, the PAC can summon officers, request documents, and hold hearings to question agencies about financial management issues highlighted by the Auditor-General's report.

Under Section 87 of the PFMA (and other relevant provisions), statutory bodies must submit annual financial reports that are audited. Once those are tabled, the PAC may conduct inquiries into any irregularities or compliance matters. This includes performance aspects (expenditure efficiency, governance) and financial aspects (accuracy, control environment).

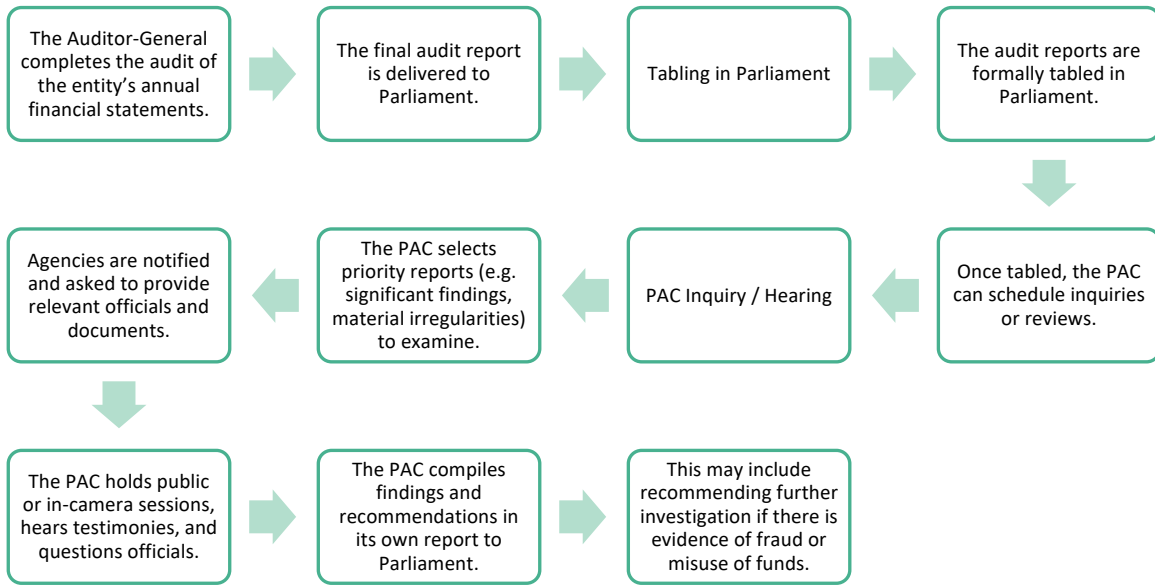
5.2.3 Reporting Findings to Parliament

After examining accounts or investigating issues, the PAC issues its own report to Parliament, outlining findings, recommendations, and any directions for further action (e.g. improvements, sanctions, or referrals). The scope of the examination is:

- The PAC looks at all aspects of public finance—revenues collected (taxes, grants, fees) and how they are spent (programs, capital investments, etc.).
- They check PFMA compliance, ensuring that appropriation limits are respected, funds are used for intended purposes, and that internal controls (bank reconciliations, procurement rules) are enforced.
- Although focusing on accounts, the PAC may also consider whether public funds are spent efficiently. If the Auditor-General flags issues of waste, the PAC can delve deeper.

When the PAC schedules a hearing or investigation, the entity's leadership (Secretary, CEO, CFO) must attend hearings if summoned and cooperate including provide documents, clarifications, or additional data requested.

5.2.4 Rectification of Audit and PAC Issues



In subsequent years, the PAC may revisit entities that had repeated issues, ensuring previous recommendations were addressed. If compliance remains poor, more severe actions (like surcharge, withheld appropriations, or leadership referrals) can be recommended.

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FMM 01.6 Accountable Officeholder responsibilities for financial management

Part II of the PFMA lays out the authorities of positions responsible for financial management.

All use of public funds occurs under the stewardship of accountable officers who is responsible to Parliament for ensuring that all consumption of public resources is compliant with the PFMA.

It is a constitutional principle that all public expenditure must have an appropriate legal basis. Parliament authorises spending on specific policies or services by passing the Appropriation Acts as part of the budget or passing specific legislation that will detail on the collecting or spending of public money.

It forms the foundation of the trust and understanding between government and Parliament, essential for effective public financial management.

There may also other financial responsibilities for officers that are specified in other legislation not covered by the FMM. Examples of this are the responsibility for submission of investment planning by the Road Funds Board under the *Road (Management and Fund) Act 2020*.

Under the PFMA, an overview of responsibilities are:

- a. *Finance Minister* Section 3 of the PFMA establishes the position of Finance Minister. Among the responsibilities of this position are: (i) implementation of the National Budget; (ii) ensuring a full accounting on the use of public money and property to Parliament; (iii) providing policy direction and guidelines on the management of public moneys and property.

- b. *Treasurer* Under Section 3A of the PFMA, the Treasurer has the overall responsibility for preparing the National Budget and presenting it to the National Executive Council (NEC) and National Parliament for their approval. During the fiscal year, the Treasurer is also responsible for publication budget strategy documents and other reports on budget execution as well as the issuance of warrants.
- c. *Secretary of Treasury* The Treasury departmental head, Secretary of the Treasury, is established under Section 4A of the PFMA.
- d. *Finance department head* The Finance department head is established under Section 4 of the PFMA.
- e. *Departmental Heads* The responsibilities of departmental heads are defined under Section 22 of the Public Services (Management) Act 2014 and Section 5 of the PFMA. The departmental head is also the principal advisor to a Portfolio Minister and is responsible to administer legislation relevant to that portfolio.

Section 5 of the PFMA where departmental heads are to accountable to the management and control of public moneys and assets under the PFMA.

As stipulated in the National Public Service GOs 8.13 “The Departmental Head shall have in place at all times a Corporate Plan providing the future business strategies and planned objectives of his/ her Department over a three to five-year period. Based upon the Corporate Plan, and the programmed budgeting approach to managing his/her Departmental resources, the Departmental Head shall provide Annual Management Plans to meet requirements of the Budgetary cycle.”

Furthermore, Department Heads cannot submit any submission to the National Executive Council that has a financial implication without first having consulted the Treasury in line with responsibilities under the *Fiscal Responsibility Act 2006*.

- f. *Accountable Officers* are persons who authorise the collection or payment of public money or the accounts for public property (Section 6 of the PFMA). Section 7 of the PFMA further states that the accountable officer shall ensure that those public moneys are collected promptly and

to the fullest extent and paid into an authorised bank account as soon as possible.

- g. *Finance Inspector*, Under Section 8 of the PFMA, the Finance department head may appoint a person to be a Finance Inspector. This person shall, at the direction of the Secretary, undertake inspections and investigations to the:
- Collection, receipt, management, expenditure or issue of public money
 - Collection, receipt, management, expenditure or issue of public money
 - Other matters as the Finance department head may direct.
- h. *Financial Controller*, The Finance department head may, under Section 8A of the PFMA, appoint a Financial Controller to any public or statutory body. The exception is for a constitutional institution where consent and agreement are required. This officer will assist the body in which placed comply with the PFMA, ensure compliance with procedures established under the PFMA, report to the Department of Finance on expenditure trends and non-tax revenue performance, among other matters as the Finance department head directs.
- i. *Provincial Finance Manager*: The person appointed as provincial finance manager under Section 8B of the PFMA shall:
- Be responsible for all the financial affairs of the provincial government to which they are assigned, irrespective of the source of the funds
 - Ensure the receipt, management, custody, disposal, issue or use of public resources in accordance with the PFMA
 - Assist and ensure provincial compliance with this Act
 - Assist and ensure provincial compliance with financial procedures established under this Act
 - Report to Finance department head as required
 - Deal with such other matters as directed

The Provincial Finance Manger is the equivalent to the Provincial Treasurer under Section 112 of the Organic Law.

- j. *District Finance Manager*: Under Section 8C of the PFMA, the Finance department head may appoint a person as District Finance Manager. This position is equivalent to District Treasurer under Section 112 of the Organic Law. The functions of this position are to:
- Be responsible for all the financial affairs of the local-level government to which they are assigned, irrespective of the source of the funds
 - Ensure the receipt, management, custody, disposal, issue or use of public resources in accordance with this Act;
 - Assist and ensure local-level government compliance with financial procedures established under this Act
 - Report to Finance department head as required
 - Deal with such other matters as directed
- k. *Section 32 Officer*, Under Section 32 of the PFMA, a departmental head may appoint, in writing, officers as financial delegates to approve expenditures, subject to the verified availability of funds for that expenditure and within warrant authority. Notices of appointments shall be published in the National Gazette. The role of the Section 32 Officer is included in the IFMS workflow and actions are recorded in the system.
- l. *Section 33 Officer* Under Section 33 of the PFMA, a departmental head may appoint officer/s to authorise payments and not payment can be made under with the officer's authorisation.

6.1 Provincial Governments and Local-Level Governments (PG-LLG) Financial Responsibility

There are also responsibilities specific to PG-LLG outlined in the *Organic Law Provincial Government and Local-Level Government*. PG-LLG are independent legal entities with authority for managing their financial affairs, within the overarching requirements of the PFMA.

6.1.1 Responsible Roles in PG-LLG Financial Responsibility under Part IV of the OLPLLG

The Organic Law on Provincial Governments and Local-level Governments (OLPLLG) outlines the responsibilities for managing financial affairs at the Provincial and Local-Level Governments (PG-LLG) in Part IV – Institutional Structure of the Administrative and Financial System. The key responsible roles are as follows:

1. Provincial Administrator (PA)

- Chief Executive Officer of the Provincial Government and considered the department head for the PFMA.
- Responsible for efficient management of administrative services within the province.
- Supervises and directs all National Government officers and Provincial Government employees.
- Liaises with the Provincial Treasurer on budget and treasury matters.

2. District Administrator (DA)

- Chief Executive Officer of the Local-Level Government (LLG) in a district.
- Administrative head of district-level staff.
- Ensures efficient management of the district administration.
- Coordinates support services for Local-Level Governments.
- Liaises with the District Treasurer on budget and financial matters.

3. Provincial Treasurer (PT)

- Heads the Provincial Treasury as part of the extended service of the National Department of Finance.
- Ensures that public funds are managed and released strictly in accordance with financial laws.
- Oversees budget execution, financial reporting, and compliance.
- Ensures the proper use of public funds under the Provincial and Local-level Government budgets.

4. District Treasurer (DT)

- Heads the District Treasury, which functions as a sub-unit of the Provincial Treasury.
- Ensures that funds for Local-Level Governments (LLG) are properly allocated, disbursed, and accounted for.

- Works closely with the District Administrator to ensure financial compliance.
- Submits financial reports and expenditure records to the Provincial Treasury and National Department of Finance.

5. Auditor-General (AG)

- Audits the financial statements of Provincial Governments and Local-Level Governments.
- Oversees the Provincial Audit Service, which ensures financial accountability and compliance with financial regulations.

6. Provincial Audit Service (PAS)

- Established under the Office of the Auditor-General.
- Conducts performance audits of Provincial and Local-Level Governments.
- Ensures transparency and accountability in public financial management.
- Reports financial irregularities and provides recommendations for corrective action.

7. Provincial and Local-Level Service Monitoring Authority (PLLSMA)

- Monitors and evaluates the effectiveness of Provincial and Local-Level Governments in implementing national policies.
- Assists the Auditor-General in performance audits.
- Ensures that all appointments to Provincial and Local-Level Government offices are based on merit.
- Reports findings to the National Executive Council for policy adjustments

8. National Economic and Fiscal Commission (NEFC)

- Reviews and advises on the equitable distribution of funds to Provincial and Local-Level Governments.
- Ensures that financial allocations align with national development priorities.

- Works in conjunction with Parliament and the Department of Finance in formulating budget allocations.

On a side note, there is some powers for District Development Authorities under the District Development Authority Act 2014 (DDAA).

Section 12(1)(a) of the DDAA makes the Member for the open electorate the Chairperson of the District Development Authority Board. Sections 28 and 30 then empower the Chairperson to set meeting dates, call extra meetings, preside, decide procedures and ensure Board decisions are recorded and disclosed.

However, financial powers sit with the District Administrator, not the Chair. Section 22 of the DDAA makes the District Administrator the Authority's Chief Executive Officer (and therefore the PFMA department head) and lets that officer sub-delegate.

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FMM 01.7 Finance Instructions and Finance Manuals

7.1 Process for Issuance

Finance Instructions and Manuals are developed by the Department of Finance under the authority of the Finance departmental head (Secretary Finance).

Under Section 64C of the PFMA a Statutory Body shall establish, use and regularly update a Financial Management Manual. The Statutory Body can adopt this manual as their Finance Manual. Any established Financial Management Manual cannot conflict with any instructions and finance manuals issued by the Finance departmental head.

Departmental heads have the authority to issue any other procedures and directions on PFM necessary to assist in carrying out their responsibilities and cannot conflict with any instructions and finance manuals issued by the Finance departmental head.

Once approved, FIs and FMMs are officially issued and published on the Department of Finance’s website www.finance.gov.pg.

7.2 Compliance and Updates

All public entities under the scope of the PFMA are required to adhere to the guidance provided in these documents. Regular updates are issued to reflect changes in legislation, policy, or emerging financial management practices.

Notifications of new or revised instructions are also communicated through the Finance website and circulars to ensure widespread dissemination.

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FMM 01.8 Ministerial Directions and Decisions

There are specific responsibilities and powers given to the Finance Minister and Treasurer under the PFMA, however the PFMA does not assign Ministers or Members of Parliament to have financial delegations or approval authority over agency funds or public monies.

Ministers have broad powers to control and direct their agencies but need parliamentary authority via the Appropriation Acts for the use of public funds before each year's expenditure can take place.

Departmental heads have the authority to apply the funds received under an appropriation for the agency.

8.1.1 Legislated Ministerial Powers

There are still powers granted to Ministers under the Minister Determinations and Responsibilities that are gazetted from time to time by the Prime Minister through powers granted to Government by the Constitution.

These powers are prescribed to them under the Acts (enabling legislations) for which they are determined to by the responsible Minister.

These directions, policies or instructions may have financial impacts related to public monies such as, for example, establishing fees and charges.

Members of Parliament also have other roles such as Chairman of District Development Authority Boards. While they don't provide financial delegation powers, the powers of the Boards and Councils that they may oversee to undertake actions gives them execution powers.

8.1.2 Role of Ministers in agency governance

The National Parliament Standing Orders and the *PNG Parliament Practices and Procedures Manual (2008)* provides guidance on the conduct and responsibilities of Ministers and Members of Parliament.

Section 5 of the PFMA mandates Departmental heads to establish internal controls and take necessary actions to ensure the efficient, effective, economical, and ethical use of public money and property.

This includes the establishment of internal frameworks to document Ministerial decisions where specific legislation provides Ministers with authorities and powers. These frameworks should ensure all actions are transparent and adhere to legal and ethical standards.

Even though specific legislation may allow for Ministerial responsibilities in certain decision-making areas, these do not extend to financial approvals or the delegation of financial powers, which remain strictly within the purview of Departmental Heads as per the PFMA.

Furthermore, no NEC Submission can be considered by National Executive Council without the Treasurer firstly having been consulted if the submission will have a financial implication on the State (*S5 Fiscal Responsibility Act 2006*)

8.1.3 Bureaucratic Powers

Bureaucratic powers reside within the public service, particularly with Departmental Heads, who play a central role in financial management. Under Section 5 of the PFMA, Departmental Heads are mandated to establish internal controls that ensure public money and assets are used efficiently, effectively, economically, and ethically. Their role includes implementing financial regulations, ensuring compliance with national financial policies, and overseeing government expenditures.

A core function of Departmental Heads is managing fund allocations. They are responsible for applying funds received from the Treasurer, ensuring that government agencies operate within their approved budgets as per the appropriation process. This ensures that public funds are distributed and utilized according to government priorities and financial regulations.

Although some legislation may assign Ministers specific responsibilities in decision-making, financial approvals and delegation of financial powers remain strictly within the authority of Departmental Heads, as mandated by the PFMA.

This legal framework safeguards against political interference in financial management and ensures that public funds are administered with professionalism, accountability, and transparency.

The clear distinction between Ministerial and bureaucratic powers strengthens the governance framework, ensuring that Ministers provide strategic direction while public servants execute financial management duties within legal and regulatory boundaries.

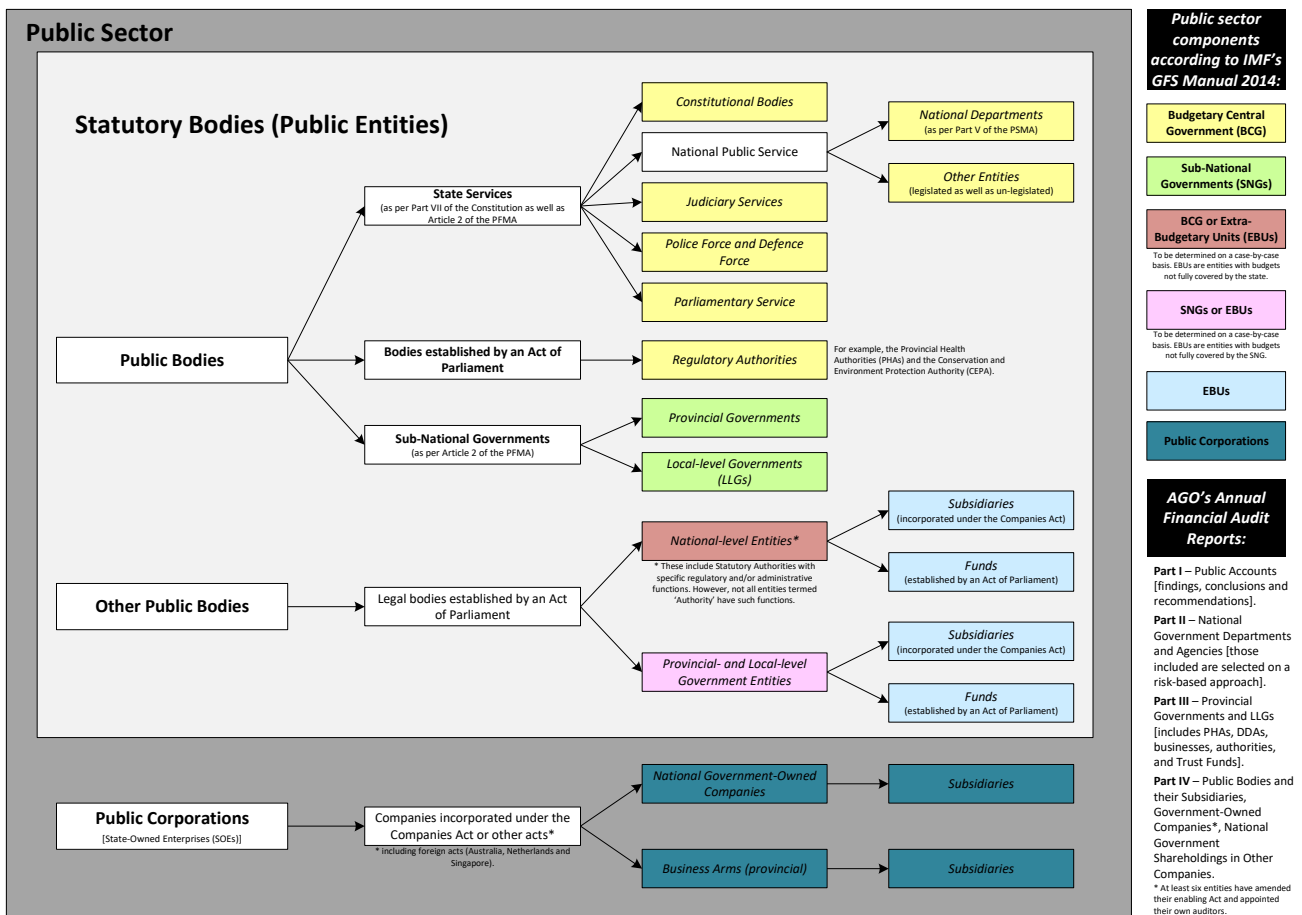
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FMM 01.9 Different types of Public Entities

1.1 Entity Types

The Government of PNG provides its services and functions through various entity types and government tiers (National, Provincial and Local Level Government and Constitutional Institutions) and these have different authorities, legal obligations and reporting requirements.

Regardless of the type of entity structure, it is considered an agent of the State of PNG (an agency).



Entities include departments, public services offices, statutory bodies, statutory authorities and companies (State Owned Enterprises or SOEs or 'commercial enterprises'). The Government can also enter into other Joint Venture arrangements – incorporated or unincorporated.

Generally, the powers to create an entity are the Constitution, government by the Constitution, Organic Laws, Acts of Parliament, National and Provincial Executive Councils and the *Public Services (Management) Act 1995* (PSMA).

The Constitution under Section 208A provides for the creation of regulatory Statutory Authorities as a body corporate by an Act of Parliament.

Part V of the PSMA captures the authorities for the national public service which are that Head of State, acting on advice, by notice of National Gazette, to establish, abolish or alter the name of a Department except the Department of Prime Minister and National Executive Council.

Part VII of the PSMA prescribes the creation and abolition of offices which provides powers to create of an Office with the Department head of Personnel Management and by way of National Gazette Notice.

The *Organic Law on Provincial and Local Level Government* provides for establishment of offices to support the Assembly and Provincial Executive Council. The finances of PG-LLGs also provide for income from commercial enterprises conducted by it.

District Development Authorities also have powers under Section 7 of the *District Development Authority Act 2014* to form or participate in the formation of companies and to enter into partnerships and participate in joint ventures.

Special Purpose Authorities are formally Local-level Government Special Purposes Authority established under Section 42 of the *Local-level Governments Administration Act 1997*.

9.1 Definition of Public Body

A public body is a defined term in the PFMA as either an agency that is part of the State Services established under Part VII of the Constitution or a PG-LLG established by Organic Law. However, this term is not limited to a Department.

The legal hierarchy is this:

- **Public body** is only:
 - an agency of the State Services (Part VII Constitution) (this can include departments, offices, commissions etc).
 - a Provincial or Local-level Government.
 - A statutory authority where it is deemed a State Service in its Act

- **Statutory body** is anything else the State sets up for governmental or official purposes, including:
 - every “regulatory statutory authority” created under s 208A of the Constitution,
 - constitutional institutions (deemed statutory bodies under PFMA s 1A(2)) ,
 - anybody created by a PG-LLG, and
 - subsidiary statutory bodies captured by PFMA s 49.
- **Government-owned company** is a company the State controls and is therefore caught under the subsidiary statutory bodies rule unless variations exist under its own Act.

The ‘legal structure’ or how it was created is not the only factor to what can be defined as a statutory body essentially you need to consider:

- Determine if the entity was established for governmental or official functions.
- Assess whether the entity manages, collects, or disburses public funds.
- Check if the entity operates under the legal framework established by the State or through Organic Law.

The transfer of public money to a company or special purpose vehicle to be expended does not in itself limit the application of the PFMA.

9.2 Entity Type 1 Department and State Services

A department is a prescribed administrative arrangement under the PSMA where the entity has been declared, via National Gazette, to be a department by the Governor General.

Departments can be created, amended or abolished by a specific National Gazette Notice, but can also be done so in the Determination of Ministerial Responsibilities which is administered by the Department of Prime Minister and National Executive Council.

A department may also be a body for which an accountable officer has been appointed (under the PSMA), but these are generally termed ‘Offices’.

In PNG, Departments are funded by National Budget Appropriations. Under the Constitution, payments from the consolidated revenue fund, which National Department accounts operate within, can only be authorised under an Act (the Appropriations Act). Transfers to trust funds can only occur if specified by an appropriation to do so.

Money cannot be committed or expended except as authorised by a warrant authority within a fiscal year (Section 29 PFMA).

9.2.1 Parliament and Judiciary Services

The National Parliament and Judiciary are subject to the financial management framework outlined in the PFMA. These bodies, despite their constitutional independence, are included in the scope of PFM for purposes of accountability and transparency.

“Public body’ means (a) any agency which is part of the State Services established under Part VII of the Constitution...”

— Section 2, PFMA (Interpretation)

“No public money shall be paid out of the Consolidated Revenue Fund except... for the purposes of government services, the services of the Parliament or the services of the Judiciary...”

— Section 14(1)(g), PFMA

9.3 Entity Type 2 Offices

A public service office is an entity, or part of an entity designated to be a public services office either by executive order or, powers under the PSMA, the departmental head for Personnel Matters. Offices are generally created to assign specific powers or functions.

For the purposes of PFMA, consider if the Office is to operate and report as a department, as an office within a department (both of these are PFMA Public Body structures).

9.4 Entity Type 3 Statutory Body

A statutory body is a broad term under Section 2 of the PFMA to mean any body, authority or instrumentality (corporated or unincorporated) established under an Act of Parliament or by a PG-LLG and any other way that is for governmental or official purposes.

Statutory bodies generally have a primary role that they are established for, subject to varying degrees of Minister control and usually in enabling legislation. They are established for reasons such as:

- Need for some operational independence from the PNG Government;
- Independent funding arrangements not reliant on annual appropriations processes
- A need to establish a separate legal entity

As well as the PFMA, statutory bodies must comply with the requirements of their own enabling legislation. Statutory bodies may or may not have a budget agency code and can instead receive funds via a department. They may be seen as 'self-funding' but in the legal sense – this is incorrect – any revenue raised is administered public money on behalf of the State and is deemed part of the Consolidated Revenue Fund.

9.4.1 Constitutional Institutions

Constitutional institutions/bodies are public entities established directly under the Constitution of Papua New Guinea, including but not limited to the Ombudsman Commission, Public Prosecutor, Public Solicitor, Auditor-General, Electoral Commission, and the Integrity of Political Parties and Candidates Commission and the NEFC. Although these offices are constitutionally established, for the purposes of financial management and accountability under the *Public Finances (Management) Act 1995*, these entities are **deemed to be Statutory Bodies**.

"This Act binds constitutional institutions and constitutional institutions shall be deemed to be statutory bodies for the purposes of this Act."

— Section 1A(2), PFMA

As deemed Statutory Bodies under the PFMA, constitutional office-holders are required to:

- Prepare annual performance and management plans (s.50),
- Maintain bank accounts in compliance with Section 52,
- Apply funds in accordance with Section 58,
- Maintain accounts and records (s.62),
- Submit audited financial statements and reports (s.63), and

- Comply with inspections by the Finance Minister or delegate (s.64).

9.5 Entity Type 4 Statutory Authority

There is sometimes confusion on the difference between a Statutory Authority and a Statutory Body, these are not the same.

A Statutory Body is a general catch-all term referring to any entity established whether by an Act of Parliament, Organic Law or under the Constitution to perform specific governmental functions.

A Statutory Authority is an entity that been granted specific regulatory or administrative functions, often with a degree of operational independence and usually under an Act of Parliament.

The main difference lies in their operational focus and autonomy as a statutory authority may have more specialised regulatory roles and greater independence compared to broader statutory bodies. However, in practice, the distinction can be minimal and context-dependent.

An example of Statutory Authority would be the National Airports Corporation or the Road Traffic Authority and even the Internal Revenue Commission.

9.6 Entity Type 5 Corporation Sole

A corporation sole is established under the under its own legislation and where the authority is vested in one nominated office holder as opposed to a company structure (such as a Minister or position such as Public Curator, Custodian for Trust Land, Official Trustee of PNG).

Although unusual, they are still considered Statutory Body under the PFMA.

A corporation sole should not be confused with State Owned Enterprises or other government agencies that were established under the Companies Act. For example, while Kumul Petroleum (Holdings) Limited and Kumul Minerals (Holdings) Limited were also created by legislation, their legislation stipulates that they are incorporated under the Companies Act.

9.7 Entity Type 6 State Owned Enterprises

State-owned enterprises (SOEs) are companies incorporated under the Companies Act 1997 in which the State, or a statutory body such as *Kumul Consolidated Holdings Ltd*, holds a controlling interest.

They operate on commercial principles and are expected to earn sufficient revenue to meet their own costs and service debt.

SOEs are not public bodies or statutory bodies for PFMA budgeting, warrant or procurement purposes. Part IV to Part VIII of the PFMA therefore do not apply to their day-to-day financial operations unless Parliament appropriates money directly to them.

They are however considered a subsidiary statutory body under Section 49 of the PFMA. Therefore, each SOE must keep proper accounts, prepare audited financial and lodge them with the Auditor-General.

If an SOE receives a budget appropriation, on-lends a sovereign loan, or manages public trust moneys, those specific funds are subject to PFMA controls.

The enabling Act for certain SOEs may impose extra obligations. For example, the Kumul Petroleum Holdings Limited Authorisation Act 2015 exempts KPHL from PFMA Parts IV–VIII but retains PFMA sections 63 and 64 for audit and reporting.

Common SOEs include Kumul Petroleum Holdings Ltd, PNG Power Ltd, Air Niugini Ltd, Water PNG Ltd and Post PNG Ltd. All are wholly owned by Kumul Consolidated Holdings Ltd and must comply with the KCH Act 2002, the Companies Act 1997 and are subsidiary statutory bodies.

The Treasurer with his investment responsibilities monitors SOE dividends and debt in the Medium Term Fiscal Strategy.

Parliamentary scrutiny occurs through the Public Accounts Committee when audited SOE accounts are tabled.

9.8 Responsibilities of Public Bodies under the PFMA

9.8.1 Performance and Management Plans for Public Bodies

The Finance department head may by notice in writing direct a public body shall submit to the Finance Secretary a performance and management plan.

A performance and management plan shall be submitted at such intervals and in such form as directed.

A public body that has submitted a performance and management plan shall submit to the Finance department head progress reports against their performance and management plan at such intervals and in such form as directed.

Directions pursuant to this section shall be published in the National Gazette and shall take effect on the date of publication or the date specified in the approval, whichever is the later.

9.8.2 Budget Appropriation Payments to Public Bodies

Subject to this Act, such money shall be paid to a public body as is appropriated by the Parliament for the purposes of the public body.

Money paid pursuant this section shall be paid in such amounts and at such times as the Treasury Departmental Head determines.

Money paid under subsection (1), if unexpended within the financial year for the purposes for which they were appropriated, shall be returned to Consolidated Revenue Fund unless otherwise directed by the Treasurer.

For the purposes of sub-section (3), unexpended means not contracted for expenditure at the end of the financial year.

9.8.3 Application of Moneys by Public Bodies

The money of a public body shall be applied only in payment or discharge of expenses, obligations and liabilities of the public body in accordance with the PFMA.

9.8.4 Accounts, Records, etc. of Public Bodies

A public body shall maintain proper accounts and records over public moneys and property under its control in accordance with Section 47K of the PFMA.

9.8.5 Reports and Financial Statements of Public Bodies

A public body shall prepare and furnish the Finance department head a financial statement and a performance and management report of its operations every fiscal year in accordance with the requirements of Section 47L of the PFMA. The Office of the Auditor General should be included in the distribution of Financial Statements and the performance and management reports on agencies' operations.

9.8.6 Powers of Inspection of the Finance Minister, etc., of a Public Body

Under Section 47M of the PFMA, the Minister of Finance has the authority to investigate the accounts and records of any public body that fails to comply with its obligations under the PFMA.

9.9 Responsibilities of Statutory Bodies under the PFMA

9.9.1 Subsidiary Statutory Bodies

For the purposes of Part VIII, a body, whether corporate or unincorporated, is a subsidiary statutory body of a statutory body if that statutory body –

- has the ability, directly or indirectly, to appoint or remove directors, managers or any other management or administrative staff to that body; or
- controls, directly or indirectly, 50% or more of the voting power of that body; or
- holds 50% or more of the issued shares or share capital of the body, if any; or
- the body is a subsidiary of a body that is a subsidiary of a statutory body.

9.9.2 Governance and Responsibilities of a Statutory Body

The governance structure and responsibilities of a statutory body are established in Sections 64D and 64E, respectively, of the PFMA.

9.9.3 Bank Accounts

Section 52 of the PFMA describes the requirements for bank accounts for statutory bodies.

9.9.4 Budget Appropriation and Payments to Statutory Bodies

Subject to the PFMA, such money shall be paid to a statutory body as is appropriated by the Parliament for the purposes of the statutory body.

Money paid pursuant this section is subject to release by warrants and cash fund certificates.

Moneys unexpended within the financial year for the purposes for which they were appropriated including any other profits or revenue, shall be returned to Consolidated Revenue Fund. However, for appropriations, unless otherwise directed by the Treasurer.

9.9.5 Investments by Statutory Bodies

A statutory body may invest money and what it can be invested in is defined under Section 57.

The Finance Minister may, by notice published in the National Gazette, determine such terms and conditions as he thinks fit in respect of investments under this section.

A statutory body shall cause to be published in the National Gazette, within 30 days of the end of each quarter within a fiscal year, the full and complete details of each and every investment made or existing in that quarter by the classes of investment specified.

A notice shall contain sufficient detail to identify the nature of the investment, the amount invested, all fees and charges associated with the investment and the interest payable on the investment in that quarter.

A statutory body shall, within four months of the end of a fiscal year, pay into the Consolidated Revenue Fund all revenue and profits of the statutory body for that fiscal year that are not contractually committed for expenditure in accordance with the approved budget of the statutory body within that fiscal year.

9.9.6 Loans, Borrowing and Guarantees of Statutory Bodies

Subject to the approval in writing of the Treasurer, a statutory body may, on such terms as are agreed borrow money, including by overdraft, from any person; or borrow public money from the State; or guarantee a loan to any person.

An approval pursuant to this section shall be published in the National Gazette and shall take effect on the date of publication or the date specified in the approval, whichever is the later.

An approval pursuant to this section may be subject to such terms and conditions as the Treasurer thinks fit.

Statutory bodies and all other persons shall comply with the terms and conditions of any approval pursuant to this section.

No person shall loan money to a statutory body or receive a guarantee from a statutory body without the approval of the Treasurer pursuant to this section first being had and in accordance with the terms and conditions specified in that approval.

9.9.7 Application of Money by a Statutory Body

The money of a statutory body shall be applied only in payment or discharge of expenses, obligations and liabilities of the statutory body arising under this Act or its constituent law.

9.9.8 Accounts, Records, etc. by Statutory Body

Subject to Section 62 of the PFMA, a statutory body shall maintain proper accounts and records over public moneys and property under its control in accordance. Section 64C of the PFMA establishes the requirement for a statutory body to prepare a finance management manual describing their system of accounting and control and submit that manual for the review and approval of the Finance department head. If a statutory body does not prepare such a financial management manual, the Finance department head may direct them to use an otherwise specified financial management manual.

9.9.9 Reports and Financial Statements by Statutory Body

Every fiscal year, a statutory body shall prepare a financial statement and submit it, with a performance and management report of its operations, to the Finance department head per Section 63 of the PFMA. Subject to this section. a statutory body shall, for every fiscal year, prepare and furnish to the Finance Secretary financial statements and a performance and management report of its operations.

9.9.10 Powers of Inspection of the Minister of Finance, etc., of a Statutory Body

Under Section 64 of the PFMA, the Minister of Finance has the authority to investigate the accounts and records of any public body that fails to comply with its obligations under the PFMA.

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FMM 01.10 Formation, Restructure, Acquisition of New Public Entities including Subsidiary Statutory Bodies and Business Arms

10.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 47N and 64A Mandate consultation with the Treasurer and Finance Minister for restructuring or forming new statutory bodies which would also include subsidiary statutory bodies where a subsidiary has taken a controlling interest.
- Organic Law on Provincial Governments and Local-Level Governments (OLPGLLG) allows for the conduct of commercial enterprises.
- Companies Act 1997 Governs the formation and operation of entities established as companies, including the acquisition process.

10.2 Standards and Supporting Documentation

- FMM Volume 3 on Public Investments and Interests in Commercial enterprises.
- Department of Finance Register of Public Entities

10.3 Minimum Responsibilities

Finance department head is to review and recommend approvals for the formation or acquisition of public entities and to maintain a Register of Public Entities which is published.

Treasurer and Finance Minister are approvers of the formation, restructure, or acquisition of public entities, based on certificates of financial and accountability assessments.

The responsible agency is responsible for the submission of detailed business cases and financial impact assessments to justify the formation or acquisition. The departmental head is responsible for the notification of changes or formations to the Auditor-General and Secretary Finance.

Registrar of Companies oversees the incorporation of entities under the Companies Act, ensuring compliance with corporate regulations.

10.4 Mandated Policy

- 1. The Department of Finance is to maintain a register of all Public Entities including related public sector enterprise or companies detailing ownership and other relevant information.**
- 2. This central register must capture entities also established from Provincial and Local-level Governments.**
- 3. Under Section 47N (for public bodies) 64A (for statutory bodies) of the PFMA prior to all proposals for the creation, reform or restructure, there must be the issuance of a certificate form both the Treasurer and Minister of Finance prior to consideration by National Executive Council.**
- 4. The Departments of Finance and Treasury is to be formally advised in writing of the establishment of a new public entity including a subsidiary statutory body and the details recorded in the Register of Public Entities.**
- 5. The re-naming of a business enterprise must be disclosed in the financial statements of an agency, must be properly authorised and if changed, must be also authorised and tabled with the Provincial Executive Council or the National Executive Council for endorsement where applicable.**
- 6. Any name or structural change must also be notified to the Department of Finance to update the Register of all Public Entities.**
- 7. When a company is transferred to another public entity or significant change in ownership or control occurs, the public entities involved need to ensure the process is undertaken in a timely manner and that the Finance Minister are informed of the change and approval is given by the Treasurer within his investment responsibilities under Section 3A of the PFMA.**
- 8. The Treasurer or delegated officer shall examine and consider a proposal as to the financial implications on the National Budget and shall issue a certificate that -**

- the proposal has been considered; and
- states the impact of the proposal on the National Budget; and
- states whether or not the proposal is supported and the changes, if any,
- required to the proposal prior to the grant of support.

9. The Finance Minister or delegated officer shall examine and consider a proposal as to the impact of the proposal on financial accountability and shall issue a certificate stating that -

- the proposal has been considered; and
- states the impact of the proposal on financial accountability; and
- states whether or not the proposal is supported and the changes, if any,
- required to the proposal prior to the grant of support.

10.A certificate shall be attached to any submission to the National Executive Council for the creation, reform or restructure of a statutory body.

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FMM 01.11 Winding up of Statutory Body or Subsidiary Statutory Body

11.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 47N and 64A mandates consultation with the Finance Minister and Treasurer on any restructuring, which includes winding up of public and statutory bodies.
 - Section 47K and 62 Requires that all public and statutory bodies operate under sound financial management principles, including provisions for their dissolution when they cease to be viable.
- Companies Act 1997 Governs the liquidation and winding-up process for public entities incorporated under this Act, including the appointment of a liquidator.

11.2 Minimum Responsibilities

Finance department head is to oversee the process and ensure that all financial and legal requirements are met and provide guidance on asset realisation and debt settlement. The Finance department head is the interim liquidator under the Companies Act for public entities.

The Department of Finance is required to update the Register of Public Entities.

The Statutory Body is to execute the decision to wind up the entity and oversee initial stages of the process including the submission of necessary documentation to the relevant authorities, including the Registrar of Companies.

In the event that Finance department head is not the liquidator, the liquidator is to take control of the entity's assets and liabilities and manage the liquidation process, including settling debts, realising assets, and distributing remaining funds.

Registrar of Companies is to administer the deregistration process for statutory bodies incorporated under the Companies Act.

11.3 Mandated Policy

1. Where a subsidiary statutory body or business arm (which is a company) is defunct or is no longer required for its intended purpose, the governing agency should take steps to wind up or deregister the company and inform the Treasurer, Finance Minister, Finance department head and Auditor-General.
2. The Finance department head is the nominated interim liquidator of a company if nomination is required under Part XVIII Liquidations under the Companies Act. The Finance department head may appoint a liquidator and a liquidation committee under the Companies Act.
3. A company which has ceased to carry on business can in some cases be deregistered without the need for a winding up process. Further information can be found with the Investment Promotion Authority including the necessary forms.
4. The bank account/s of the company are to be transferred under the control of the Finance department head in accordance with Section 11 of the PFMA on the keeping of public funds. The proceeds of winding up/liquidation shall be remitted to the Consolidated Revenue Fund.
5. A final set of financial statements are to be prepared and signed-off by the directors and the auditor prior to the cessation of their responsibilities.
6. Where a company is found to be insolvent or likely to become insolvent there are many alternative forms of external administration available and the Finance department head will consider the appointment of an insolvency expert should there be doubt as to the ability of the company to operate as a going concern.

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FMM 01.12 List of Acronyms

Abbreviation	Description
AP	Accounts Payable
APC	Authority to Pre-Commit
AR	Accounts Receivable
ARO	Authorised Requisitioning Officer
CFC	Cash Fund Certificate
CoA	Chart of Accounts
COI	Certificate of Inexpediency
CR	Credit
DDA	District Development Authority
DOS	Division of Supply for Stores
DOT	Department of Treasury
DPM	Department of Personnel Management
DR	Debit
DSTB	District Supply and Tenders Board
EDCF	Economic Development Cooperation Fund
EDF	European Development Fund
EI	Economic Item
FAS	First Assistant Secretary
FCB	Finance Cashier/ Accounts Branch
FED	Financial Evaluation Division
FF	Finance Form
FI	Financial Instruction
FMM	Financial Management Manual
FY	Fiscal Year
GL	General Ledger
GoPNG	Government of Papua New Guinea
GPO	Government Printing Office
GS	Goods and Services
IASB	International Accounting Standards Board
IFMS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
ILPOC	Integrated Local Purchase Order and Claim Form
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards

Abbreviation	Description
ISSAI	The International Standards of Supreme Audit Institutions
ITD	Information Technology Division (Department of Finance)
JPBPC	Joint Provincial Planning and Budget Priority Committee
JPP	Joint Priority Program
LLG	Local Level Government
MTDP	Medium Term Development Plan
NCD	National Capital District
NEC	National Executive Council
NGO	Non-Government Organisation
OTA	Overseas Travel Allowances
PAD	Public Accounts Division
PE	Personal Emoluments
PEC	Provincial Executive Council
PER	Programme Evaluation Report
PFM	Public Financial Management
PFMA	Public Finances (Management) Act
PGLLG	Provincial Government and Local-level Governments
PIP	Public Investment Programme
PVA	Permanent Variation Advice
RPM	Receiver of Public Monies
SRC	Salaries and Remuneration Commission
SSG	Special Support Grants
TFEC	Technical and Financial Evaluation Committee
TWG	Technical Working Group
WA	Warrant
WOG	Whole of Government
WPA	Waigani Public Account

FMM 01.13 Glossary

Term	Definition
Appropriation Level/Activity	Management unit in which funds are allocated at Budget Level within a particular Department or Agency
Accrual Accounting Basis	Under accrual accounting, income and expenditure transactions are recognised when they occur, regardless of when the associated cash payments are made. The accrual basis is recognized by IPSAS.
Portable and Attractive Item	Means items which are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale
Cash Accounting Basis	Basis of accounting where receipts and cash payments are recorded as they are made. The cash accounting basis is recognized by IPSAS.
Certification	Process whereby a certifying officer attests (provides an opinion) to the legality, propriety, and correctness of a voucher for payment.
Chart	A framework that provides the account structure for a ledger
Chart Component	Parts of the Chart of Account structure (content)
Chart Structure	Full account number comprised of individual components
Class of Property, Plant and Equipment	A grouping of assets of a similar nature or function in an entity's operations that shown as a single item for the purpose of disclosure in the financial statements (IPSAS). Types of assets are: <ul style="list-style-type: none"> • Land and Buildings • Furniture and Fittings • Office Equipment (Computers, Photocopy Machines) • Motor Vehicles • Marine Vessels • Plant and Machinery • Tools and Equipment • Others
Component Characters	Alphanumeric characters that make up the account component

Term	Definition
Control of an Asset	Arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit. (IPSAS)
Cyber Security	A sub-specialty in information security that focuses on protecting, preventing damage to and restoring electronic communications services and systems. This includes the information stored in these systems.
Default	A code assigned by IFMS which the user can override
Deficiency	Means the presence of a conspicuous defect to public property such that the property can no longer be used for its intended purpose. The defect cannot be remedied with normal operating maintenance, routine maintenance, or minor repair.
Drawing Account	Means an account that is held at a zero or negative balance and is replenished to zero balance on a regular basis. (NTR Act)
Economic Item (EI)	The EI is a 6-digit numerical string which represents every accounting unit
Economic Life	The period over which an asset is expected to yield economic benefits or service potential to one or more users (IPSAS)
Endorsement	Maintains financial integrity by authorising or acknowledging that a document is valid.
Fixed Asset	All tangible assets owned or newly acquired with a life expectancy of more than one year and of significant value.
Full String Account	A full string account is provided by joining every component of the Chart of Accounts to satisfy the Chart of Accounts structure
Fund Source	The Fund Source identifies whether the funding is received for GoPNG's recurrent budget, GoPNG's development budget, or donor funding
Funds Checking	Performing an enquiry on a particular account in IFMS to determine if there are available funds
Funds Tracking	Funds is a tracking system in IFMS that allows the Organisation to keep track of funds against an account or component within the Ledger

Term	Definition
Furniture and Fitting	Means larger items of movable equipment used in day-to-day business that is not attached to the building. Examples are bookcases, chairs, desks, filing cabinets, and tables.
Information Assurance	Focuses on the availability of information to users and protects information from threats such as natural disasters and server failures. Information assurance is the basis for business-continuity and disaster recovery planning.
Information Security	Information security is an overarching term for creating policies and procedures to protect information—digital, physical, or intellectual. This broad field that covers many areas such as physical security, endpoint security, data encryption, and network security.
Inspection	Ex-post activity for controlling the regularity of the transactions and the other activities in the field of financial management and control to identify problems or defects.
Ledger	A repository of transactions
Loss	means an unintended, unforeseen or accidental loss, damage or destruction of public property which reduces the Government's expected benefit in service delivery. 'Loss' includes, but is not limited to: <ul style="list-style-type: none"> • Items that cannot be found after a reasonable search • Theft • Damage resulting in unexpected harm to public property requiring repair to restore the item to usable condition • Destruction resulting from incidents that cause the item to no longer be used for its intended purpose or damaged beyond economical repair. 'Loss' does not include obsolescence, normal wear and tear, or manufacturing defects.
Misappropriation of public property	Means a situation where an Officer has taken the property for his own use, making it unavailable for its intended purpose.
Modified Cash Accounting Basis	Cash basis of accounting, plus systematic recording of Commitments, Fixed Assets, Financial Assets, and

Term	Definition
	Liabilities. The modified cash accounting basis is not defined by any standards body.
Non-Current Asset	See “Fixed Asset”
Operating Account	As defined by the Section 8, NTR Act, means account’ is meant to be held at a positive balance, subject to any overdraft facilities that may be in place
Periodic Ledger	For only a specified period of year/s where new ledgers are created for the next financial year/s
Perpetual Ledger	Ongoing ledgers that continue from financial year to financial year (e.g., Accounts Payable)
Processing Group	Comprises a logical grouping of ledgers for data processing purposes
Project Trust	Holds monies from donor and / or GoPNG counterpart funds for development projects.
Property, Plant and Equipment	Tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one reporting period (IPSAS)
Public Body	Is an agency which is part of the State Services established under Part VII of the Constitution and excludes a Provincial Government or Local-level Government established under the Organic Law on Provincial Governments and Local-Level Governments
Public Property	means real or personal property, including land, intellectual property, goods, and equipment, held of controlled by a public body or a person acting on behalf of the State or property held on trust for the benefit of the State by any other person (Section 2, the Act)
Revenue Trust	Used to account for Revenue collected from customers/industry for paying specific expenses of services provided by the government.
Royalty Trusts	Used to account for royalties for oil, timber, etc and payments to the beneficiaries (e.g.: Provincial Government and Resource Owners).
Selection Code	A code or response having a distinct value associated with a selection group

Term	Definition
Selection Type	An element that enables the grouping and classification of Chart of Accounts
Special Purpose Trust	Used to hold third party monies that are in dispute
Statutory Body	A body, authority or instrumentality established under an Act of Parliament for governmental or official purposes. It excludes a body, authority or instrumentality established by a Provincial Government or Local-level Government.
Sub-Appropriation	Identifies a section at the Budget Level of the appropriation within the Department or Agency. All appropriations are supported by sub-appropriations.
Temporary Holding Trust	Used to hold third party monies that are in dispute.
Trust Account	Also called 'account in trust'. Is a type of financial account that is managed by a designated trustee for the benefit of a third party per agreed-upon terms.
Trust Category	General grouping of trust accounts by purpose and intent: Project Trusts, Beneficiary Investment Trusts, Royalty Trusts, Revenue Trusts, Special Purpose Accounts, Temporary Holding Accounts
User Field (IFMS)	Field that allows the User to add additional information against a chart component
Validation	A set of rules associated with a chart which governs allowable combinations of chart components when posting
Warrant Authority	Authorities authorising the expenditure of moneys from the Consolidated Revenue Fund for the purpose for which those moneys were appropriated
Public Resources	Means public money and public property
Public Body	Any agency which is part of State Services established under Part VII of the Constitution and a Provincial Government or Local-level Government established under the Organic Law on Provincial Governments and Local-level Governments

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