

FINANCE MANAGEMENT MANUAL



Volume 3 - Government Finance Policies and Procedures



issued by Department of Finance

Government
Accounting Framework
and Finance Systems

Chart of Accounts and
Special Procedures for
Budget Execution

Revenue, Expenses,
Assets and Liabilities

Government of PNG Financial Management Manual

Volume 3

Procedures and Control of Public Accounts

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

Section 117 of the PFMA states that the Finance Departmental Head may issue Financial Management Manuals, not inconsistent with this Act, for instruction and guidance on the implementation of any matter for the better control and management of public moneys and public property.

Volume 1 discusses the principles underpinning public financial management in PNG.

Volume 2 discusses PNG's Public Financial Accountability and Governance.

Volume 3 (this volume) discusses Procedures and Control of Public Accounts and establishes the policy and instructions governing the public accounts and accounting records of all public entities.

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

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FMM 03.1 Government Accounting Framework

Government accounting and financial reporting focus on fiscal compliance, economic resources, commitments, management stewardship of money and assets, services provided, and results achieved.

Public accounts, therefore, structure information about public moneys and property in a way to enable consistency, accountability, and transparency on the use of public resources.

The Constitution defines public accounts “...all accounts, books, records of, or in the custody, possession, control of the National Executive or of a public officer, relating to public property or public moneys.”

An accounting framework is a set of standards and rules to establish common standards in recording and reporting financial information.

1.1 Mandatory Policy

1. All money collected, received, managed or paid by any public entity including government department, statutory body, provincial or local-level government, or statutory body is considered public money (public funds), even before it is formally deposited into the CRF or a Trust Fund.

This means that:

- Government agencies do not own the money they collect—they hold it on behalf of the State.
- All revenues must be properly accounted for in line with the PFMA and financial policies.
- No public entity can retain revenue for its own use unless expressly authorised under law (e.g., statutory bodies with revenue retention powers under Sections 71A–71D of the PFMA).
- Any off-budget accounts or funds outside the CRF and Trust Fund framework are illegal.

1.2 Non-Mandatory Guidance

1.3 Overview of Public Funds and Public Money

1.3.1 Definition of Public Funds

Public funds refer to all money received, held, or expended by the Government of PNG and its public entities in the execution of government functions. These funds are subject to strict financial management controls under the Constitution, PFMA and the organic laws.

At the core of our system is the principle that all money collected by government entities is public money, and unless specifically authorised, it must be deposited into government-controlled bank accounts and expended only through legislative approval.

Public funds in PNG are managed through two main fund categories:

1. **Consolidated Revenue Fund (CRF) and General Revenue Funds (GRFs) (for each sub-national Government)** – The primary government account environment where all public money is deposited, unless explicitly authorised to be held elsewhere.
2. **Trust Fund (and Trust Funds for each sub-national Government)** – Special purpose trusts where money is held separately mostly for 3rd parties, subject to strict conditions.

1.3.2 Revenue Funds, Trust Funds versus Bank Accounts

The CRF or GRFs are not a bank account, it is a financial environment with many bank accounts.

The Trust Fund is not a bank account, it is a financial environment with many bank accounts under the control of its Trust Instruments.

The Funds are legal constructs that determine how public money is managed. Bank accounts are financial tools used to facilitate transactions within these legal frameworks.

CRF/GRFs bank accounts are used to receive and disburse public money that forms part of the government's general revenue, with expenditure strictly governed by appropriations approved by Parliament or Provincial Councils.

Trust Fund bank accounts, on the other hand, are established for specific, legally defined purposes, and funds held in these accounts must be managed in accordance with the terms of the trust instrument.

The PFMA Sections 13 and 14 establish that all public money must be deposited into the CRF unless lawfully exempt and cannot be spent unless appropriated by Parliament or otherwise legally authorised.

Under Trust funds, moneys cannot be deposited or spent except in accordance with the specific rules established in the trust instrument.

1.3.3 CRF/ GRFs – The Primary Government Funds

The CRF/GRFs are the main repository of all government revenue, including:

- Tax revenues (e.g., income tax, GST, excise duties).
- Non-tax revenues (e.g., fees, fines, levies, dividends from state enterprises).
- Grants and donor funding (unless otherwise specified under agreements).
- Other lawful receipts of the government.

Funds within the CRF/GRFs are allocated through the National Budget or Provincial or Local-Level Government Budget and cannot be spent unless authorised by an Appropriation Act or other legal provisions.

This includes money transferred to a Trust Fund. A transfer is not allowed unless the trust instrument enables receipts from the CRF and the National Budget has specifically specified the appropriation to a trust.

Any unspent budget allocations must be returned to the Waigani Public Account in the CRF at the end of the fiscal year unless otherwise authorised under a multi-year funding arrangement.

1.3.4 Trust Funds – Special Purpose Government Funds

The Trust Funds is an exception to the CRF, allowing for certain monies to be held separately when there is a specific legal or policy reason to do so. These

funds are created to manage money intended for specific projects, donor-funded initiatives, or legally mandated purposes.

1.3.4.1 *Conditions for Establishing a Trust Fund*

- It must be legally authorised under the PFMA or another Act of Parliament.
- It must serve a defined purpose (e.g., holding money on behalf of third parties, disaster relief, statutory obligations).
- It cannot be used for general government operations.
- Financial reporting and audits must be conducted to ensure compliance.
- Will have a defined life.

1.3.4.2 *Key Characteristics of Trust Funds*

- **Restricted Use** – Trust money can only be spent for its designated purpose.
- **Can be temporary in nature** – Once the purpose is fulfilled, any remaining balance must be returned to the CRF or legislated (such as unclaimed monies)
- **Financial Oversight** – Trust accounts are subject to audit and financial reporting to ensure compliance with government regulations.

Under Section 15 of the PFMA, when a Trust Fund is no longer needed, any remaining funds must be transferred back to the CRF unless specified otherwise by law.

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FMM 03.2 Retained Finance Forms from FMM Version 2006

2.1 Authority and Prescribed Requirements

- Public Finances Management Act Section 117 allows for the Finance department head to issues finance instructions and manuals for the better control and management of public monies.

2.2 Standards and Supporting Documentation

- Nil

2.3 Mandated Policy

- For those agencies that are not using IFMS and to support continued business continuity, the following forms are retained from the former FMM Version printed in May 2005.

Number	Title	FMM Status
1	Collector's Statement	Retained
2	Receiver's Statement	Retained
3	Requisition for Expenditure	Retained – for agencies not using IFMS
3A	Approval for Project Expenditure	Retained
4	General Expenses	Retained
4A	Integrated Local Purchase Order and Claim Form	Retained
5	Order to Pay Agent	Cancelled
SA	Authority to Pre-Commit (APC)	Cancelled
8	Journal Entry	Retained
9B	Examination of Accounts	Retained – Business Continuity only
10	Wages Sheet	Retained – Business Continuity only
11	Payments Schedule	Retained – Business Continuity only
12	Receipts Schedule	Retained – Business Continuity only
13	Statement of Receipts and Payments	Retained – Business Continuity only
14	Advances Schedule	Retained
16	Duty Travel Advance Acquittal Form	Retained
17	Cash Fund Certificate	Cancelled
19	Funds Distribution Control	Cancelled
20	Commitment Control Ledger	Cancelled
21	Summary Cash Book	Cancelled

Number	Title	FMM Status
22	Outstation Reimbursement Dissection Sheet	Cancelled
23	Warrant Authority	Cancelled
23B	Warrant Authority (Amended)	Cancelled
24	Query Sheet -Outstation Examiner	Cancelled
28A	Paying Officer's Cash Book	Cancelled
30A	Trust Fund -Other Authorities Ledger	Cancelled
31	Cash in Transit	Cancelled
33	National Moneys Trust Account -Payment only	Cancelled
34	Application for Reallocation of Funds (Section 24)	Cancelled
34A	Transfer of Funds (Expenditure Votes) SAT 1	Cancelled
34B	Revenue Variation (Schedule Z/4)	Cancelled
35	Statement Showing Reallocations Between Items (Section 24) Register of Receipt Forms	Cancelled
50	Register of Received Register	Retained – Business Continuity only
51	Values Received Register	Cancelled
72	Currency Packing Note	Retained – Business Continuity only
82J1	Employee Salary /Permanent Variation Advice (Concept) SALPVA Special Payment Advice	Retained – Business Continuity only
82M1	Special Offline Payment & Recovery Form (Concept) SPEC1	Retained – Business Continuity only
82N	Overtime and Shift Allowance Statement	Retained – Business Continuity only
82O	Overtime and Part time Earning Record Card	Retained – Business Continuity only
83	Salaries and Allowance	Retained – Business Continuity only
87	Board of Survey Report	Retained – Business Continuity only
88	Stores Discrepancy Report	Retained
93	Voucher Registration Card (General and Personal)	Cancelled
95	Accountable Forms Register	Retained
96	Advances Ledger	Retained
98	Suspense Ledger	Cancelled
99A	Debtor's Card	Retained – Business Continuity only
103	Stock-Taking Sheet	Retained
108	Acquittal of Temporary Advance Voucher	Retained
111	Repaid Salaries	Retained – Business Continuity only
113	Advances Register	Retained
114	Lands and Mines Trust Account	Cancelled
120	Deposit Slip	Cancelled
131	National Moneys Trust Account	Cancelled

Number	Title	FMM Status
132	Cash / Cheque Receipt	Retained
133	Debit Note	Retained – Business Continuity only
133	Credit Note	Retained – Business Continuity only
134	Inter - Departmental Charge Note	Cancelled

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FMM 03.3 Accounting Basis

3.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

3.2 Standards and Support Documentation

- IPSAS – Financial Reporting Under Cash Basis of Accounting

3.3 Minimum Responsibilities

The Finance department head is responsible for defining the form and content of financial statements and therefore, responsible for providing guidance and oversight on the basis of accounting across agencies ensure consistency and compliance with PFMA and IPSAS requirements.

Departmental heads are to ensure that financial transactions are recorded and reported using the government's basis of accounting.

Heads of Finance are to ensure that there is an accurate accounting records in accordance with the government's basis of accounting and comply with instructions issued through the Finance Instructions and Finance Management Manual. Heads of Finance are also responsible for preparing financial statements that reflect the government's financial activities and position.

Auditors are to review financial statements to verify adherence to the government's basis of accounting and provide recommendations for improvements in financial reporting practices.

3.4 Mandated Policy

1. The Government of PNG adopts the IPSAS Financial Reporting Under the Cash Basis of Accounting Refer to the FMM Volume 4 FMM 04.3.

This accounting method records financial activities by recognising revenue when under government control (receipted) and expenditures when obligations are paid.

The Government of PNG will transition to accrual and will therefore elect to also provide additional disclosures in the notes and these elected disclosures are specified in FMM Volume 4.

3.4.1 Revenue Recognition

2. Revenues are recognised when they are collected and receipted, therefore both measurable and available to finance expenditures of the current period.

When revenue is receipted, it is recorded against the relevant chart account code for that category of revenue in IFMS or the alternative approved accounting system.

3.4.2 Expenditure Recognition

3. Expenditure is recognised when paid including when the cheque is raised in the accounting system regardless of whether it is presented or unpresented by the recipient.
4. A commitment is recognised when approved by the Section 32 delegate against an appropriation as expense incurred (claims processed) whether it has left the bank account or not. A political commitment is not the same as a financial commitment and elected officials do not have Section 32 delegations to make a commitment.

Expenditures will also be disclosed in the notes for:

- Obligations related to contracts or agreements executed for which there is work progressed but not paid – as a commitment provision at the fiscal year-end under the warrant and appropriation which the obligation relates to.
- Long-term liabilities like loans or lease payments recognised when due even if not paid and recorded as a liability at the fiscal year-end either as a commitment or contingent liability.
- Costs related to superannuation that are recognised as they accrue, even if payment will occur in future fiscal years.
- Multi-year funding arrangements are disclosed in financial reports, ensuring transparency of future liabilities.

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FMM 03.4 Approved Accounting Systems and IT Security

4.1 Authority and Prescribed Requirements

- Public Finances (Management) Act (PFMA)
- Electronic Transactions Act of 2021
- Cybercrime Code Act of 2016

4.2 Standards and Supporting Documentation

- Nil

4.3 Minimum Responsibilities

Department of Finance

- Provide and manage access ensuring timely updates to user permissions to the IFMS in coordination with Public Entities.
- Maintain a comprehensive register of systems integrated with IFMS.
- Evaluate and test change requests for IFMS and its integrated systems to assess potential impacts.
- Offer training programs and support resources to users of IFMS to ensure users understand their roles and the necessary security protocols that should be adopted.

Finance department head

- Authorise the use of alternative accounting systems for public entities.
- Develop and enforce policies governing the use of approved accounting systems and the security of financial information across all public entities.
- Oversee compliance with established accounting and IT security policies.
- Identify and mitigate risks associated with financial information systems, ensuring the continuity and security of financial operations.

Treasury department head

- Authorise the use of budget systems for public entities.
- Develop and enforce policies governing the use of budgeting systems.
- Identify and mitigate risks associated with financial budget systems, ensuring the continuity and security of financial operations.

Departmental Heads

- Ensure robust controls are in place to restrict access to financial information exclusively to authorised personnel.
- Conduct periodic audits to verify that access rights align with current job responsibilities.
- Maintain the integrity and confidentiality of financial data by enforcing security protocols and monitoring compliance with established policies.
- Establish procedures for reporting and addressing security breaches or unauthorised access incidents promptly.

Heads of Finance/ Head of IT

- Ensure the agency has security measures to protect financial information systems from unauthorised access, cyber threats, and data breaches.
- Conduct regular security assessments and vulnerability scans to identify and address potential weaknesses in financial information systems.
- Develop and maintain incident response plans to effectively manage and mitigate the impact of security breaches.

Internal Audit Units

- Perform regular audits to ensure adherence to accounting system policies and IT security protocols.
- Report findings to relevant authorities, recommending improvements to enhance system security and compliance.

All Users

- Comply with all established policies and procedures related to the use of financial information systems and data security.
- Use system access credentials responsibly, not sharing login information and reporting any suspicious activities.
- Handle financial data with care, ensuring its confidentiality and integrity in all transactions and communications.
- Participate in ongoing training and awareness programs to stay informed about best practices in IT security and financial information management.

4.4 Mandated Policy

- 1. IFMS Approved Finance System and is the authoritative database of record for public funds and the primary accounting system for public funds accounts.**

2. All public entities, both national and sub-national, are required to use IFMS as their accounting system unless otherwise approved by Finance department head to use an alternative approved system. Such approval is granted under specific circumstances where:

- the adoption of IFMS is impractical or cost prohibitive. These include cases where the materiality of the public entity's financial operations does not justify the cost of implementing IFMS,
- technological limitations or lack of connectivity hinder its effective use,
- instances where disaster recovery, business continuity, or emergency response measures necessitate a temporary or alternative accounting solution.
- Additionally, entities in remote or isolated areas and those operating overseas with limited access to IFMS infrastructure may be considered for an alternative system, provided robust internal controls and reporting mechanisms are in place to ensure accountability and compliance with financial management standards.

4.4.1 Preference for Electronic Documents and Electronic Transactions

3. In line with Section 9 of the Electronic Transactions Act 2021 (ETA), records entered in the Approved Finance System and approved by workflow by authorised users and financial delegates are the official record of those transactions where they comply with the ETA.

4. Physical forms may be used for information purposes or where IFMS is not used as the Approve Finance System. If there is a conflict between an electronic (or digital) document and a physical document, the electronic document shall prevail where it has complied with the ETA.

4.4.2 IFMS System Interfaces/Integrations and Change Requests

5. The Finance department head and Treasury department head (for Budget modules) are the system owners and authorising administrator for the IFMS and approval is required for any interfaces direct or indirect to the financial records of this system.

6. The Department of Finance is required to maintain an IT integration register and diagram of all systems integrated with IFMS and ensure that the impact of any IFMS change requests approved to production test for

any impact on those integrated systems prior to their implementation in production.

4.4.3 Protection and Security of Government Financial Information and Records

7. Persons, regardless of their employment status, fall under authority of the Cybercrime Code Act, and are subject to criminal action for offences including the unauthorised access or distribution of Government financial information or records, including, but not limited to:

- Intentionally remains logged onto or remains logged on or continues to use an electronic system without authorisation or after authorisation has expired (Section 11, Cyber Crime Act 2016)
- Performing electronic forgery (Section 12, Cyber Crime Act 2016)

8. Access to IFMS is limited to those public officers based upon their roles as determined by job requirements. Access to IFMS and the different modules are based upon a person's role, or job, in the public entity and restricts that person to the responsibilities and functions of that position, or job description.

9. The department head should ensure processes are in place to create, amend, and deactivate IFMS users as part of their internal human resource processing before forwarding User Access Requests to the IFMS team to assign a userid and password.

4.5 Non mandatory Guidance

Amendments, cancellation and adding of users for IFMS form can be obtained by emailing the IFMS Service Desk service_desk@finance.gov.pg

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FMM 03.5 Business Continuity in Accounting

5.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

5.2 Standards and Supporting Documentation

- ISO 22301 (Business Continuity Management Systems) Provides a framework for establishing, implementing, and maintaining effective business continuity plans.

5.3 Specific Responsibilities

The Secretary for Finance is responsible for implementing and communicating contingency plans for IFMS and to also provide technical support and guidance to entities in developing their BCPs.

Departmental Heads are responsible for business continuity plans (BCPs) for accounting and financial management functions and identifying potential risks to financial operations and implement strategies to mitigate them. The Departmental Head is to ensure necessary resources are available to support continuity measures.

Heads of Finance must establish procedures to maintain financial operations during disruptions and have manual or alternative processes for critical financial functions in case of system unavailability or financial delegate availability.

Internal Audit is required to monitor business continuity planning and compliance.

5.4 Mandated Policy

- 1. All agencies are required to establish and maintain business continuity plans specifically addressing accounting and financial management functions. These plans must ensure the continuation of critical financial operations during disruptions, including scenarios where the IFMS is unavailable. Examples include alternative bank signatories, digital data backups of financial information and access to manual forms for control of accounting processes.**

2. Department of Finance must maintain a business continuity plan for disruptions to IFMS including performance standards with vendors on critical business response times. Agencies who are approved to use an alternative accounting system, must also have in place business continuity plans including data recovery backups for systems approved.

5.4.1 Use of Manual Finance Forms

3. In the event of IFMS downtime, cyberattacks or other disruptions, physical finance forms and manual cash books and receipts books will be in used for essential financial transactions such as payments, acquittals and revenue collection.
4. Where a finance system other than IFMS is approved for use, some manual finance forms are still required to ensure the correct signatories and officer roles are registered refer to FMM Volume 3 FMM 03.2 on those forms.

5.5 Non-Mandatory Guidance

Nil

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FMM 03.6 Chart of Accounts

6.1 Authority and Prescribed Requirements

- Public Finances (Management) Act (PFMA) 1995

6.2 Standards and Supporting Documentation

- IFMS User Manual – “IFMS Concepts”

6.3 Minimum Responsibilities

Department of Finance (DoF) maintains and updates the standard Chart of Accounts and monitors the use of CoA classifications and consolidation of public accounts.

Agencies are required to use the standard Chart of Accounts for all financial transactions including aligning non IFMS system to the standard CoA and ensure proper classification of revenue, expenditure, assets, and liabilities.

6.4 Mandated Policy

- 1. All government transactions must be recorded in IFMS using the prescribed Chart of Accounts (CoA).**
- 2. The Finance department head is the person authorised to maintain the CoA including amend, create and archive accounts.**
- 3. Revenue, expenditure, assets, liabilities, and fund balances must be classified correctly according to CoA.**
- 4. The prescribed CoA must map with the presentation of the budget to enable presentation of a comparison of budget and actual amounts.**
- 5. No modifications to the CoA structure may be made without approval from the Finance departmental head.**
- 6. Where a finance system is approved for use other than the IFMS, the CoA used for this approved finance system needs to be capable of mapping into the Government of PNG CoA for consolidation purposes.**

6.5 Non-Mandatory Guidance

A copy of the Government of PNG CoA can be obtained from the Financial Reporting and Compliance Division of the Department of Finance or directly from the IFMS.

There are three main CoA variants in use:

- **National Departments**
- **Statutory Authorities**
- **Sub-National Governments (Provincial, District, and LLG)**

While all three variants share core components (such as Fund Source and Economic Item), there are slight differences in structure and naming conventions.

Entity Type	Appropriation Component	Structure
National Departments	Sub-Appropriation Level	XXXXX-XXX-XX-XXXXXX
Statutory Authorities	Agency + Appropriation Level	XXX-XXXXX-XX-XXXXXX
Sub-National Governments	District/LLG-based Appropriations	XXX-XXXXX-XX-XXXXXX

In all cases, the Full String Account is composed of four main components:

1. Appropriation Level (and Sub-Appropriation, where applicable)
2. Fund Source
3. Economic Item
4. *(Optional: Agency or Location identifiers as Selection Codes)*

Each full account string is a 16-character numeric code.

The components of the CoA and the coding structure:

CoA Component	Departments	
Appropriation Level	XXXXX-@@@-@@- @@@@@@	Links the transaction to a specific budget vote. Codes are issued by the IFMS team via 1APPROLVL.
Sub-Appropriation Level	XXXXX-XXX-@@-@@@@@	Required for all budget votes. Enables more

CoA Component	Departments	
		granular control over budget execution.
Fund Source	XXXXX-XXX-XX-@@@@@	Identifies the source of funds: e.g. 00 for GoPNG Recurrent, 02 for Provincial Internal Recurrent. Full list under 3FUNDSCR in IFMS.
DoW Location	XXXXX-@X@-@@-@@@@@	
Economic Type	@@@@@-@@@@- @@-x@@@@@	Six-digit classification for revenue, expenditure, assets, liabilities, and fund balances.
Economic Category	@@@@@-@@@@- @@-xx@@@@	
Economic Level 1	@@@@@-@@@@- @@-xxx@@@	
Economic Level 2	@@@@@-@@@@- @@-xxxx@@	
Economic Item	@@@@@-@@@@- @@-xxxxxx	

TABLE 1: ACCOUNT CODE STRUCTURE FOR NATIONAL DEPARTMENTS

6.5.1 Similar elements to the CoA for all entities in IFMS

Feature	Description
Core CoA Components	All use: Appropriation Level (or equivalent), Fund Source, and Economic Item
16-digit Full String Format	Common format: Appropriation – Fund Source – Economic Item
Fund Source Codes	Same list applies across all entities (e.g. 00 = GoPNG Recurrent, 02 = Prov Gov Recurrent)
Economic Item Codes	Same 6-digit classification for revenue, expenditure, assets, liabilities, etc.
Validation Rules	Chart validation logic is consistent across all entities—only valid combinations can be transacted
Selection Types and Codes	Used for enhanced classification and reporting across all sectors

6.5.2 Elements that differ in the CoA for National, Statutory Authority and Sub-National CoA

Element	National Departments	Statutory Authorities	Sub-National Governments
Component Naming	Uses Sub-Appropriation	Uses Agency + Appropriation	Uses District/LLG Appropriation
Appropriation Series Codes	Commonly uses 1 (Recurrent), 2 (Development), 9 (Agency Control)	Reserved for 5 (Statutory Agencies), not yet fully active	Uses same codes, but naming is location-specific
Agency Code Inclusion	Agency is captured via selection type , not as a component	Agency forms part of the CoA string	Agency is sometimes embedded in the Appropriation or Fund Source naming
Geographic/LLG Location Codes	Not usually included	Not usually included	Location-based coding more prominent—LLGs, Districts coded into Appropriation names or Sub-Appropriation
Budget Authority Origin	National Budget appropriations via Parliament	Appropriations made via enabling legislation or budget	Derived from NEFC transfers and appropriation via Provincial Appropriation Acts

The components of the CoA and the coding structure for Statutory Authorities are:

CoA Component	Statutory Authorities and Sub-National Governments
Agency	xxx-@@@@@-@@-@@@@@
Appropriation Level	xxx-xxxxx-@@-@@@@@

CoA Component	Statutory Authorities and Sub-National Governments
Appropriation Type	@@@-x@@@-@@-@@@
Fund Source	@@@-@@@@-xx-@@@@
Economic Type	@@@@-@@@-@@-xxxx
Economic Category	@@@@-@@@-@@-xx@@@
Economic Level 1	@@@@-@@@-@@-xxx@@@
Economic Level 2	@@@@-@@@-@@-xxxx@@
Economic Item	@@@@-@@@-@@-xxxxxx

Components for the Appropriation and Sub-Appropriation levels link the accounting transactions to a vote in the budget appropriation. These components are the means where reports can demonstrate that funds were used (expended) for their intended purpose (budget).

Code	Appropriation Level and Sub-Appropriation Level
1 @@@-@@@	Recurrent appropriation
2 @@@-@@@	Development appropriation
3 @@@-@@@	Trust Account
4 @@@-@@@	National Agency (not currently used)
5 @@@-@@@	Statutory Agency (not currently used)
9 @@@-@@@	Agency control accounts. There is one for each agency to allow for balance sheet economic items. A prefix 90 is inserted in from the agency code to create the agency appropriation level.

TABLE 2: CODES FOR APPROPRIATION AND SUB-APPROPRIATION LEVELS

Codes for the Appropriation and Sub-Appropriation components can be obtained by requesting chart names **1APPROLVL** and **2SUBAPPRO** from the IFMS.

6.5.3 Fund Source

This segment identifies whether the source of funding for the expenditure is from the Recurrent Budget, Development Budget, or Donor Funding. The fund source can be considered as a ‘bucket’ for budgetary resources. There can be different accounting and reporting requirements depending upon the source of funds. This component ensures that provincial and local-level funds are separate from those of national departments. The complete listing of Fund Source Codes can be found under chart name **3FUNDSCR** in IFMS, which can be obtained from the IFMS team.

Code	Fund Source
00	GoPNG Recurrent Budget
01	GoPNG Development Budget
02	Provincial Government Internal Funds - Recurrent Budget
04	Provincial Government Internal Funds – Development Budget
05	Unspent Former Years Funds
06-99	Donor or Other Funding

TABLE 3: FUND SOURCE CODES

6.5.4 Economic Item (NNNNNN)

The Economic Item (EI) is a six digit numerical string representing a revenue or expenditure category, where the first digit represents the Economic Type; the second digit, Economic Category (or Structure); the Economic Level 1 is the third digit; Economic Level 2 is the fourth digit. Economic Level 3 is coded as the last two digits in the string. This code is used to record what type of revenue has been collected or what goods and services have been purchased.

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FMM 03.7 Financial (Fiscal) Year

7.1 Authorities and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
 - Section 2A states that the Finance Minister has the authority to declare the fiscal year through a notice in the National Gazette.
- Fiscal Year (Change) Act 1977

7.2 Relevant Standards and Supporting Documentation

- Nil

7.3 Minimum Responsibilities

Finance Minister is to declare the fiscal year.

The Finance departmental head is to provide guidance to all public entities on aligning financial activities with the fiscal year including the issuance of any key dates related to financial statements and close of accounts.

Departmental Heads are to ensure that all budgeting, reporting, and reconciliation processes adhere to the fiscal year.

7.4 Mandated Policy

1. In PNG, the fiscal year is currently designated as the period from 1 January to 31 December.

7.5 Non-Mandatory Guidance

Nil

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FMM 03.8 Revenue and Receipts

8.1 Authority and Prescribed Requirements

Public Finances (Management) Act 1995 (PFMA)

- Section 5 requires departmental heads to ensure effective revenue management and accounting for all public monies.
- Section 10 specifies that all public monies are to be deposited into the Consolidated Revenue Fund (CRF) unless otherwise authorised.
- Section 14 prohibits payments of public monies except as authorised by an appropriation or legislation.
- Sections 71B, 71C, 71D detail the review of fees, charges, and arrears collection.

8.2 Standards and Supporting Documentation

IPSAS Financial Reporting Under a Cash Basis of Accounting

IPSAS 9 – Revenue from Exchange Transactions

IPSAS 23 – Revenue from Non-Exchange Transactions (Taxes and Transfers)

IPSAS 11 – Construction Contracts (Where Government is Earning Revenue (fees) from Projects)

IPSAS 42 – Social Benefits

IPSAS 41 – Financial Instruments (Including Investment Income as Revenue)

8.3 Minimum Responsibilities

The Treasury department head is responsible for the development and issuance of revenue policy.

The Finance department head is responsible for revenue collection and reporting systems and issue guidelines for the treatment of various types of revenue.

Departmental heads are to establish systems to properly account for all revenue streams and ensure compliance with legislative and policy requirements for revenue treatment this includes adequate staff resources. They are to also to recommend revenue estimates as part of the budget cycle.

Heads of finance are to record, reconcile, and report revenue in compliance with prescribed classifications and systems reconcile deposited revenues promptly into the appropriate accounts.

8.4 Mandated Policy

- 1. Parliament controls the raising of all revenue, under the Constitution (S209(1)) Notwithstanding anything in this Constitution, the raising and expenditure of finance by the National Government, including the imposition of taxation and the raising of loans, is subject to authorisation and control by the Parliament.**
- 2. All revenues collected by public entities must be deposited into the Consolidated Revenue Fund (for National Government) for national revenues or General Revenue Funds (for provincial and local-level governments) for provincial revenues unless otherwise specified by law.**
- 3. All revenue is recognised when collected, receipted and under the control of the public entity.**
- 4. No agency has the authority to retain part or all of this unless by Ministerial Determination under the Non-tax Revenue Administration Act or through an Act of Parliament.**
- 5. Agencies are directed to adopt cashless revenue receipting. Cash is not accepted.**
- 6. As a general rule, the sale of goods or services by government institutions must be made on a cash or prepayment basis. However, where credit arrangements are necessary for the efficient delivery of services — and are authorised by law or government policy — agencies must establish robust receivables management practices, including invoicing, collection, reporting, and write-off procedures in accordance with the Public Finances (Management) Act.**

8.5 Non-Mandatory Guidance

8.5.1 Types of Revenue

IPSAS categorises revenue as either exchange or non-exchange. Exchange transactions are deposits received for goods or services (e.g., licensing fees, user charges). Non-Exchange transactions are revenues such as taxes, fines, and grants, where the payer receives no direct benefit.

Type of Revenue	Definition	Treatment
Proceeds from Sales	Income generated from the sale of government assets or goods and services.	Deposit into CRF or GRFs for sub national governments. Recognised on receipt.
Grants	Funding received from donors, international organisations, or other governments for specific programs.	<p>Classified as restricted (reciprocal) or unrestricted (non-reciprocal). Restricted grants must be reported separately and used solely for the intended purpose per grant agreements. There is usually a trust fund established for these grants.</p> <p>Unrestricted grants do not need to be reported separately and are deposited into the CRF or General Fund for Sub-national government. Where possible restricted (reciprocal) revenue that has been received but not yet 'earned' should be recognised as unearned revenue. Where delivery or work has been performed but revenue is not received, this should be recognised as a receivable.</p>
Taxes	Mandatory contributions levied on income, goods, and services by the government.	Deposit directly into CRF or GRFs and recognised when receipted using the chart of account based on type of tax revenue categories. Recognised on receipt.
Fees and Charges	Payments made for services provided by the government, such as licenses or permits.	Deposit into CRF or GRFs unless an exemption is authorised for deposit into a Trust Fund. <i>Refer to FMM Non-Tax Revenue.</i>
Fines and Levies	Penalties or charges imposed for regulatory or legal non-compliance.	Deposit into CRF or GRFs unless an exemption is authorised for deposit into a Trust Fund. Recognised on receipt.

Interest	Revenue earned from investments, deposits, or loans issued by the government.	Allocate to CRF when receipted including interest earned on a Trust Fund which is swept on a periodic basis to the CRF. Recognised on receipt.
Unclaimed Monies	Funds held by the government that have not been claimed by rightful owners within the statutory period.	Unclaimed monies are held in trust for a specified period of time under law. These are then swept into the CRF at the end of this period. The agency is to maintain a record for potential claims within statutory limits. Recognised on receipt.
Transfers Between Funds	Movement of funds from the CRF to Trust Funds, General Revenue Fund, or other authorised accounts.	Requires authorisation under PFMA Section 14 and specifically appropriated under the National Budget. Recognised on transfer

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FMM 03.9 Non-Tax Revenue

9.1 Authority and Prescribed Requirements

- As specified under FMM 03.8 Revenue
- Non-Tax Revenue Administration Act 2022 (NTRAA) – key sections are:
 - Section 4 declares all Non-Tax Revenue (NTR) as property of the State.
 - Section 5(2) requires that all NTR be deposited into the CRF unless otherwise authorized by law.
 - Section 7(1) mandates daily transfers of NTR to the CRF.

9.2 Standards and Supporting Documentation

- Finance Instruction 02/2023, Management of Non-tax Revenue bank accounts supporting the NTRA Act Operations, 8 May 2023

9.3 Minimum Responsibilities

Parliament is responsible for establishing fees and charges including what it is applied for, the value of fees and charges and any other conditions to be prescribed.

The Minister Treasury is responsible for determining the activities and services for which fees and charges shall apply in consultation with the relevant Minister. The Minister is also responsible for changes to fees and charges for the effects of inflation or other cost of living increases.

The Treasury department head is responsible for revenue policy and the oversight of the NTRAA.

The Non-Tax Revenue Administration Committee (NTRAC) are established to determine allocations between operational funding for statutory bodies and transfers to the CRF and approve Revenue Determinations to regulate NTR administration.

The Non-Tax Revenue Administration Secretariat (NTRAS) is required to ensure compliance with NTRAA and PFMA provisions and monitor and report quarterly on NTR collections and transfers.

The Finance departmental head is to provide guidance on NTR handling and maintain oversight of revenue accounts.

Departmental heads collect NTR as public money and ensure it is deposited daily into the CRF unless authorised for collection in Trust Fund accounts, and are to submit financial and operational reports, including Revenue Determination compliance, to NTRAC.

9.4 Mandated Policy

- 1. Non-Tax Revenue (NTR) is considered public money and must be deposited into the CRF unless otherwise authorised by law, such as receipting to a trust fund bank account.**
- 2. Non-tax revenue is recognised on receipt into the agency's bank account.**

9.4.1 For agencies within the defined scope of the NTRA

- 3. No in-scope NTRA agency may use NTR for operational purposes unless formally approved by NTRAC and Treasurer through a revenue determination process. Any entity retaining NTR without authorisation will be subject to financial penalties, and unremitted funds will be automatically transferred to the CRF at the end of the fiscal year.**
- 4. The Department of Treasury is required to enforce compliance through periodic audits, financial reporting requirements, and automatic fund transfers from statutory accounts into the CRF where applicable.**
- 5. All statutory fees, fines, levies, and charges must be reviewed at least once every three years under PFMA Section 71B, ensuring they remain aligned with service delivery costs and inflation.**

9.4.2 Policy on the review of Fees and Charges under the PFMA

- 6. Where the charges, fees, commissions and imposts:**
 - depend on the cost of services provided, the rate of charges, fees and other revenue items should be reviewed continually, (and in any case before submitting annual budget estimates), with reference to the actual costs.
 - is based on fixed rates and not based on value, the rate may require revision depending on the movements of market prices of the products from which the revenue is derived.

- 7. While preparing annual budget estimates, departmental heads should first review revenue performance of the current and preceding years before paying attention to expenditure requirements.**
- 8. All fees, charges, and arrears are to be managed transparently and in alignment with the national fiscal framework. Revenue collection must support the financial sustainability of public entities, and arrears management should aim to prevent revenue loss.**
- 9. Under the provision of 71D, fees and charges not paid within the fiscal year in which they fall due for payment are in arrears. Within 30 days after the close of a fiscal year, the agency department head shall report to the Finance departmental head on all fees and charges in arrears for the fiscal year.**

9.4.3 Management of non-tax revenue bank accounts for agencies in-scope for the NTRA

10. The Department of Finance (DoF) shall ensure guidelines for the operation, collection and management of revenue.

- The NTRA Holding Account, which will form part of the CRF, to operate as a cash management buffer account to ensure the availability of cash reserves to fund warrants issued by the Department of Treasury when there are insufficient funds in the Waigani Public Account (WPA).
- In accordance with the NTRA Act Section 8(5), one revenue account (hereafter DoF Revenue Accounts) for every public and statutory body, where the NTRA Act is applied.
- In accordance with NTRA Act Section 8(1), one operating account for every statutory body (hereafter, Operating Accounts).
- In accordance with NTRA Act Section 8 (1) and (9), one trust account (hereafter, NTR Revenue Trust Accounts) for each of the public bodies, which operate Drawing Accounts and collect non-tax revenue on behalf of the State.

11. The Operating and NTR Revenue Trust Accounts established under shall contain only non-tax revenue -

- appropriated by the National Budget; and

- transferred to a public or statutory body subject to Section 9 of the NTRA Act.

12. Pursuant to the NTRA Section 8, if a person or public or statutory body holds non-tax revenue in a bank account other than in accordance with the NTRA, the Finance Secretary shall transfer, without deduction of any type, to the DoF Revenue Account specified for the public or statutory body, all such money including the non-tax revenue held in that bank account.

13. The Department of Finance must reconcile the NTR Revenue Accounts and the NTRA Holding Account monthly to ensure the transparent operation of the accounts in accordance with this FI and the requirements of the PFMA.

14. Public and Statutory Authorities must reconcile all Operating and Revenue Trust Accounts in accordance with the requirements of the PFMA.

Where the public or statutory body operates on the IFMS, all of the bank accounts referenced in this shall be operated solely on the IFMS.

9.5 Non-Mandatory Guidance

9.5.1 Definition of Non-Tax Revenue versus Tax Revenue

NTR includes all revenue that does not originate from taxes, such as fees, fines, user charges, licenses, and penalties collected by public and statutory bodies. They are considered fees and charges.

Taxes are compulsory financial contributions imposed by a government on individuals, businesses, or other entities. Unlike fees or charges, taxes are not payments for a specific service, specific action or benefit received but are collected to support the general functioning of the government. Levies, tariffs and duties are also considered taxes.

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FMM 03.10 Waiver of Fees

10.1 Authority and Prescribed Requirements

- Public Finances (Management) Act (PFMA) 1995
 - Section 109 – Waiver of Fees
 - Section 5 – Requires Departmental Heads to establish financial controls over revenue and waivers.
 - Section 71B and 71C – Governs the review and adjustment of fees and charges by government agencies.

10.2 Standards and Supporting Documentation

Nil

10.3 Minimum Responsibilities

Finance Minister is the authority for Fee Waivers.

Department of Finance (DoF) supports the Finance Minister and reviews fee waiver requests and ensures they are justified and maintains a record of all approved waivers for financial reporting.

Departmental Heads are the authority to submit waiver requests with full justification and financial impact assessment.

Heads of Finance Must record waived fees in IFMS under the correct revenue classification and ensure financial reporting reflects lost revenue due to waivers.

Internal Auditors must view waiver transactions to ensure compliance with PFMA.

10.4 Mandated Policy

- 1. All waivers of fees must be properly justified, approved, and recorded in compliance with PFMA. Fee waivers should only be granted in exceptional circumstances, such as financial hardship or public benefit.**
- 2. Waiver requests must be in writing and approved by the Finance Minister and must be published in the National Gazette to take effect.**

3. A fee waiver is recognised in the accounts when it is published in the National Gazette.
4. Although fees are waived, the waiver is still recorded in IFMS (or approved accounting system) under an established fee waiver account. All waived fees must be recorded and reported to track revenue loss.
5. The Finance department head for IFMS (or Head of Finance for alternative approved accounting system) is required to establish a Fee Waiver Account as a contra-revenue account in the chart of accounts.
6. No government agency may waive fees without formal approval under Section 109 of the PFMA.

10.5 Non-Mandatory Guidance

10.5.1 Requesting a Fee Waiver

The agency must submit a formal request to the Finance Minister, including, The reason for the waiver, The financial impact of the waiver on government revenue, Any supporting documentation (e.g., policy justification, public benefit analysis).

10.5.2 Approval and Publication

The Finance Minister reviews and approves or rejects the waiver. The approved waiver is published in the National Gazette before it takes effect. The Finance Minister informs NEC at the next meeting.

10.5.3 Recording and Financial Reporting

Finance Officers must record waived fees in IFMS or approved finance system, by raising the normal fee and these applying a credit note using the Fee Waiver account as a debit.

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FMM 03.11 Revenue Collection

11.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
 - Section 5(1)(a) requires Departmental Heads to ensure that all public revenues are collected, safeguarded, and accounted for in full.
 - Section 7 specifies duties for public officers responsible for revenue collection, ensuring full and prompt deposit of revenues into public accounts.
 - Section 13 Requires all public money, including fees and charges, to be paid into the Consolidated Revenue Fund (CRF) unless held in an authorised Trust Fund or General Revenue Fund.
- Non-Tax Revenue Administration Act 2022 (NTRAA) for in-scope agencies

11.2 Relevant Standards and Supporting Documentation

- IPSAS 9 (Revenue from Exchange Transactions) Governs revenue recognition from goods or services provided in exchange for payment.
- “Receipting (Revenue)”, IFMS Training Manual, Department of Finance, 2018 published for National, Provincial and Statutory Authorities.

IFMS generates the following reports:

- Collectors Daily Report – Report provides a list of all receipts for the day. This report is reconciled to the Receipt document file total in IFMS
- Agency Revenue Summary – Provides an outline of revenue collected for a specified agency for a specified period
- Revenue Summary – Provides a summary of revenue collected for a specified period
- Other Revenue Reports – these reports are subject to the user’s access rights in IFMS

11.3 Minimum Responsibilities

The Finance departmental head is to provide oversight on the collection, management, and reporting of revenues across all public entities and issue guidance on the consistent application of IPSAS standards for revenue recognition.

Departmental heads are required to ensure accurate recording, reconciliation, and timely reporting of all revenue streams by ensuring systems for revenue monitoring and management. It is the responsibility of departmental heads to ensure that public entity revenues are collected promptly and to the fullest extent and to have the rates of fees, charges, and imposts reviewed annually and the agency has adequate and capable staff resources for revenue management.

Heads of Finance are required to establish practices for collection of public revenues and ensure protections from fraud including regular bank reconciliations.

Revenue Officers of agencies (as receivers of public monies and accountable officers under the PFMA) are to collect and issue receipts for all payments and maintain accurate records for reporting and reconciliation. Revenue officers are to ensure that cash is not collected.

Internal Auditors are to verify that all revenues is collected and remitted in accordance with legislation. Identify and report any misuse or mismanagement of collected revenue.

11.4 Mandated Policy

11.4.1 Revenue Collection and Handling

- 1. All revenue collected by public entities must be deposited daily into the CRF or designated government accounts.**
- 2. Revenue cannot be collected without issuing an official government receipt. Agencies are required to record receipting in their Approved Finance System and are required to issue to a person an official Government Receipt when requested.**
- 3. A receipt cannot be issued without confirmation of an original deposit slip which should be stamped by the bank teller, electronically issued by internet banking, online payment system, or through EFTPOS machine.**

11.4.2 Revenue Fraud Prevention

- 4. Department heads must have mechanisms in place to prevent fraud and revenue loss for their agency. Revenue loss prevention must form part of**

the agency's fraud planning and risk management and overseen by the Audit Committee.

- 5. Collectors of public money (Revenue officers) should be considered for rotation periodically to prevent fraud and collusion.**
- 6. The Department of Finance must ensure that anonymous reporting mechanisms are available for suspected financial irregularities.**

11.4.3 Approved Payment Methods

7. The method for all government revenue collection is through electronic means only:

- Bank-to-bank transfers via Bank of PNG clearance and settlement.
- EFTPOS payments linked to Agency Bank Accounts.
- Direct bank deposits into Agency Bank Accounts.
- Where cheques are accepted, only Bank Cheques are to be accepted.
- Authorised online payment gateways, including:
 - BSP Non-Tax Revenue Receipting System.
 - Kina Internet Payment Gateway (IPG) where approved by the Secretary of Finance.

11.4.4 Prohibition on Cash Handling

8. Cash transactions for revenue collection are strictly prohibited.

9. Agencies must not accept or store cash payments, except under special Treasury-approved circumstances.

11.4.5 Handling of Inter-Agency Revenue Collection

10. When revenue is collected on behalf of another agency, the funds must be:

- Deposited into the designated account within 24 hours.
- Properly recorded in IFMS under the relevant economic item code.

- Receipted and reconciled before transfer of payment.

11.4.6 Reconciliation and Reporting Requirements

11. Agencies that are not operating on IFMS must submit monthly revenue reports to the Department of Finance.

12. Department heads are obligated to establish quarterly revenue reporting to their Minister, Board or the Provincial Executive Council as relevant.

11.4.7 Collection Sites

13. The following official sites are authorised to collect Bail & Court Ordered Compensation monies:

- National Capital District
 - a) Vulupindi Haus Collection Office
 - b) Twin Tower 1 Collection Office
 - c) Waigani National Court Cash Office, NJSS
 - d) Boroko Police Station Cash Office, RPNGC
- Sub-National
 - e) All Provincial Finance Offices
 - f) All District Finance Offices
 - g) Provincial Court Cash Office
 - h) District Court Cash Office
 - i) Provincial Police Station Cash Offices
 - j) District Police Station Cash Offices

11.5 Non-Mandatory Guidance

When processing a receipt, the different IFMS User Login in each district/province will automatically identify the use of sub-appropriation votes. All client collections will be receipted using the economic item specific to the revenue.

11.5.1 Guidance for Bail & Court Ordered Compensation

Bail and Court-Ordered Compensation is identified as a non-tax revenue receipt. Before 2019, monies from bail and court orders were receipted into the Receiver of Public Monies bank account. This changed when IFMS was rolled out to the provinces and districts, entitling these subnational government agencies to open their Bail and Court-Ordered Compensation trust bank accounts under Trust Deed Legacy Code 532, dated 29th May 2018.

Types of Monies Accounted for by Bail & Court Order Compensation Trust Process

- a) Bail payment imposed by RPNGC (Police Stations)
- b) Bail payment/refund imposed by Magisterial Services (District Courts)
- c) Bail payment/refund imposed by National Judiciary Services (National/Supreme Courts)
- d) Court Ordered Compensation payment/refund imposed by Magisterial Services (District/Family Court)
- e) Court Ordered Compensation payment/refunds imposed by NJSS (National/Supreme Courts)
- f) All other monies paid by any person for the trust accounts, specifically provided for within the trust instrument.

11.5.2 Trust bank accounts

Each of the bank accounts will be operated at the PFOs, while the NCD bank account will be operated from the Department of Finance Financial Controls Division. No collections can be deposited into other bank accounts including bank accounts within the General Funds.

11.5.3 Business processes for receipting and refunds/payments

11.5.3.1 Methods of receiving Bail, Court Ordered Compensation monies

All payments received by all existing and authorised Cash Offices (above) must comply with Financial Instruction 08/2021 Section 4.2, which specifies the prohibition of cash payments at all authorised and existing cash offices.

11.5.3.2 *Verification Process before Issuance of IFMS Receipt - Clients/Customer*

Step 1: Payments - All payments by clients/customers for IFMS Receipts must be made in compliance with the authorised Methods of Payment.

Step 2: Payment receipts—The Collector of Public Monies must retain all payment receipts from the authorised methods of payment as proof of payment.

Step 3: Verification/Confirmation—The Collector of Public Monies must conduct proper verification/confirmation for all payment receipts obtained from the authorised methods of payment.

Step 4: Customer details – Customer to provide details for IFMS receipt specification to Collector of Public Monies.

11.5.3.3 *IFMS Receipting Process*

Refer to *Receipting (Revenue) IFMS Training Manual CBCM*. This Training Manual provides the Collector of Public Monies a Guide on receipt of Bail & court Order Compensation within IFMS.

When processing a receipt, the different IFMS User Login in each district/province will automatically identify the use of sub-appropriation votes. All client collections will be receipted using the economic item '123106—Bails and Court Ordered Compensation'.

11.5.3.4 *Refund/Payment Process*

Refunds are only permitted to be done at the respective PFOs, using Kundu Pei electronic fund transfers (EFT).

All district refund claims are to be submitted to the respective PFO of your district to process the refund. These claims can either be emailed or hand-delivered to the PFM. The PFM must vet all Refund Claims before making payment through Kundu Pei.

Refer to *Kundu Pei User Manual (BSP)*. The Manual provides the Refund Officer a guide on how to use Kundu Pei to refund legitimate Court Bail Refunds.

11.5.3.5 *IFMS refund/payment recording*

All refunds processed through Kundu Pei must be recorded in IFMS.

Refer to the *Kundu Pei Payment—AP Trust (BCOC & CM) IFMS User Manual*. The Manual provides the Refund Officer with a guide on how to enter Claimant refund claims and how to enter refund payments.

11.5.4 Refer to Receipting (Revenue) IFMS Training Manual CBCM. Forfeitures of Bail & Court Ordered Compensations

If the court orders forfeitures of bail, it becomes a fine and is regarded as non-tax revenue for the Government. As soon as fines are identified, the funds should be transferred out from the Bail & court Ordered Compensation Trust bank account to the Receiver of Public Monies (RoPM) and reflected in the trust ledger in IFMS as trust expenditure using economic item '123104 – Forfeitures of court bail'.

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FMM 03.12 Accounting for Proceeds from Dividends, Sale, Interest and other Investments

12.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

12.2 Standards and Supporting Documentation

- IPSAS 9 – Revenue from Exchange Transactions
- Department of Treasury State Dividend Policy 2025

12.3 Minimum Responsibilities

The Treasurer is responsible for publishing the terms and conditions in respect of investments including reinvestment of investment proceeds.

The Treasurer is responsible for managing investments of public funds and state loans, other than investment from public funds under Section 12.

The Department of Finance is responsible for ensuring all interest earned on government bank accounts, investments, dividends and sales proceeds (including realised gains) is credited to the CRF or respective GRFs unless an exemption is granted, monitoring interest-bearing accounts to prevent unauthorised use of government funds and overseeing the accounting treatment of interest expenses on government borrowings.

Departmental Heads must ensure interest earned on project or trust accounts or earnings on investments or sale proceeds is properly recorded and reported.

Finance Officers must record all interest transactions accurately in IFMS using the correct economic classification and reconcile interest earned with bank statements and report any discrepancies.

Internal Auditors must review financial records to ensure interest income and expenses are properly accounted for.

12.4 Mandated Policy

- 1. Proceeds from sales of an asset/investment must be recognised when received and classified based on the underlying transaction in IFMS (or**

approved finance system), such as dividend received or proceed from sales.

2. Investment proceeds held in Trust Funds must comply with the governing Trust Instrument and must not be retained outside of legal authority.
3. Reinvestment of public money (deposits) under Section 12 as an investment requires prior approval from the Finance Minister.
4. Investment of all other public funds and state loans, other than investments from public funds pursuant to Section 12 requires prior approval from the Treasurer.

12.4.1 Recognition of Dividends

5. Dividends must be recorded as revenue in the financial year in which it is receipted and not when it is declared and payable. For reinvested earnings (where dividends are not immediately distributed), the entity will not record accrued revenue in its accounts.
6. For any public entity which is declaring dividends, all Dividends Declared and Dividends Paid (including interim dividend declarations and payments) must be notified in writing within 14 days of their declaration and their payment, to Treasury department head specifying the amount, date of declaration and date of payment, the nominated recipient of the payment.

12.4.2 Allocation of Investment Proceeds (Compliance with Section 12 of PFMA)

7. All investment proceeds must be returned to the fund that originally provided the investment capital:
 - If the investment was financed using money from the CRF, all returns must be credited back to the CRF.
 - If the investment was made using funds from a Provincial or Local-Level Government General Revenue Fund, the proceeds must be returned to the respective General Revenue Fund.
 - Investment proceeds (other than interest) in Trust Funds may only be retained if authorised under the Trust Instrument generally it is

required to be returned to the CRF or for Provincial Governments, returned to the General Fund.

12.4.3 Recognition and Recording of Interest on Bank Accounts

- 8. Interest earned on bank balances must be recorded in IFMS (or the approved finance system) at the time of deposit and part of the bank reconciliations.**
- 9. Interest earned must be reported as non-tax revenue under the appropriate economic item in IFMS.**
- 10. Accumulated interest balances, including those earned on trust accounts, must be transferred to the CRF (or relevant General Fund) regularly or at least prior to the end of the fiscal year.**

12.4.4 Restrictions on Investment Transfers and Negotiations

- 11. Agencies are strictly prohibited from negotiating interest rates or investing of deposits without prior approval from the Finance Minister.**
- 12. Agencies are strictly prohibited from negotiating investment arrangements, other than deposits, without prior approval from the Treasurer.**

12.5 Non-Mandatory Guidance

This policy applies to all government investment proceeds, including but not limited to:

- Dividends from state-owned enterprises (SOEs) or government equity holdings for the State.
- Interest earned on government-owned financial instruments and investments.
- Sale of government-owned investment assets.
- Earnings from financial market activities.

Interest income must be classified correctly in IFMS under revenue codes for financial income and is usually done as a journal as part of the bank reconciliation processes as an Generate a Matching Ledger Transaction Activity during the bank reconciliation procedures.

Interest earned in trust accounts must be reported separately in trust financial reports.

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FMM 03.13 Donations, and Goods Received Below Fair Value

13.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 13 – All public money, including donations and grants, must be deposited into the Consolidated Revenue Fund (CRF) unless otherwise authorised under a Trust Account or other approved arrangement.
 - Section 14 – No public money, including donated funds, shall be expended unless appropriated by law or specifically authorised.

13.2 Standards and Supporting Documentation

- IPSAS 23 – Revenue from Non-Exchange Transactions – Governs the recognition of donations, voluntary contributions, and assets received below market value as revenue in financial statements.
- IPSAS 17 – Property, Plant, and Equipment – Provides guidance on recognising donated assets and their valuation in financial statements.

13.3 Minimum Responsibilities

The Finance Minister and Department of Finance is responsible for approving the establishment of trust accounts for donations where required and ensuring all monetary donations are deposited into the CRF or an approved trust account. Setting reporting and disclosure requirements for donated funds and goods received at below-market value.

Departmental Heads must ensure all received donations are recorded in IFMS and reported in financial statements.

Finance Officers must record all monetary donations and conscious money under the appropriate revenue classification in IFMS. Ensure donated goods and assets are recorded under the appropriate asset register and disclosed in financial reports.

13.4 Mandated Policy

- 1. All monetary donations and in-kind contributions must be recorded, reported as a revenue, and disclosed at the time that it was receipted or**

in the case of non-cash items, when the donation is under the control of the agency.

2. Monetary donations must be deposited into a bank account within the Consolidated Revenue Fund (or respective General Fund) unless legally exempted or authorised under a Trust Fund arrangement.
3. Cash donations cannot be accepted.
4. In kind contributions (non-cash donations or discounts, goods, services and assets received below market value) must be recognised at fair value at the time of receipt in the agency's asset register (refer to the FMM Volume 3 on Asset Register).

13.4.1 Donations with Conditions

5. Donations with specific conditions (e.g., donor-specified use or reporting requirements) must be accounted for separately and used only for their intended purpose.
6. Assets that are purchased for use on donor related projects are not considered property of the State until project/agreement completion. Even in these instances, if the assets are under the control of the agency, the assets are recorded in the agency's asset register.

13.4.2 Recording and Tracking

7. Agencies must maintain detailed records of all received donations in their approved finance system and the chart of accounts must classify donations given for different purposes.
8. Agencies must submit annual financial reports on donation usage and compliance with donor conditions.

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FMM 03.14 Receipt of Grants and Special Purpose Funding

14.1 Authority and Prescribed Requirements

- Public Finances (Management) Act (PFMA) 1995

14.2 Standards and Supporting Documentation

- IPSAS 23 (Revenue from Non-Exchange Transactions)
- Development Cooperation Policy (Department of National Planning & Monitoring – DNPM)
- Finance Instruction 04/2019

14.3 Minimum Responsibilities

Department of National Planning & Monitoring (DNPM)

- Coordinates donor funding agreements and ensures alignment with government priorities.
- Monitors compliance with grant conditions and reports to development partners.

Departmental heads

- Maintain accurate records of received grants and their usage.
- Ensure that all grants and donor funds are deposited into the CRF/GF or an authorised Trust Fund.
- Submit financial and progress reports on grant utilisation.

Heads of Finance and/or 3rd party managing contractors

- Record all donor contributions in IFMS under the correct economic classification.
- Ensure funds are used only for their intended purpose.
- Monitor and reconcile grant balances regularly.

14.4 Mandated Policy

1. All grants, donor contributions, and special purpose funding received by the agency must be properly managed in compliance with the PFMA and any contribution agreements.
2. Special purpose funding (including intergovernmental grants and reciprocal funding) must be used strictly for its designated purpose.

14.4.1 Depositing and Recording of Grants and Donor Contributions

3. All grants, donor funds, and special-purpose government funding must be deposited into the Consolidated Revenue Fund or relevant General Fund unless held in an authorised Trust Fund.
4. Funds must be receipted and recorded in IFMS or the approved finance system immediately upon deposit and classified using the correct code in the Chart of Accounts.
5. Funding provided with conditions must be classified separately to ensure traceability.

14.4.2 Use and Accountability of Special Purpose Funds

6. Intergovernmental grants and reciprocal funding must be used strictly for their intended purpose (e.g., health, education, infrastructure, or emergency relief).
7. No agency may reallocate, repurpose, or retain unspent balances without Minister Finance approval and only where such decision complies with the original parliamentary decision or agreement for the funds purpose.
8. Annual reviews of special purpose funding arrangements must be conducted to assess efficiency, impact, and compliance.

14.5 Non-Mandatory Guidance

Nil

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FMM 03.15 Procurement

15.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 32 establishes the departmental head as the delegate authority to appoint officers to approve requisitions in that public entity in accordance with a warrant authority.
 - Part VII – Procurement regulation and coordination specifies the role and function of the Authority to Pre-Commit (APC), APC Committee and the minimum requirements for obtaining an APC as well as the control of the warrant within the major procurement process.
- National Procurement Act 2018 (NPA) is the act that governs all aspects of public procurement by public and statutory bodies including the establishment of the National Procurement Commission (NPC) and the delegations to conduct procurement within financial thresholds (Section 26 of the NPA).
- Public Services (Management) Act 1995 outlines the responsibilities of public officials in ensuring effective use of resources.

15.2 Relevant Standards and Supporting Documentation

- Good Procurement Guide and Procurement Instructions issued by the NPC for standardised practices.
- National Budget Procurement Planning Guidelines 2019 (issued by Department of Finance on behalf of the APC Committee)

15.3 Minimum Responsibilities

National Procurement Commission (NPC) oversees the standards for public procurement and administers and controls procurement over the thresholds established under Section 26 of the NPA.

The Authority to Pre-Commit Committee was established in Section 39 of the PFMA. Membership of the APC is made up of the Secretary of Treasury (chairperson), Secretary for Finance, and the Secretary for National Planning and Monitoring. Among the powers and responsibilities of the APC under Section 40 of the PFMA are:

- Approval of all procurement plans of public and statutory bodies
- Consideration of available cash balances, Authorities to Pre-Commit, and warrants are backed by identified cash balances

- Regulate the National Procurement Commission (NPC) to ensure that approved procurements are carried out in a timely manner
- Monitor, enforce, and report on compliance of the NPC and public and statutory bodies with public standards for procurement and contract management

The Finance departmental head is to establish standards for the payables process and the contract management administration for public entities.

Departmental heads ensure procurement activities comply with the PFMA, NPA, and relevant guidelines and approve procurement within delegated authority limits and oversee implementation in accordance with standards established by the NPC.

Heads of procurement/heads of finance of a public entity conduct procurement activities in compliance with legislation and policies including procurement planning towards budget and cashflow estimates.

15.4 Mandated Policy

- 1. All procurement activities must be conducted transparently, competitively, and in compliance with the PFMA, NPA and standards issued by the NPC to ensure value for money and safeguard public resources.**
- 2. All public entities are to apply the procurement principles embodied in the NPA which is:**
 1. Non-discrimination;
 2. Transparency, accountability and fairness;
 3. Maximisation of competition and ensuring value for money;
 4. Confidentiality;
 5. Economy and efficiency;
 6. Promotion of ethics.
- 3. Specific policies and guidelines for procurement are issued by the NPC Board and for any conflict between the FMM and the NPC Board instructions, the NPC Board instructions prevail on procurement matters.**

4. **The total estimated value and final value of procurement includes Goods and Services Tax (GST) or other withholding taxes when applying the procurement thresholds under Section 26 of the NPA.**
5. **All procurements, of a value of less than or equal to K1,000,000, shall not be executed without the prior written approval of the NPC Board if**
 - the recipient of the contract has a concurrent or back to back contract where the substance of this contract is for similar goods or services where the total of multiple contracts exceeds K1,000,000; or
 - this applies to consultancy agreements regardless of whether the work performed under the consultancy agreement is different.

15.4.1 Restricted Procurement

6. **Any other law that relates to the type of goods, services or works being procured should be identified during the planning phase of procurement. This includes donor or international agreements under Section 8 of the NPA.**

Some equipment, assets or goods can be restricted goods for procurement and will be required to comply with other laws, such as specialised and major ICT equipment and software with the Department of Information, Communication and Technology under the *Digital Government Services Act 2022*. Other examples are medical equipment or pharmaceutical equipment, defence grade and security equipment or goods considered dangerous goods or hazardous material.

15.5 Non-Mandatory Guidance

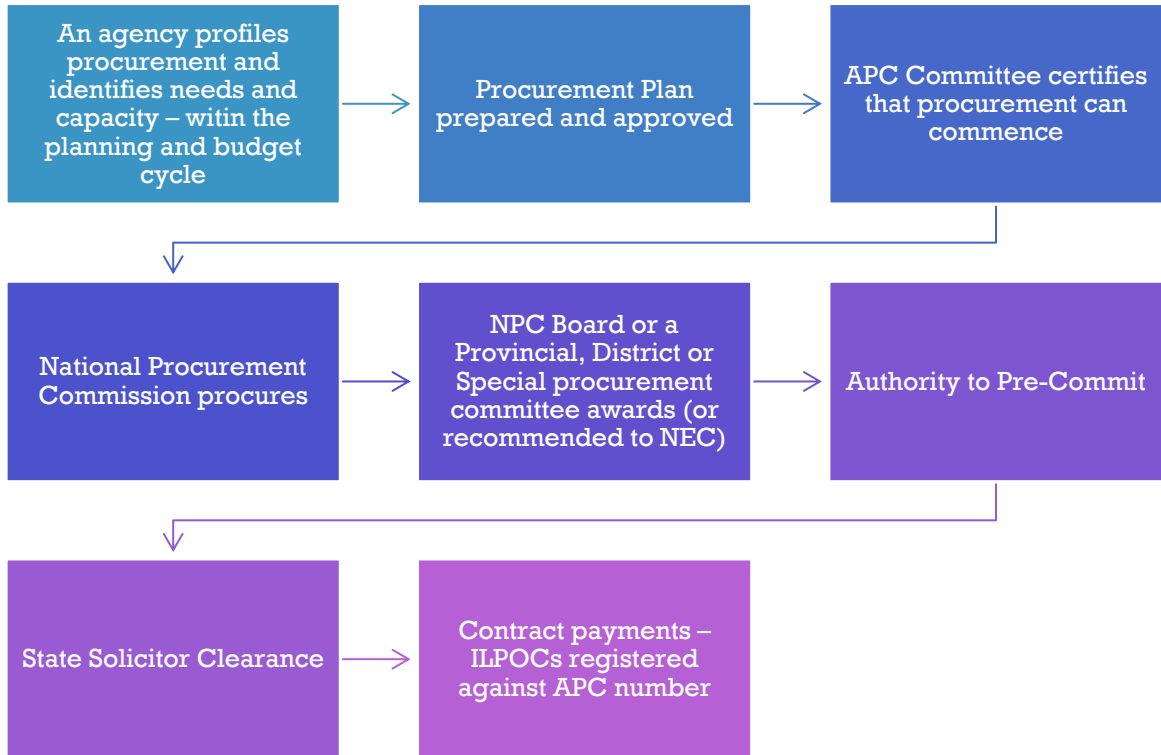
Procurement, buying and purchasing are terms used interchangeably and means the entire process from budget estimation, planning, design, supplier selection, contract administration, whole-of-life maintenance end-disposal.

For major procurement, an entity should be pre-planning the procurement, particularly for major projects and developments which may have multiple procurements across many disciplines or industry sectors.

All procurement above the department head threshold under Section 26 of the NPA (**major procurement**) including major disposals are to be pre-planned and specified on a procurement plan. There are guidelines issued by the APC

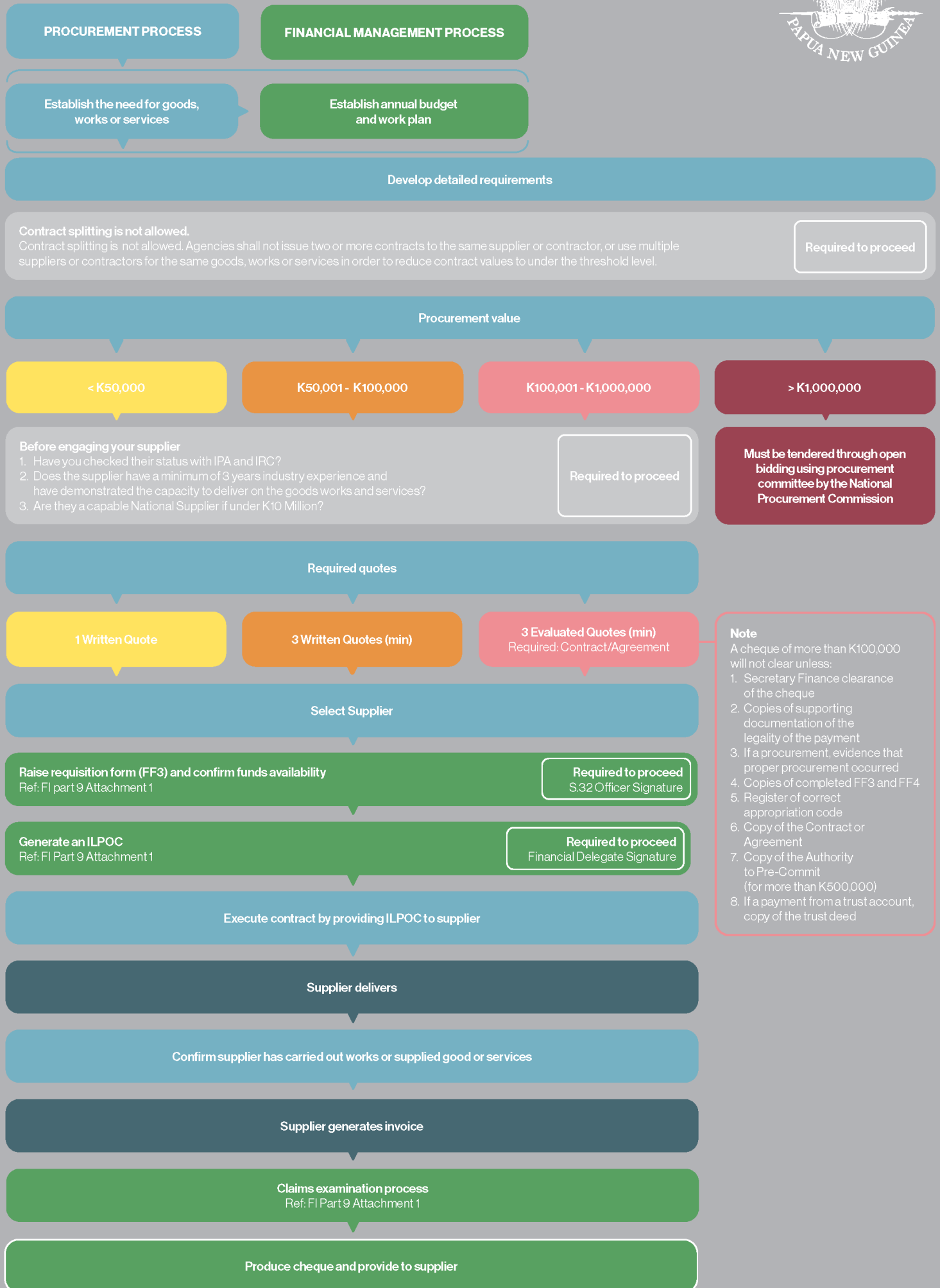
Committee on procurement planning and available on the Department of Finance and National Procurement Commission website.

The following diagram outlines the Government of PNG major procurement process.



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Procurement Compliance



PROCUREMENT PROCESS

FINANCIAL MANAGEMENT PROCESS

Establish the need for goods, works or services

Establish annual budget and work plan

Develop detailed requirements

Contract splitting is not allowed.

Contract splitting is not allowed. Agencies shall not issue two or more contracts to the same supplier or contractor, or use multiple suppliers or contractors for the same goods, works or services in order to reduce contract values to under the threshold level.

Required to proceed

Procurement value

< K50,000

K50,001 - K100,000

K100,001 - K1,000,000

> K1,000,000

Before engaging your supplier

1. Have you checked their status with IPA and IRC?
2. Does the supplier have a minimum of 3 years industry experience and have demonstrated the capacity to deliver on the goods works and services?
3. Are they a capable National Supplier if under K10 Million?

Required to proceed

Must be tendered through open bidding using procurement committee by the National Procurement Commission

Required quotes

1 Written Quote

3 Written Quotes (min)

3 Evaluated Quotes (min)
Required: Contract/Agreement

Note

- A cheque of more than K100,000 will not clear unless:
1. Secretary Finance clearance of the cheque
 2. Copies of supporting documentation of the legality of the payment
 3. If a procurement, evidence that proper procurement occurred
 4. Copies of completed FF3 and FF4
 5. Register of correct appropriation code
 6. Copy of the Contract or Agreement
 7. Copy of the Authority to Pre-Commit (for more than K500,000)
 8. If a payment from a trust account, copy of the trust deed

Select Supplier

Raise requisition form (FF3) and confirm funds availability
Ref: FI part 9 Attachment 1

Required to proceed
S.32 Officer Signature

Generate an ILPOC
Ref: FI Part 9 Attachment 1

Required to proceed
Financial Delegate Signature

Execute contract by providing ILPOC to supplier

Supplier delivers

Confirm supplier has carried out works or supplied good or services

Supplier generates invoice

Claims examination process
Ref: FI Part 9 Attachment 1

Produce cheque and provide to supplier

FMM 03.16 Authority to Pre-Commit

16.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA): Part VII – Procurement regulation and coordination specifies the role and function of the Authority to Pre-Commit (APC), APC Committee and the minimum requirements for obtaining an APC as well as the control of the warrant within the major procurement process.
- National Procurement Act 2018 (NPA) is the act that governs all aspects of public procurement by public and statutory bodies.

16.2 Standards and Supporting Documentation

- Nil

16.3 Mandated Policy

An APC is an authority that authorises an agency or National Procurement Commission (for procurement under the authority of the Commission) to enter into a contract for:

- the procurement of goods, works or services specified in the APC; and
 - an amount not exceeding the maximum amount specified in the APC.
- 1. An APC is required before a departmental head can execute any contract which is greater than the K1 million regardless of the source of funds. This includes contracts that may be 100 per cent funded from international agreements or own source funds.**
 - 2. An APC can only be issued by the APC Committee or their delegates (Section 40 of the PFMA).**
 - 3. An APC is issued as either a single year or multi-year. Generally, an APC is issued as a single year APC. Where the APC Committee considers, based on reasonable evidence presented to it, that a contract for the procurement of goods, works or services is to be executed over multiple financial years, the APC Committee may issue an APC under Section 42(1) to enter into a contract for the procurement of goods, works or services for multiple financial years.**

- 4. A contract entered into as a consequence of a multi-year APC is to be conditional in all future financial years on Parliament making sufficient appropriations in the National Budget to meet the undischarged obligations of the contract.**
- 5. To apply for an APC, an application must be made to the APC Committee and should outline:**
 - If the APC request is for single or multi-year contract
 - If a variation to an existing APC, the existing APC number
 - Value of the APC required to meet the contract award and the commitment in the Budget Year and forward years
 - APC Committee certificate to commence number
 - Details of the expenditure vote summary or other confirmation of funds
 - If partially funded from other funds, details of the split between government and non-government sources
- 6. All agencies are required to track contract expenditure against the contract and use the APC number as the reference number.**
- 7. All agencies are required to maintain a contract register (refer to FMM Volume 3 FMM 03.18)**

16.4 Non-Mandatory Guidance

For agencies where the Integrated Financial Management System (IFMS) has been implemented, creating a new purchase requisition in IFMS will require the additional mandatory step of completing the APC Number field if issued for the contract.

16.4.1.1 AROs accountability and usage of APC Number field for IFMS

- i. Any requisition raised for a contract will require the ARO to enter the APC number into the APC Number field on the IFMS purchase requisition creation form.
- ii. APCs are required for all contracts greater than the threshold regardless of funding source and should be clearly stated on the FF3.

- iii. The APC field is now a mandatory field to be filled by the AROs regardless of the value of the actual claim being processed. Every claim processed must now be linked to the APC issued for the contract.
- iv. It is mandatory that the Purchasing Method field is also completed. For all contracts, AROs must use the TENDER or COI (if issued) as the Purchasing Method field.
- v. The APC Number must be entered exactly in the field. The number will be used to track payments within an APC contract commitment database and reported regularly as part of the cash management processes.

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FMM 03.17 Contract Management

17.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
 - Section 5 – Requires Departmental Heads to establish and maintain internal controls for the management of contracts and procurement.
 - Section 7 – Assigns the Secretary for Finance the responsibility to regulate financial controls, including contract management procedures.
- National Procurement Act 2018 – Provides the legal framework for tendering, contract award, and monitoring.
- PPP Act 2014 and associated Regulations

17.2 Standards and Supporting Documentation

- National Procurement Commission – Good Procurement Guide
- IPSAS 19 – Provisions, Contingent Liabilities, and Contingent Assets (refer to policy within this FMM Volume 3)
- IPSAS 17 – Property, Plant, and Equipment
- IPSAS 32 – Service Concession Arrangements
- PPP Guidelines 2024

17.3 Minimum Responsibilities

The Department of Finance is responsible for monitoring financial aspects of contract execution, ensuring funds are available, and enforcing compliance with PFMA and NPA.

The National Procurement Commission (NPC) oversees tendering and procurement compliance, ensuring contracts are awarded fairly and according to procurement laws.

Departmental heads must ensure that all contracts comply with procurement laws, financial instructions, and are properly executed. They must also maintain internal controls to monitor performance and financial reporting.

Contract Managers within agencies must track contract deliverables, ensure payments align with contract terms, and monitor risks.

Finance Officers must ensure contract payments are processed only after proper verification, and that contract obligations are recorded in IFMS.

Auditors must verify that contract management processes comply with financial and procurement regulations and report irregularities.

17.4 Mandated Policy

1. Agencies are required to maintain a contract register (electronic) which records at minimum:

1. Contract reference and title
2. Description of contract deliverables
3. Contract Manager (for State)
4. Supplier
5. APC (if applicable)
6. Fund source and appropriation code
7. Terms and conditions such as expiry date or enforcement requirements
8. Total original contract value
9. Value of variations
10. Total current contract value
11. Cumulative payments made to date
12. Claims lodged but not paid (ideally aged from 0-30 days, 30-90 days, over 90 days)
13. Balance of contract unpaid

2. All contracts must have standard clauses that enable the termination of the contract (or suspension) where there are insufficient appropriations made in the National Budget to meet the undischarged obligations of the contract in each of the fiscal years in respect of which contractual obligations would, if executed, fall due (as per Section 43 of the PFMA).

3. Contract amendments including variations must be approved by the appropriate financial delegate and procurement authority including the State Solicitor where the contract received Legal Clearance by the State Solicitor.

4. **Payments must align with contract terms, with appropriate verification of deliverables before payment approval.**
5. **Risk management processes must be embedded in contract execution to prevent financial loss and ensure timely service delivery.**
6. **Contracts can only be terminated by the authority that executed the contract (For major contracts this will normally be the relevant NPC Board Procurement Committee).**
7. **Where the Head of State is required to terminate the contract, he may only do so on written advice from the National Executive Council, supported by written advice from the relevant NPC Board Procurement Committee and State Solicitor.**
8. **A supplier cannot commit the State or commence mobilising on a major procurement contract without receipt of an APC, and all submitted claims for payment must be accompanied or reference the issued APC.**

17.4.1 Contract Variation

9. **Section 32 (2) of the Public Finances Management Act enables designated officers to approve variations to contract as regards to time, price, or other conditions within such limits except for major procurements (more than K1 million) where the executing authority to approve variations rests with the NPC Board or its delegated procurement committee, depending on the revised total value of the contract (including variations).**

Nature of Change	Limits	Designated Approval Officer	Form of Approval	Additional Requirements
<u>Price Changes</u>	Where the price change is less than a 10 % increase from the originally approved price **	Departmental head	In writing, with justification attached.	Once approved such changes must be reported to the relevant NPC Board procurement committee within 5 days of the approval.
	Where the price change is greater than a 10% increase from the originally approved	Original Contracting Authority (normally the Relevant NPC	Written approval, with justification	NPA S70(5) requires all proposed variations to a contract drawn, approved and cleared by

Nature of Change	Limits	Designated Approval Officer	Form of Approval	Additional Requirements
	price **	procurement committee, or Head of State)	attached	the State Solicitor is subject to the drafting, approval and clearance by the State Solicitor when the total of all variations to the contract, including variations to the scope of work of a contract, represent a change of 10 percent or more of the original contract value.
<u>Changes to scope or specification or timing</u>	<p>Where the changes do not materially effect the goods, works or services provided</p> <p>Where the changes do materially effect the goods, works or services</p>	<p>Departmental Head</p> <p>Original contracting authority (normally the relevant NPC procurement committee, or Head of State)</p>	In writing with justification attached	<p>Changes to scope or specification must be filed with the contract file and be available for independent audit.</p> <p>Refer to Section 70(5) of the NPA above on State Solicitor Clearances</p>

** 1. Where more than one price change occurs in relation to a contract the cumulative (total) of all the price changes must be less than a 10 % increase from the originally approved price, for the Departmental Head to be able to approve the variation.

** 2. In all instances the Section 32 Officer must also confirm that financial authority is available to vary the contract. This is in addition to the above requirements.

17.5 Non-Mandatory Guidance

The Contract Manager manages the implementation of the contract on behalf of the GoPNG and this person may be either a Public Servant and could be a third party managing contractor. Under the NPA, the NPC Board can assign or require a third party managing contractor on award and the appropriation that

has been authorised for this project/activity will be required to also pay for this third party managing contractor.

All GoPNG contracts must have a nominated Contract Manager (sometimes referred to as; Project Manager, or Superintendent, or Engineer) and contact details of this person provided to the Contractor.

17.5.1 Principles of Delivery and Performance

A number of key principles are embodied in good contract implementation.

17.5.1.1 Accountability and Responsibility

Once the contract is agreed and signed (in accordance with the law), both parties are legally accountable and responsible to carry out their respective responsibilities under the contract. The Contractor is responsible to carry out the works/goods/services as stated in the contract.

GoPNG and its Contract Manager are responsible for duties including; providing access to sites and information, responding to requests and timely payments.

17.5.1.2 Timeliness

Both parties are required to undertake duties in a timely manner. The contract will normally state the time within which these responsibilities are to be carried out. However regardless of whether stated in the contract or not, respective responsibilities must be actioned in a reasonable timeframe.

17.5.1.3 Knowledge of Contract Administration and Contract Documents

The Contract Manager must have a good working knowledge of contract administration within the relevant specialist field. The Contract Manager must have a comprehensive knowledge of the contract documents.

Contractors will take advantage of Contract Managers who either have inadequate skills or do not understand the contract documents. Both the Contract Manager and Contractor must have a properly executed copy of the agreement.

17.5.1.4 Good Documentation

The Contract Manager administering the contract must maintain documentation to ensure the Contractor delivers the works/goods/services as stated in the contract and that accounting and

payment details are clearly documented. During a contract disagreement or dispute, good documentation will assist with achieving a quick and fair solution.

17.5.2 Contractual Obligations

The following obligations are usually common to all contracts regardless of their scale and nature:

17.5.2.1 Government of PNG

- Appoint a Contract Manager and allow this person to administer the contract impartially, without influence and in accordance with the law.
- Provide unhindered access for the Contractor to implement the contract.
- Make timely payment for completed portion(s) in accordance with the contract agreement.
- Allow the Contractor to complete the whole contract, unless there has been mutual consent to change the scope of the contract or the Contractor is in breach of the contract.
- Provide information and directions in a timely manner.
- If provided for under the contract, provide work, equipment, materials and services in a timely manner.

17.5.2.2 Contractor

- Carry out and complete the works/goods/services under the contract
- Complete the works/goods/services to the required standard under the contract in a professional manner and with due care.
- To provide early notice of expected variations to the contract.
- To proceed at an appropriate rate and complete the contract either as specified under the contract or within a reasonable time, where detailed timings are not specified in the contract.

17.5.2.3 Contract Manager

- To act as the Government's agent to administer the contract to ensure timely and satisfactory completion of the contract.
- To implement the contract in accordance with its terms and conditions.
- To act impartially to make determinations that affects both parties, such as variations, latent conditions and liquidated damages.
- To supervise, make determinations, give instructions, exercise discretion and certify completed portions of the contract.
- To certify payment(s) for completed portion(s) of the contract.

- The Contract Manager must endeavour to promptly settle disagreements with the Contractor and the Government of PNG in a professional, impartial manner. The Contract Manager must maintain accurate records of the disputed issue, as these records will be critical to any possible legal determination.

17.5.3 Contract Administration

The Contract Manager administers the contract on behalf of the Government of PNG. Specific contract administration issues that must be considered by the Contract Manager are:

17.5.3.1 Documentation

Maintain an updated copy of the contract agreement. Maintain appropriately filed and documented records of; meetings and decisions, Trading Documents (bills of lading and invoices), insurance details, design information, quality control records, measurement and payment records and conditions and events affecting the contract: so to allow independent scrutiny or audit.

17.5.3.2 Variations

Variations where necessary and properly document and executed.

17.5.3.3 Quality Control

Maintain records of the quality of the works/goods/services provided and note either acceptance, rejection or rectification measures taken.

17.5.3.4 Measurement and Payment

To use means of measurement which is acceptable to the Contractor and GoPNG, as stated in the contract. All payments made must comply with the relevant sections of the Public Finance Management Act and associated instructions.

17.5.3.5 Financial Control

Maintain adequate financial records of payments including variations. Notify the relevant Executing Authority if contract value is to exceed the delegate authority for the Department to approve variations.

17.5.3.6 Project Completion

Upon physical and financial completion of the contract, advise the NPC that the contract is successfully completed, and the total amount of monies spent on the contract.

17.5.4 Suspension or Termination of Contract

If allowed for in the Contract Agreement, the Contract Manager can suspend the contract if either the Contractor or the Government of PNG substantially fails to perform their obligations.

Contract termination processes should only begin after all reasonable actions to end a dispute have been explored, and formal legal and other advice has been sought.

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FMM 03.18 Claims by and against the State

18.1 Authority and Prescribed Requirements

- Claims By and Against the State Act 1996 (CBASA):
 - Section 5 requires that notice of a claim be served on the Attorney-General or the Secretary for Justice within six months of the date of the cause of action.
 - Section 7 prohibits any legal proceedings against the State without proper notification and adherence to prescribed procedures.
- Public Finances (Management) Act 1995 (PFMA):
 - Section 5 places responsibility on Departmental Heads to safeguard public funds, which includes managing liabilities arising from claims.
 - Section 43 specifies that where the National Budget does not contain sufficient appropriations for that part of contracts that are to be executed in the following financial years for an APC, the contracts not appropriated are cancelled and no compensation, damages or other relief shall be awarded by any court for any contract cancelled.
 - Section 44 states that any contract entered into for the purchase of property or stores or to supply goods and services has no legal effect where the contract had no APC or purchase order.

18.2 Standards and Supporting Documentation

Nil

18.3 Minimum Responsibilities

Attorney-General and Department of Justice is to receive and evaluate notices of claims against the State under CBASA Section 5 and represent the State in legal proceedings or negotiations.

Department heads are responsible for notifying the Department of Finance and Attorney-General's office immediately upon becoming aware of a potential claim and provide all relevant documentation and support for resolving claims promptly.

Heads of Finance are to record and reconcile liabilities related to claims in financial statements and verify documentation before processing any payments for claims settlements.

18.4 Mandated Policy

1. A claim against the State shall not be enforced unless the seller or supplier can produce a properly authorised Integrated Local Purchase Order and Claim or an Authority to Pre-Commit.
2. All claims against the State must follow the procedural requirements set out in the Claims By and Against the State Act 1996. Payments for settled claims must align with the PFMA and adhere to proper financial management principles to ensure accountability and transparency.

18.5 Non-Mandatory Guidance

18.5.1 Types of Claims Against the State

Type of Claim	Definition	Examples
Tort Claims	Arising from alleged negligence, defamation, or other civil wrongs.	Personal injury claims, property damage.
Contractual Claims	Disputes arising from State contracts or agreements.	Non-payment of invoices under government contracts.
Statutory Claims	Claims related to statutory breaches or unlawful actions by public entities.	Breach of statutory duties or employment-related claims.
Ex-Gratia Payments	Voluntary payments made by the State without legal obligation.	Payments to address community grievances or non-contractual damages.

Claimants must serve a notice to the Attorney-General or Secretary for Justice within six months of the cause of action (CBASA Section 5). Departmental Heads must forward any received claims to the Department of Justice.

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FMM 03.19 Expenses

19.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 14 states no expenditure of public money is permitted except as authorised under an Appropriation Act or by other specific legislation.
 - Section 32 establishes financial delegations for approving expenditures.
 - Section 33 outlines payment delegation powers for the disbursement of public funds.

19.2 Relevant Standards and Supporting Documentation

- IPSAS 1 (Presentation of Financial Statements) requires proper classification and disclosure of expenses.
- IPSAS 19 (Provisions, Contingent Liabilities, and Contingent Assets) provides guidance on recognising expenses related to provisions.
- IFMS Training Manual “Accounts Payable”
- Finance Forms 3 and 4 (FF3 and FF4 including A & B formats)

19.3 Minimum Responsibilities

Departmental heads are required to maintain compliance and approvals of expenditures within financial delegation limits. They also ensure all expenses are budgeted, authorised, and aligned with agency priorities.

Heads of finance are to ensure that validation of all expenses comply with approved budgets and financial policies and process payments in compliance with Section 33 delegations.

19.4 Mandated Policy

19.4.1 Expense Recognition and Accounting Treatment

- 1. Expenses must be recognised when paid which is defined as cash outflows from the bank account including cheques drawn whether presented or unrepresented.**
- 2. A commitment is defined as claim approved by a Section 32 financial delegate under a Warrant, except for grants, transfers, finance charges, and other non-reciprocal costs, which are recognised when paid.**

3. **A commitment register for major commitments must be maintained (refer to FMM Volume 4).**
4. **All expenses must be recorded in IFMS (or approved finance system) and accurate classification must be used to facilitate proper financial reporting and auditability.**

19.4.2 Reconciliations and Financial Oversight

5. **Agencies must conduct monthly reconciliations of accounts and balances to verify that expenses are properly recorded.**

Supplier and vendor payments must be reviewed and reconciled, ensuring that outstanding liabilities, commitments, and payments are accurately reflected.

All variances in reconciliations must be investigated and resolved in a timely manner to prevent misstatements or financial irregularities.

19.4.3 Use of IFMS and Manual Forms

6. **Agencies operating on the IFMS are not required to use manual forms (FF3 and FF4) for raising requisitions and processing payments where the following conditions are met:**

- The IFMS workflow is used for obtaining proper financial delegations and approvals.
- All procurement and supporting documentation is uploaded and attached to transactions within IFMS, ensuring transparency and auditability.

7. **For entities not on IFMS or business continuity procedures are triggered, manual forms Finance Form 3 and 4, must be used following standard financial procedures and approvals.**

19.5 Non-Mandatory Guidance

19.5.1 Types of Expenses and Treatment

Expense Type	Definition	Treatment
Operational Expenses	Costs incurred in day-to-day government functions (e.g., utilities, salaries).	Record as incurred within the fiscal year and ensure compliance Warrants.

Employee Expenses	All expenses incurred for employee costs including, but not limited too, salaries, superannuation, payroll deductions, taxation and retirement of exit payments	Recorded as incurred within the fiscal year.
Capital Expenditures	Spending on assets that provide long-term benefits (e.g., infrastructure, equipment).	Record as an asset.
Grants and Transfers	Payments to third parties (e.g., NGOs) for specific purposes.	Ensure compliance with grant agreements and recorded when paid.
Commitment and Provisions	Anticipated liabilities or expenses (e.g., legal claims, employee benefits).	Record a note disclosure of provisions and contingent liabilities.
Travel and Allowances	Costs incurred for official travel and employee-related reimbursements.	Ensure compliance with approved travel policies and recognised as paid.
Inter-government transfers	Expenses or transfers between agencies either as appropriations or payment of fees, charges, taxes etc.	Recorded as paid within the fiscal year.
Debt Service Payments	Interest and principal repayments on government borrowings.	Schedule payments based on agreements and record under financial costs. Reported as incurred

19.5.2 Understanding warrants versus appropriations under the PFMA

Under the PFMA appropriations and warrants serve distinct but related roles in the budget execution process.

19.5.2.1 What is an Appropriation?

An appropriation is the legal authority granted by Parliament to spend public money. It represents the maximum limit of expenditure that a government agency is allowed to incur within a financial year.

Appropriations are set through the National Budget process and are contained in the Annual Appropriation Act.

It does not mean cash is available—it only gives the legal right to incur expenditure, subject to cash flow availability and warrants.

Funds appropriated but not warranted remain unusable until a warrant is issued by the Department of Treasury.

19.5.2.2 What is a Warrant?

A warrant is a formal expenditure release authority issued by the Department of Treasury that allows an agency to access its appropriated funds.

No expenditure can be committed unless a warrant has been issued, even if the appropriation exists.

A warrant must be issued before an expense can be committed in most cases. This ensures:

- The government has sufficient cash to cover the commitment.
- Spending is controlled and aligned with budget priorities.
- Unwarranted commitments do not lead to arrears or cash shortfalls.

However, there are exceptions for contractual obligations:

- For multi-year contracts or legal commitments (e.g., rental agreements, supply contracts, service agreements), the commitment exists once the contract is signed.
- However, actual payments under the contract still require a warrant before they can be processed.
- If a contract is entered into without a warrant covering the payment, it creates an unpaid liability (arrears) that must be accounted for and prioritised in future warrant releases.

If an agency enters into a contract without securing a warrant, payments might be delayed due to cash flow constraints. The contract remains valid, but the government must find funds in a future warrant release to pay the claim. If a supplier submits a claim for payment but no warrant is available, the claim remains unpaid and becomes an arrears liability.

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FMM 03.20 Special Procedures for Certain Classes of Expenditure

20.1 Mandatory Policy

1. Expenditure is recorded in line with Expenses Policy, however, other additional requirements exist for specific classes of expenditure to maintain control over budget execution:

20.2 Travel (Domestic and Overseas)

- Use of travel agencies to manage travel is allowable but these services must be review under procurement rules in the context of their additional mark up rates for their services.
- Travel appropriations are allocated under each Department and administered by Departmental Heads through issuance of Cash Fund Certificates, based on Warrant authority for the purpose.
- All travel and travel related expenses, including allowances, must be in line with any related General Orders.
- When travel costs are met by the Government, ILPOCs for air tickets and travel allowances will be processed within the Department and any refunds from changes must be in the name of the agency that initially incurred the cost and not the traveller.
- Department heads to issue procedures and delegations for the authorisation of travel
- Department heads must establish delegations for persons who are authorised to use any travel accounts held by travel agencies including airlines and other transport companies. Advance and acquittals are to be completed (refer to FMM Volume 3).

If a Government Purchasing Card is used as part of travel, the FMM Volume 3 guidelines on government purchase cards and accounts will apply.

20.3 Air Charters (including helicopter charters) and Sea Charter

- Notwithstanding the delegations given under Section 32 of the Public Finances (Management) Act, any request for engaging air charters should receive the approval of the Departmental Head and this cannot be delegated.
- All Minister or Elected Official charters must be endorsed by the Chief Secretary and must be provisioned in the National Budget.
- The following guidelines should be taken into account before engaging air charters:
 - Scheduled air services are to be utilised unless the charter is economically advantageous.
 - Maximum utility in the use of air charters must be obtained by co-ordinating with other likely users and arranging back-loading wherever possible.
 - As far as possible official tours should be based on the flight schedules of scheduled air services (unless the air charter is more economical).
 - Funds for air charters for Provincial Government functions are included in the Administrative Support Grant paid to the Provinces. Cost of air charters (fixed wing or helicopter) should be met by the Provincial Governments from these grants.
 - Cost of air charters in relation to National functions should be charged to the Departmental votes.
- When private passengers are allowed to travel on Government charters because of availability of unused space, the passengers should pay the fares directly to the airline company and not to Departmental representatives.
- Departmental representatives will ensure that Airline Companies fully account to the Government for airfares paid by private passengers who are allowed to travel on Government charters.

20.4 Engaging Consultants

- While consultants must be engaged through standard procurement rules under the National Procurement Act 2018 and the PFMA, achieving value for money in consultancy contracts remains a challenge due to difficulty in benchmarking specialist skills and the risk of prolonged operational dependence.
- Consultant fees should be benchmarked against local and regional salary surveys.
- When engaging international consultants, pricing should be benchmarked against regional organisations, donor-funded projects, and similar economies.
- Any Terms of Reference must define:
 - Specific outcomes and expected impact of the consultancy.
 - Milestones with payment linked to deliverables rather than time-based billing.
 - Training and skills transfer as a contractual requirement for capacity-building.
- Contracts should always require a final report, documenting:
 - Findings, recommendations, and a roadmap for implementation.
 - Handover notes, templates, tools, and datasets to ensure continuity.
 - Contracts must not allow automatic renewal but should include a defined expiry date without the need to provide a minimum notification period for extensions.
- In addition to fixed-rate pricing, contracts should consider hourly or daily rates where appropriate. This approach:
 - Prevents overcharging for unused workdays.
 - Provides flexibility for shorter-term engagements.

- Ensures proper allocation of consultancy time to key deliverables.
- Require consultants to log and report hours worked against specific deliverables to ensure transparency and accountability.
- Consultants should not perform operational tasks indefinitely—they are to provide expert advice, frameworks, and capacity-building support.
- Contracts must include a clear strategy for skills transfer, requiring:
 - Training workshops or mentoring sessions for government staff.
 - Documentation of processes to ensure institutional knowledge is retained.
- Contracts must include specific performance standards such as:
 - Timely delivery of agreed outputs.
 - Penalty clauses for non-compliance or poor-quality work.
 - Defined review and reporting mechanisms to assess consultant performance.
 - Strict exit requirements must be enforced, including:
 - Mandatory submission of a final report and knowledge transfer documentation.
 - A structured handover process with clear documentation.
 - A transition period where the consultant supports the agency in implementation rather than continuing operational work indefinitely.
- Use open and competitive procurement rather than sole-source contracting, except in cases of highly specialised work.
- Encourage performance-based contracts rather than just time-based contracts.
- Require independent assessments of consultant impact post-engagement to determine if objectives were achieved.

20.5 Entertainment Expenses

- Expenditure allowance of department heads
- Where expenditure or hospitality is incurred by an agency, the department head must establish a documented policy and procedure on what is allowable entertaining and hospitality expenses and delegated powers to approve entertainment expenditure.

20.5.1 Expenditure from outside the Allowance:

- Departmental Heads and senior officials (with the approval of their respective Departmental Heads) may entertain guests in the interest of official business either at their residence or outside.
- Requisitions for approval for such entertainment should be submitted in advance except when the functions are held at short notice:
 - Place of entertainment
 - Guest list
 - Estimated cost
- Officers are to refer to the Department of Personnel Management to determine the allowable rates per head.

20.6 Funeral Expenses and Assistance

- Funeral expenses for public servants are governed by General Orders (Public Service) and relevant Department of Personnel Management (DPM) circulars. Generally:
 - Applicable to deceased public servants who were actively employed at the time of death.
 - May extend to immediate family members (spouse, dependent children) in limited cases, subject to departmental policy.
 - Retired officers are generally not covered, unless explicitly provided under their employment contract or entitlements.
- The PNG Government Insurance Scheme that came into effect in 2025 provides funeral coverage for public servants, reducing the financial

burden on government agencies. The funeral insurance payout is separate from departmental funeral assistance and is paid directly to the nominated beneficiary. Department support for funeral expenses is secondary and insurance benefits should be claimed first where applicable.

- All agencies must have a documented policy on funeral expense assistance for their employees that also reflects those expenses that are now covered under the insurance scheme.
- Approved Funeral Assistance Expenses (including those already covered by the insurance scheme):
 - Repatriation of the deceased's body to their home province (if required).
 - Basic funeral costs, including casket, transport, and associated services.
 - A one-off assistance payment may be provided to the deceased's family for immediate expenses.
 - Leave entitlements and final salary payments must be processed promptly for the deceased officer's dependents.
- Funeral assistance must be approved by the Departmental Head, ensuring expenses are reasonable and justified.
 - Expenses must be within approved budget allocations and comply with PFMA Section 32 (financial approvals).
 - Payments must be properly documented, receipted, and recorded in IFMS.
 - If cash advances are provided, they must be fully acquitted in line with government financial policies.
- Funeral assistance should not cover non-essential costs (e.g., excessive catering, large gatherings beyond reasonable limits).

- Departments must ensure funds are used appropriately and within available resources.

20.6.1 Service Improvement Program (SIP) Funds

- The Service Improvement Program (SIP) Funds are public funds allocated for development projects at the provincial, district, local-level, and ward levels. The management and use of these funds must comply with the Public Finances (Management) Act (PFMA), Finance Instruction 04/2019, and the National Procurement Act 2018.
- Expenditures must comply with the approved budget plans and be recorded in IFMS or PGAS and SIP funds cannot be used for operational or administrative expenses beyond the approved limits.
- This policy applies to the management of all categories of SIP funds, including:
 - Provincial Service Improvement Program (PSIP) Funds – Allocated to Provincial Governments.
 - District Service Improvement Program (DSIP) Funds – Allocated to District Development Authorities (DDAs).
 - Local-Level Government Service Improvement Program (LLGSIP) Funds – Allocated to Local-Level Governments (LLGs).
 - Ward Service Improvement Program (WSIP) Funds – Allocated to wards within LLGs.
- SIP funds must be allocated across five key sectors, as per NEC Decision No. 240/2018:
 - Infrastructure – 30%
 - Education – 20%
 - Health – 20%
 - Law and Order – 10%
 - Economic Sector – 10%

- Administration – 10% (with 1% allocated to DIRD for monitoring and audits)
- SIP funds must not be used for:
 - Salaries, wages, or allowances.
 - Hiring of consultants without Department of Finance approval.
 - Political or election-related activities.
 - Unapproved or private business activities.
- All SIP funds must be held in designated government bank accounts:
 - PSIP Operating Account – Held at the provincial level.
 - DSIP Operating Account – Held at the district level.
 - LLGSIP and WSIP Operating Accounts – Held at local-level governments.
- Signatories for SIP bank accounts must be as follows:
 - Provincial SIP Accounts – Provincial Administrator & Provincial Finance Manager.
 - District SIP Accounts – CEO of District Development Authority & District Finance Manager.
- LLG & Ward SIP Accounts – CEO of District Development Authority & LLG Manager.

20.7 Vehicle (Fleet) Management and External Motor Vehicle Hire

- All government vehicles must have current certificate of roadworthiness and have “Z” plates affixed.
- Purchase and/or long-term lease of motor vehicles will follow the procurement guidelines established under the National Procurement Commission.
- Fuel Purchases for Department/Agency Fleet

- To the greatest extent possible, the Department will establish a corporate account with a fuel vendor and establish the rules governing the distribution and use of fuel for fleet vehicles.
- All Departmental Heads must develop, issue, and implement a Fleet Management Policy that:
 - Covers the full lifecycle of vehicles including purchase, running costs (fuel, servicing, registration, insurance), and disposal.
 - Ensures that the fleet is fit-for-purpose and cost-effective.
 - Establishes vehicle allocation criteria (e.g. official vs private use).
 - Sets limits on vehicle types and value bands based on function and location.
- Departmental Heads and Heads of Finance must ensure that:
 - All fleet-related transactions are correctly coded under appropriate Economic Item codes (e.g. capital vs operating).
 - Annual fleet budgets are prepared and monitored against actuals.
 - Fuel and maintenance logs are maintained and reconciled against expenditures.
- Agencies must maintain:
 - A fixed asset register of all vehicles including registration, serial number, location, assigned officer, and condition.
 - A monthly log of kilometres travelled and fuel usage.
 - Approval controls for vehicle usage
- Disposal of Vehicles

- When a motor vehicle is no longer fit for purpose, the Department/Agency may initiate the disposal process, per instructions from the National Procurement Commission.
- The Department Head submits a note to the Department of Works, Plant and Transport Division (PTD), notifying them of the decision to dispose of the vehicle
- PTD evaluates the vehicle and prepares a report, to include a recommended evaluation.
- National Procurement Commission receives the report and sends an advice to the Department approving the request for disposal.
- The Department Head receives the advice and advertises the bid opportunity to the public.
- The successful bidder submits payment to the National Procurement Commission and receives the title.
- For accounting purposes, the bid price is coded as non-tax revenue and the processing fee accrues to the National Procurement Commission.
- All requests for hire of motor vehicles must be approved by the department head prior to any engagement and such engagement must only be done with an understanding of the **number of days of hire and the total cost of the hire** and this can only be granted when temporary in nature and not more than one month.
 - To provide a vehicle to an officer whose contract with the Government stipulates that a vehicle should be provided or who is otherwise entitled to a Government car, but no government vehicle is available at the time
 - For use when required by Ministers
 - For use by officers authorised for duty trips away from their home station.
- Procuring a Commercial Hire Vehicle

- A commercial vehicle hire is only allowable when a vehicle hire is not available through the Department of Works Plant and Transport Division.
 - The company must be registered with the Investment Promotion Authority and have a Certificate of Compliance with the Internal Revenue Commission.
 - The vehicle has a certificate a road worthiness and an affixed safety sticker, in accordance with Section 70 of the Road Traffic Rules – Vehicle Standards and Compliance, 2017.
 - Use of unregistered motor vehicles and hiring motor vehicles from private individuals are strictly prohibited.
 - Where the cost of hire exceeds K50,000 or is expected to exceed this amount, there should be three written quotations, and the lowest of the quotes be selected, in accordance with procedures established by the National Procurement Commission.
- Department Heads should identify funds needed to support departmental transportation requirements to include purchase or lease, maintenance and repair, insurance, and fuel. Department Heads should also budget for car rental for government officers' duty travel away from their home station. Financial Delegates will be kept informed through the issue of Cash Fund Certificates.

20.8 Government Office Accommodation and Short-Term Venue Hire

- The use of government office accommodation and venues must align with the Government's cost-saving measures and the efficient use of public resources. All government agencies must prioritise the use of existing government office spaces and venues before seeking external venues for workshops, conferences, and meetings.
- The Government Office Allocation Committee (GOAC) is responsible for allocating and managing office space for government agencies. Agencies must use government-owned office spaces before considering

commercial rentals. Any request for external office rental or relocation must be approved by the GOAC and supported by a cost-benefit analysis. Standard rental rates apply for agencies using government office accommodation, and these rates must be budgeted for annually.

- Agencies must use internal government venues such as APEC Haus, government conference rooms, or provincial government facilities before seeking external venues. If an external venue is required, it must be justified, approved under financial delegation, and budgeted for in advance. Preference should be given to government facilities to minimise unnecessary costs.
- Hiring external venues requires financial delegation approval in line with Section 32 of the PFMA. Agencies must demonstrate that no suitable government venue was available before approving external venue expenses. All venue expenses must be budgeted for and recorded in IFMS, ensuring proper expense tracking.
- The Department of Finance will monitor office accommodation and venue hire expenses to ensure compliance with government cost-saving policies. Non-compliance with this policy may result in expenditure reviews and corrective actions. Failure to justify external venue use may lead to disallowed expenditures under the PFMA.

20.9 Mobile Phones and Internet Expenses

- Government mobile phone, internet, and telecommunication services must be used responsibly and cost-effectively. Public funds must only be spent on official communication needs, and all costs must align with approved budgets and financial delegations. Agencies must prioritise cost-saving measures such as government-negotiated service contracts, data-sharing plans, and internal communication systems to reduce expenses.

20.9.1 Eligibility for Government-Funded Mobile Phones and Internet Access

- Government-funded mobile phones, internet access, and telecommunication services are restricted to:

- Departmental Heads, senior executives, and other officers whose roles require official communication outside of office premises.
- Employees with job functions that require constant availability for official duties.
- Officers authorised to access official email or government systems remotely.
- Agencies must have a documented policy on mobile phones and internet that also captures spending limits, access and financial delegations budgeted annually. The policy is to include procedures for employees found misusing public funds for personal phone bills, data usage, or non-official communications to reimburse costs and disciplinary action.
- Agencies must use corporate plans or bulk service agreements with telecommunication providers to reduce individual contract costs.
- Prepaid services must be prioritised over post-paid plans where practical.
- Excessive or unexplained usage must be reviewed by department heads or Heads of Finance.

20.10 Software Subscriptions, Licences and Development of IT Systems

- All software licences, ICT systems, and digital services procured and used by government agencies must comply with the Digital Government Act 2022, issued orders by the Department of Information and Communications Technology (DICT) who are responsible for setting policies, standards, and controls for software procurement, licensing, security, and integration. Agencies must obtain prior approval from DICT for all new major software acquisitions, upgrades, and cloud-based services to ensure alignment with national ICT policies, cost efficiency, and cybersecurity requirements.
- Agencies must ensure licences are legally acquired and comply with copyright laws to avoid legal and financial risks.

- Subscription-based software and cloud services must follow DICT-approved frameworks for procurement and implementation.
- Any third-party software that integrates with IFMS or other government finance systems must be approved by the Department of Finance and registered in the Integrated Systems Register.
- Agencies must not develop or acquire standalone financial management systems.
- Agencies must ensure cost-effective software licence management, avoiding duplicate licences, unnecessary subscriptions, or underutilised software.

20.11 Board & Committee Fees, Sitting Allowances

- Boards (Fees and Allowances) Bill 2024 has been developed to replace Boards (Fees and Allowances) Act 1955 and until this occurs, the schedule of fees and allowances has been certified through gazettal notice No. G693 13 October 2021 and is the legal framework for approving, classifying, and administering fees and allowances paid to board members, committees, and ad-hoc bodies.
- Section 64A of the PFMA remains applicable for the approval of establishment of boards or bodies receiving public funds, that is, it requires Treasury and Minister Finance approval.
- Payments are also subject to income taxation under the Income Tax Act 2025.
- No payment of board fees, stipends, or sitting allowances is permitted unless:
 - The board, committee, or ad-hoc body has been formally approved in accordance with the legislation.
 - A category classification (A, B, or C) has been made by the Minister based on the entity's contribution to GDP, sector, and other factors.
 - The required composition, term, governance structure, and performance monitoring requirements have been met.

- Board members (non ex-officio) may receive:
 - Annual stipends and sitting allowances in accordance with the approved schedule.
 - Committee members and ad-hoc bodies are only entitled to sitting allowances.
 - All payments must be captured in IFMS using the appropriate economic item code and classified according to entity type (Board/Committee/Ad-hoc).
- Ad-hoc bodies must have received approval by National Executive Council and who has also explicitly agreed to payment of sitting fees and allowances. This also requires approval by Treasurer and Finance Minister under Section 64A.
- Boards must report annually to the Minister not less than three months prior to the end of each calendar year detailing board activity, performance, and justify continuing classification and remuneration.
- NEC may abolish or reconstitute boards if governance and reporting obligations are not met. All approved entities are recorded in a Register maintained by the Department of Treasury.
- Audit Committees are covered under the gazettal notice No. G693 (Refer to FMM Volume 5 FMM 05.6 Audit Committees).

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FMM 03.21 Payment Processing

21.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Digital Government Act 2022;
- Central Banking Act 2000;
- National Payments System Act 2013; and
- AML and CTF Act 2015.

21.2 Relevant Standards and Supporting Documentation

- IFMS Training Manual on Accounts Payable
- DoF EFT IFMS User Guide
- EFT Policy
- BSP Kundu Pei Instructions

21.3 Specific Responsibilities

Department of Finance monitor the use of EFT and its policy, approve the issuance of manual cheques by Agencies and notify relevant banks in case of system or EFT Failure. Manage the creation/amendment of supplier master records for national public bodies and statutory authorities.

Departmental Heads approve expenditure within their financial delegation limits and ensure all payment requests are verified, documented, and comply with budgetary and legal requirements.

Heads of Finance are to ensure and process payments through the IFMS or approved finance system and ensure proper authorisation and coding which includes conducting regular reconciliations of payment records to identify discrepancies.

21.3.1 Role Responsibilities in processing

21.3.1.1 Section 32 Approvers

- Claims for processing payments must be appropriately certified by *Public Finances (Management) Act 1995*, Section 32(1) (Approves Requisitions for Expenditure of Money) and Section 32(4) (the Financial Delegate) delegates accompanied with relevant supporting documents.
- Section 32 Officer is required to approve the Requisition Form (FF3) and also electronically approve in the Approved Finance System.

Where a Bank credit authorisation form is used or any other EFT authorisation form that requires a signature, this must be signed by the Mandatory and Secondary Bank Signatory or their alternates.

Supplier Accounts Maintenance – Accounts Payable (AP) Accounts Manager

Is responsible for maintaining AP master supplier records in IFMS for National agencies and is a responsibility held in the Department of Finance – Financial Controls Division.

Processing EFT Payment – AP Payments Officer

- Is responsible for the payment processing.
- Will run the payment processing to produce an EFT file after confirming that the supplier is selected as **EFT** or **OTHER PAY FILE** on the master record.

Encryption Process on Kundu Pei software – Section 33 Officer

- Approve and execute payments using the Kundu Pei payments
- Print the required documents and send the zipped Kundu Pei file to the BSP as per the Kundu Pei Instruction Guidelines.

#	Role	Function	Invoice without Purchase Order	Invoice with Purchase Order
0	ARO	• Initiates transaction	• Receives invoice	• Receives invoice
1	Claims Examiner	• Examines documentation	• Confirms supplier is in Payee Register • Confirms delivery of goods or services • Scans invoice and enters invoice in IFMS	• Confirms supplier registration in IFMS • Examines invoice for validity, accuracy, etc. • Enters invoice in IFMS
2	Financial Delegate	• Confirms commitment	• Confirms funding availability • Approve and submit <ul style="list-style-type: none"> ○ Within Delegation Limit, to CO ○ Otherwise, to S32 Officer 	
3	Section 32 Officer	• Inspects documentation and endorses for payment	• Confirms delivery of goods or services • Approve invoice • Submit to CO	
4	Certifying Officer	• Executes transaction	• Check of compliance of business process • Certify invoice for payment	• Check for compliance • Certify invoice for payment

21.4 Mandated Policy

1. Government payments must be processed in a manner that ensures efficiency, transparency, and security. Public funds must only be disbursed upon proper authorisation under from Sections 32 and 33, and in

accordance with approved budgets, procurement rules, and financial delegations.

- 2. The Head of Finance must specify specific payment runs days and times to limit excessive payment runs on an adhoc basis which can lead to errors in payment processing.**
- 3. The Government of Papua New Guinea is transitioning to fully electronic payment systems and will phase out the use of cheques wherever possible. All payments are to be made through Electronic Funds Transfer (EFT) platforms, such as IFMS (Integrated Financial Management System) and KunduPei, unless specifically exempted.**

21.4.1 Approved Payment Methods

4. All public entities must ensure that payments are made using the following methods, in order of preference:

- Electronic Funds Transfer (EFT) via IFMS
- KunduPei
- Direct Bank Transfers for bulk payroll or vendor payments (via BPNG clearing system)
- Corporate Cards, where applicable and authorised
- Cheques

21.4.2 Cheque Use Restriction

5. Use of cheques is to be minimised, and must only be issued if:

- EFT systems are not operational (currently within pilot for the Waigani Public Account)
- Business continuity issues are in place

6. For National Departments any cheque more than K100,000 drawn from the Waigani Public Account (WPA), must be approved by Secretary Finance, or his delegate. Any cheque over the limit that is presented to BPNG without the Secretary's clearance letter will be dishonoured by BPNG.

- 7. For cheques below the individual cheque amount, the daily payment limit for each agency will be K1 million. This will be monitored by daily reporting through review of Cheque Usage Reports (CUR) and IFMS daily commitment/payment reports.**
- 8. Cash Management Branch is authorised to check and liaise with the Bank of PNG regarding management of the WPA, and on the Government Revenue through revenue collecting agencies such as Customs, IRC, donors, etc.**
- 9. The Expenditure Control Branch will control, monitor, and report on Government Expenditure through its mandated expenditure control functions.**

Cheque Usage Reports are to be provided daily to the BPNG and Department of Finance (Financial Controls Division) to support the cheque clearance process – fcd_helpdesk@finance.gov.pg.

21.4.3 Tax Remittances

- 10. All withheld taxes and superannuation contributions must be remitted promptly to the Internal Revenue Commission (IRC) and relevant superannuation funds. This remittance must occur at the time of raising payment, ensuring compliance with statutory requirements and avoiding penalties.**

Failure to remit withheld tax and superannuation on time may result in financial penalties and could negatively impact the government's fiscal standing. Departments must ensure strict adherence to these remittance requirements to maintain compliance and avoid unnecessary costs.

21.4.4 Controls and Authorisations

- 11. All payments must be authorised under Section 33 of the PFMA by an officer with valid payment delegation.**
- 12. No payment shall be made without prior commitment authorisation under Section 32.**
- 13. All payment processing must include:**
 - Verification of supplier details

- Three-way matching of invoice, purchase order, and goods receipt
- Use of approved budget lines and economic item codes

14. Supporting documentation must be uploaded and retained within IFMS or approved financial system.

21.4.5 Timing and Processing of Payments

15. Payments must be processed within 10 working days of claims approval by Section 32 delegate, unless contractual terms dictate otherwise.

16. Priority payments, such as salaries, statutory remittances (e.g. tax, superannuation), and debt repayments, must be scheduled and reconciled monthly.

17. Vendor split payments, manual adjustments, or changes in banking details require additional internal approval and must be tracked.

21.4.6 Transition to EFT and Digital Platforms

18. All public entities are required to:

- Register vendors and staff with valid bank account details for EFT use
- Eliminate paper-based payment forms where IFMS workflow approvals are in place
- Collaborate with the Department of Finance to ensure readiness for full digital payments

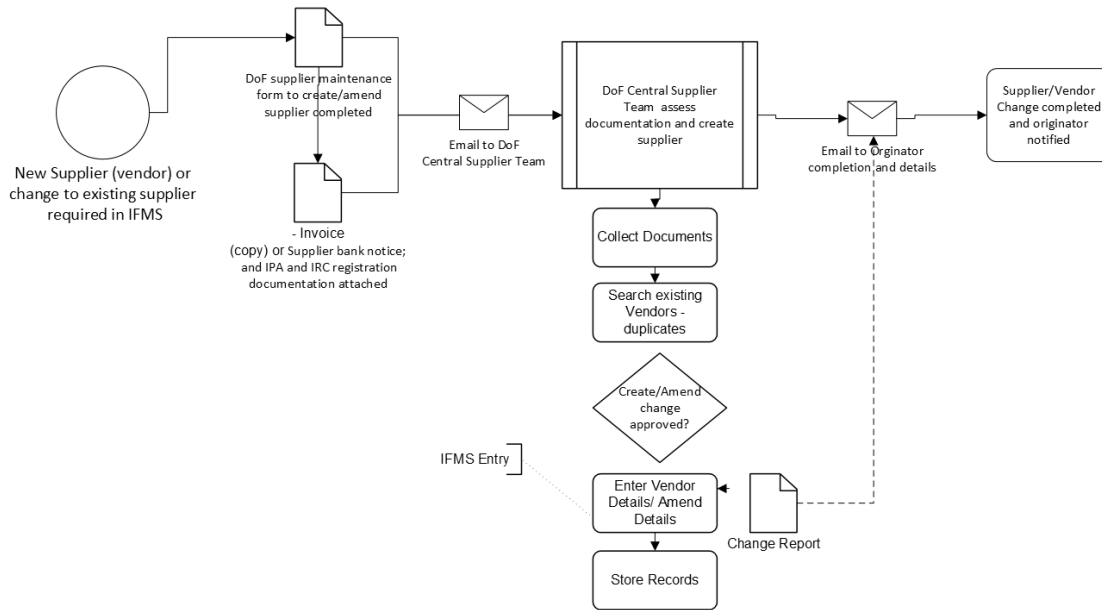
19. No new bank accounts may be opened for cheque-only purposes.

21.4.7 Supplier Lists and Centralised Supplier Master Records

20. To ensure the safeguard of public funds, segregation of duties is required for the creation and the amendment of supplier/vendor master records.

21. Any officer that is part of the accounts payable or payment steps must not be part of the creation or amendment of supplier records, particularly bank account details.

22. The control of the creation or maintenance of supplier/vendor IFMS master records for National agencies for the WPA will reside in the Cash Management Team of the Department of Finance.



21.4.8 Supplier Overpayments

23. Where an overpayment is made to a supplier, it must be treated as a receivable payable to the agency and managed as a debt owed.

21.5 Non-Mandatory Guidance

21.6 AP Invoice Entry without a Purchase Order

Examples of where a supplier presents an invoice without a purchase order are for cash advances, allowances, duty travel, overtime claims, or other reimbursement. This also includes where the Government has a standing arrangement with a supplier (e.g., electricity, rent, internet).

- a. The Accounts Registration Officer (ARO) receives the claims from the suppliers, consolidates documentation, obtains approval from the Section 32 Officer, and prepares the Minute to forward the package to AP for processing. The ARO raises the commitment in IFMS, scans and uploads supporting documentation.
- b. Upon notification of the invoice, the agency Claims Examiner reviews the documentation to ensure the validity of the supplier’s information in the AP Payee Register and the completeness and accuracy of supporting documentation for the invoice. Specifically, the Claims Examiner will check:
 - Chart codes are appropriate and approved
 - Name and address of payee
 - Amount to be paid agrees with invoice and supporting documentation

- Payee is correct party
 - Evidence of satisfactory delivery of goods or services are established
 - No double or duplicate payment in the system
 - All discounts and credits have been noted
 - Payments charged to the correct vote
- c. Once satisfied, the Claims Examiner enters the data and uploads an electronic copy of the invoice into IFMS to create a transaction record. When the Claims Examiner closes the document, the system will route the transaction to the Financial Delegate defined in the workflow.
- d. The Financial Delegate (FD) accesses the transaction and supporting document through the IFMS to double check the Claims Examiner's entries. Through the funds tracking system, IFMS will automatically check on fund availability and generate a report for the FD's review. If there is insufficient funds against the account code, the system will flag the transaction and not allow it to proceed. The FD will follow-up with the Departmental to re-allocate funds to the account for further processing.
- e. Section 32 Officers (S32O) are authorised under Section 32 of the PFMA to authorise payment, subject to their warrant authority and any other specified conditions. In IFMS, they have the role of GL Enquiry Officer, which gives them permission to access data to analyse and review accounts, view account balances and transaction details.
- f. The Certifying Officer (CO) performs the last control check to assure legal sufficiency before the transaction is posted to the General Ledger and routed to the Payment Process. The IFMS role is CO and AP Approval. The CO has permission to correct accounting codes at this stage in the process. Once the CO has approved the transaction, the IFMS posts the entry to the General Ledger and routes it to Payment Processing.

21.7 AP Invoice Entry with a Purchase Order

Where a Purchase Order has been raised in IFMS, the data previously entered on the transaction is carried forward to populate the screens.

- a. The AP Claims Examiner enters the invoices to be matched with the existing purchase order (PO) in the IFMS. For this process, the IFMS role for the claims examiner is 225-AP Claims Examiner. Detailed instructions to navigate through the screens to search for an existing

PO, enter data, or correct data are in the “Accounts Payable IFMS Training Manual.”

- b. If there are no changes or corrections to the invoice from the PO, the system then routes the transaction to the Certifying Officer.
- c. If there are discrepancies between the PO and the invoice, the AP Claims Examiner makes updates the changes, enters a reason for the amount difference in the Narrative box, and closes. IFMS then routes the transaction to the FD for further review and verification.
- d. The FD confirms the AP Claims Examiners entries against the documentation. Once satisfied, the FD closes the screen. The IFMS sends the approved invoice to the nominated Certifying CO for approval.
- e. From the system, the Certifying Officer reviews the PO invoice. Of particular importance is the assurance that the account number and other information is correct before posting the invoice to the General Ledger. Once the CO approves the document to post, the system finalises invoice processing, updates the General and Accounts Payable Ledgers, and sends the transaction to Payment Processing.

21.7.1 Guidance on EFT

21.7.1.1 Application of EFT – BPNG or BSP

- AP Payments Officer will run the payment processing to produce an EFT file after confirming that the supplier is selected as **EFT** on the master record.
- For National Departments using drawing bank accounts, support documents must be loaded into the **Drop-Box** prior to the EFT pay run.
- EFT Register only is to be emailed to the Government Accounting Unit at BPNG.
- Remittance Advices are emailed directly to suppliers through the system. It is important that a correct email address is entered in the Supplier setup.
- Access to the BPNG Banking System must be obtained. Daily extract of bank statements must be done to confirm EFT payments.

- The bank details to a supplier is centralised at DoF, Cash Management Branch. The Supplier Form is to be filled for any change or new Supplier on bank details.

ACCOUNTS PAYABLE – BUSINESS PROCESS CHART

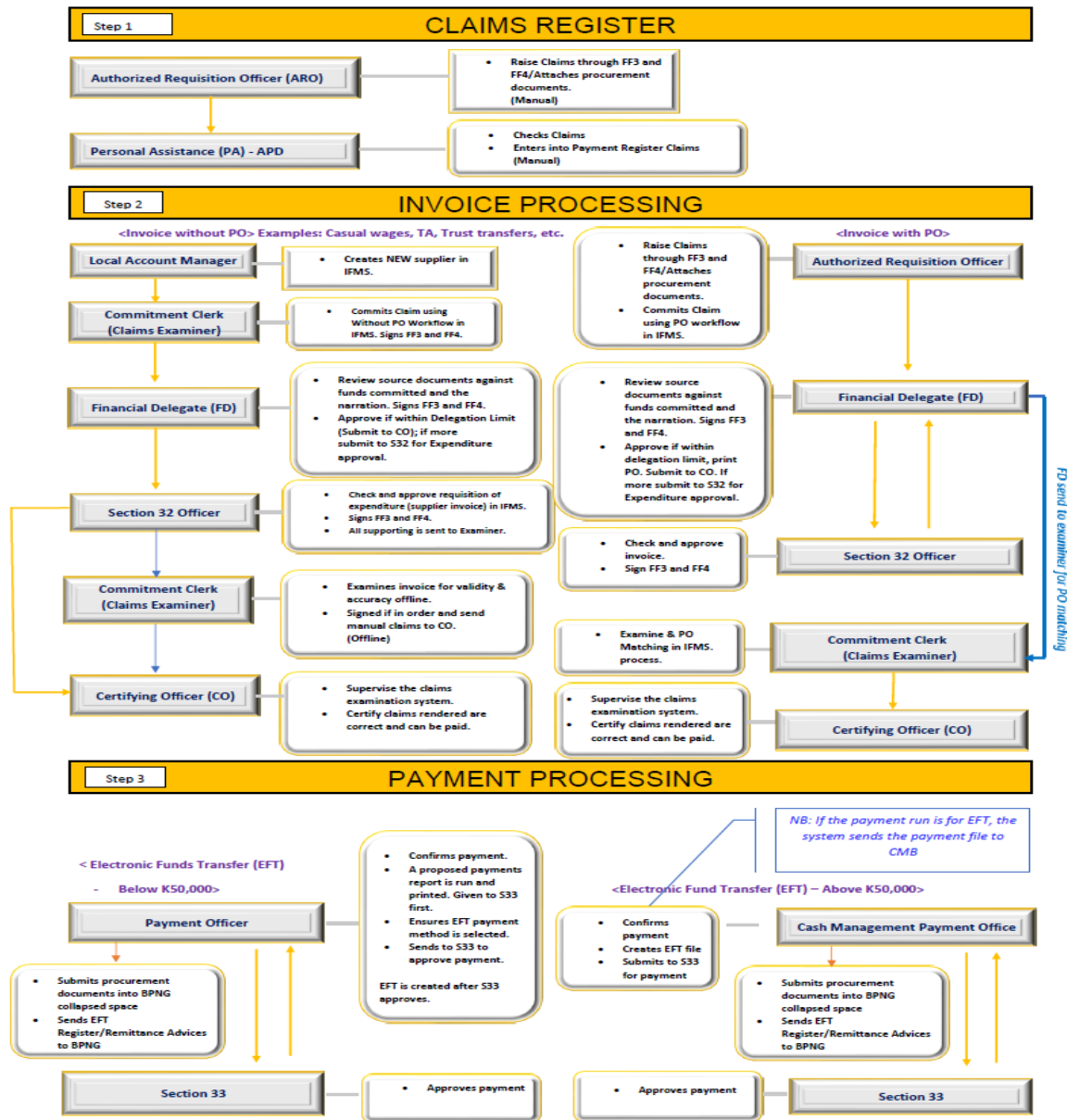


FIGURE 1: ACCOUNTS PAYABLE PROCESS (FROM IFMS)

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FMM 03.22 Payment Distributions to Groups such as Royalties and Land/Crop Compensations Process and Where Cash Handling is Required

22.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

22.2 Standards and Supporting Documentation

- Nil

22.3 Minimum Responsibilities

The department head is responsible for establish internal controls on cash handling and ensuring the safety and security of officers who undertake roles that require the handling and distribution of cash.

The department head may delegate and assign roles to support cash handling including Payment Planner, Payment Approver, Payment Releaser/Counter, Payout Officers and Payment Reconciler/Acquitter.

The Payment Planners are responsible to identification of beneficiaries and to undertake the calculations of benefits that need to be distributed.

The Payment Approver is responsible for reviewing and vetting all calculations and ensuring that these are correct, due and payable and those identified are the correct persons who should received distributions.

The Payment Releaser/Counter are the persons responsible for cash handling and cash in transit and will be required to undertake the necessary counting and confirmation that the cash arranged and withdrawn is correct and verified at the point of withdrawal, point of storage and at point of release.

Payout Officers are responsible for the process of cash distribution to the beneficiaries.

Payment Reconciler/Acquitter is responsible for undertaken the final check that benefits have been distributed, returned monies are returned back to the Trust Account (now treated as unclaimed monies) and submission of the final acquittal to the Payment Approver.

22.4 Mandated Policy

1. **All monies to be disbursed must first be credited to a Trust Account.**
2. **The method of payment (modality) depends on the specific circumstances and factors like existing financial infrastructure, remoteness/accessibility, the security situation and the urgency and timeframe can influence the modality most suitable. It is a requirement for agencies to adopt the following payment precedence (or of priority as a payment method):**
 - Electronic transfer to beneficiary's bank account (compulsory when account exists) (such as EFT or Kundu Pei).
 - Electronic transfer using mobile phone transfers (such as Kina Konnect, Anytime Banking NBC or BSP Wantok Wallet or BSP Pay, CellMoni/MyCash)
 - Bank cheque when the beneficiary has no bank account and the amount is more than K1,000 (note that the beneficiary will be required by law to still establish the bank account in order to present the cheque).
 - Cash only when the beneficiary has no bank account and the amount is less than K1,000 (no splitting).
3. **Agencies are allowed to use a mix of payment methods in order to maximise the amount of distribution by electronic methods and minimise the amount that is distributed as cheque or cash.**

22.4.1 Cash Handling

4. **Where payment of cash is required, there must be a separation of roles for Payment Planner, Payment Approver, Section 32 authoriser, Payment releaser/counter, Payout Officer, Payment Reconciler/acquitter.**
5. **A Cash Withdrawal Authority (CWA) must be completed and signed by two Section 33 delegates (Payment Approver). The form of the CWA is dependent on the agency and can be in the form of a FF3/FF4 or authority transfer form or form prescribed under legislation.**
6. **The CWA must be based on a verified and approved beneficiary list completed by the Payment Planner with clearly identified calculations for**

determining payments, with total cash requirement calculated and certified by the Payment Approver.

- 7. Cash must be collected from the bank by at least two officers, accompanied by a Police escort.**
- 8. Upon withdrawal, the officers must immediately complete and sign a Cash Hand-over Certificate detailing amounts collected and denominations by the bank and complete Finance Form 72 (Currency Packing Note)**
- 9. Before distribution, the cash must be counted in full at the payout site, reconciled to the beneficiary listing, and locked in a secure container and safe, also using Finance Form 72 by the Payment Releaser/Counter.**
- 10. Distribution must occur in a controlled and supervised environment (e.g., school, church, ward office, or village court) with a private payout area, two Payout Officers (one pays, one records), a witness preferably external representative. It is preferred (see non-mandatory guidance below to have these roles separated during the distribution exercise for increased checks and balances)**
- 11. The security and safety of the Payout Officers must be considered when coordinating the distribution, and preference is given to payments through Provincial Administration and District Offices or other government headquarter.**
- 12. There must be a Cash Distribution Register and each beneficiary must:**
 - Sign or thumb-print a Cash Distribution Register,
 - Present an ID (National ID, voter card, IPA registration, or signed ward endorsement),
 - Have a photo taken at the point of payout, matched to the Register row.

13. The Register must include (at minimum):

Register No	Beneficiary Name	ID Type/Details	Amount	Signature of Receipt	Photo file ref.	Witness Initials

14. After distribution, there must be a reconciliation and return of unused cash. The Payment Reconciler must count and reconcile:

- Total cash disbursed
- Cash on hand
- Number of signatures/photos
- Bank withdrawal vs balance

15. Unpaid cash must be returned to the bank within 48 hours, with a redeposit slip filed.

16. A Cash Acquittal Pack (withdrawal slip, Register, reconciliation sheet, photos, redeposit slip) must be submitted to the Payment Approver and Head of Finance within five (5) working days.

17. The Cash Distribution Register and all associated records and photos must be Retained (and can be electronically) for seven (7) years, and made available to auditors, the Department of Finance, and the Public Accounts Committee upon request.

18. Splitting of amounts to stay below the K 1,000 threshold is prohibited.

19. Cash payments must never be made to persons acting as "representatives" or "agents" unless hold a notarised mandate and present photo ID.

20. All variances or cash losses must be reported immediately under the FMM loss reporting rules (FMM 03.42).

22.5 Non-Mandatory Guidance

22.5.1 Electronic Transfers to Bank Accounts

Bank transfers can only be done if the beneficiaries have bank accounts.

Agencies should look at any opportunity to support beneficiaries establishing bank accounts including negotiations with a bank to allow beneficiaries to open a bank account. The general approach for making payments through electronic transfers is:

- Officers verify beneficiaries from lists, with their identification or project ID card.

- Officers prepare payment documentation for bank transfer to beneficiaries with supporting documents, including the list of beneficiaries, bank account details, and amounts due.
- The payment is processed in the Approved Accounting System.
- Section 32 delegate reviews and approves the payment request.
- Finance staff verifies the request and issues a transfer request to the bank (either through the Approved Transfer System or as a separate authority).
- Section 33 delegate (or bank signatory) reviews and approves the payment.
- Finance staff process the payment.
- Finance staff inform the responsible officers of the transfer or if a transfer to a beneficiary fails so that the officers can follow up with the beneficiary. Remittance advices are provided for successful payments.
- Officers conduct post-distribution monitoring to verify with beneficiaries if amounts have been received.

22.5.2 Mobile Phone Transfers

Mobile phone banking has been used successfully by some agencies (or projects) where beneficiary payments are being paid more than once, not indefinite and not of an amount where bank accounts should be enforced. The phone/SIM acts as a bank account and cash is transferred from the mobile company or through the bank to the individual beneficiary's phone.

Beneficiaries use the balance to make payments by phone or to collect cash as vendors/shop owners who provide these services. Mobile phone and other digital payments can be an entry point for broader financial inclusion for beneficiaries.

The Bank of PNG hosts the Centre for Excellence in Financial Inclusion who actively support financial inclusion including supporting the development of agent banking and digital financial services. Agencies are encouraged to

Speak with CEFI to support government's aims for financial inclusion.

<https://www.thecefi.org/>

The above electronic transfer process steps will be the same except for the following:

1. Beneficiary details must be confirmed with their mobile phone details
2. The payment transfer from the trust account is likely to be deposited into a specific phone company or bank nominated account for distribution using their specific procedures.
3. There will be a company/bank specific template in which they require data to be submitted
4. The phone company/bank will transfer the funds onto beneficiary phones (SIM) and send SMS message to inform them.
5. Phone company/bank submits a distribution report (which states the funds were transferred to the phone of the beneficiaries) to finance staff with agreed supporting documentation. Not transferred funds are transferred back to the trust account for further action.
6. Finance staff shares a copy of the distribution report with officers and informs the project staff of any unclaimed cash transfers.
7. Officers follow up in the field with beneficiaries with spot checks and post-distribution monitoring.

22.5.3 Cash Payments

Where payments (or a proportion of the payments) must be made in cash the officers will go through the same beneficiary calculations and approval processes and as prescribed by legislation.

The safety and security of officers who are handling cash is paramount and must be planned well including the involvement of police during cash in transit, access to Safe to secure cash (preferably in the Provincial and District Treasuries or left within the bank until distribution).

On days of cash/cheque distribution it is generally easier for a Payout Officer to verify IDs and then provide a coupon or voucher to redeem for cash by the other Payout Officer.

Payout Officers can only distribute cash to beneficiaries as per approved distribution sheet and obtains a signature from each beneficiary on a cash

distribution sheet. The sheet needs to indicate name, id number, voucher number when applicable, gender, date, amount received and signature. Where appropriate, provincial, district, local government officials or community leaders should be present at cash distributions, both for security as well as for transparency.

At the bottom of each distribution sheet the Payout Officers will sign to confirm cash was distributed as stated. Additional verification can also be done by community leaders who would sign on the distribution list if this is appropriate in the context.

If there was a balance amount the Payment Planner (or officers who manage the banking) will receive a receipt for the returned amount.

22.5.3.1 Common Risk with Cash Distribution

When distributing cash to beneficiaries, particularly in remote areas, project sites or customary landowner settings, officers must be alert to the following risks:

- Persons attempting to claim funds without valid ID or proper vetting, including imposters or non-clan members.
- A beneficiary attempting to collect more than once under different names, or from multiple payout locations.
- Mismatch between counted cash and signed register totals due to error or misappropriation.
- Cash not adequately secured during bank withdrawal or travel to site.
- Officials or agents attempting to intercept, collect on behalf of others, or demand a portion of funds as a "cut".
- Cases where the rightful recipient (often a woman or youth) is pressured by a partner or relative to hand over the cash, despite it being legally theirs. Officers must ensure:
 - the named beneficiary is the person who signs;
 - ID is checked;
 - the payment is not made to another person unless formally authorised.

- Missing signatures, registers not properly completed, or absence of photographic evidence, making future verification impossible.
- Perceptions of unfairness in payout amounts or eligibility, leading to disruption, threats or community complaints.
- Deliberate breaking down of larger amounts into sub-K1,000 instalments to allow for cash payment - this is a breach of FMM policy and is strictly prohibited.

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FMM 03.24 Cancellation, Dishonoured and Stale Cheques

24.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Unclaimed Monies Act 1963

24.2 Standards and Supporting Documentation

- IFMS Training Manual for Accounts payable – Journal Processing

24.3 Minimum Responsibilities

Departmental Heads must ensure stale cheques are identified, reversed, and reported as part of monthly reconciliations.

Heads of Finance are responsible for ensuring cheque tracking mechanisms are in place, and for authorising the reissuance of payments where appropriate.

Finance Officers and Accounts Payable Staff are to monitor outstanding cheques and initiate cancellation once stale.

24.4 Mandated Policy

24.4.1 Stale Cheques

Stale cheques pose a financial control risk, as they may be dishonoured or fraudulently reused. While there is no legal expiry in law, general bank custom is that a cheque is most likely to be dishonoured after 12 months.

- 1. For Government of PNG issued cheques, a cheque is considered stale if not presented at a bank within 12 months of its issue date.**
- 2. It is incumbent on agencies to monitor and ensure that the bank is formally notified to cancel a cheque after 12 months.**
- 3. A stale cheque must firstly be cancelled by the bank (so that it cannot be presented) before being processed in the Approved Accounting System as a cancelled cheque.**
- 4. Upon becoming stale, and following bank notification, cheques must be reversed through IFMS.**

5. **A Stale cheque must not be reissued automatically—a new claim must be submitted and processed under the current financial year’s appropriation.**
6. **Cheque management and review of unrepresented cheques must be embedded in monthly reconciliation and reporting activities.**

24.4.2 Dishonoured Cheques

7. **Should a Government cheque be dishonoured, the dishonoured cheque is usually returned to the depositor who will liaise with the agency.**
8. **Prior to taking any action, the agency must first cancel the cheque with the bank.**
9. **Within the current fiscal year, a new cheque will need to be reraised once the dishonoured cheque returned and/or cancelled in IFMS. A new claim does not need to be raised within the fiscal year for financial delegate approval. Payment authorisation is still required.**
10. **From a prior fiscal year, and following bank confirmation that the dishonoured cheque is cancelled, a new cheque is raised following the resubmission through the accounts payable process with new financial delegate approval and payment authorisation.**

24.5 Non-Mandatory Guidance

- Guidelines for cancellation of cheques are outlined in the IFMS Accounts Payable Manual.
- Regularly monitor unrepresented cheques through the bank reconciliation process.
- Identify any cheque that remains unrepresented after 12 months from the cheque date.
- The theoretical journal entry in IFMS:
 - Debit: Cash Book (IFMS string used to issue the cheque)
 - Credit: Cash Book (same string) with Economic Item 812105 – Stale Cheques
 - Ensure correct use of vote code and full IFMS string.

A delegated officer (usually Head of Finance) must review and formally endorse the journal entry prior to processing.

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FMM 03.25 Government Corporate Cards and Vendor Accounts

25.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 11 – The Finance department head is the only authority to approve corporate debit cards for GoPNG agencies.
 - Section 12 - Authorises the Secretary for Finance to oversee banking arrangements, including government accounts and any financial instruments related to public money.
- National Procurement Act 2018 – Procurement transactions using corporate cards must comply with government procurement rules and approval limits.

25.2 Standards and Supporting Documentation

Nil

25.3 Minimum Responsibilities

The Department of Finance approves corporate debit card usage, monitors compliance, and has the authority to suspend or cancel cards that are not properly managed.

Agency Departmental Heads must ensure that corporate cards are issued only to officers with a clear business need and that all transactions comply with approved procurement and financial management policies. The agency department head is also required to follow the requirements for assigning delegations (as they relate to corporate cards) in accordance with the PFMA.

Finance Officers and Card Supervisors are responsible for reviewing transactions, ensuring that every cardholder's expenditures are approved, reconciled, and acquitted in a timely manner.

Cardholders must only use corporate cards for official government purposes and must submit monthly reconciliations with full documentation.

25.4 Mandated Policy

- 1. The Finance department head is the only authority to approve GoPNG Corporate Debit Cards using powers under Section 11 of the PFMA.**

- 2. An agency should not and will not have a card approved if they do not have the appropriations sufficient for the use of the corporate card.**
- 3. Agencies can only use GoPNG Corporate Debit cards issued by approved banks.**
- 4. Corporate and purchasing cards are only allowed to be issued as physical cards (including other physical issued methods such as sticker codes) - virtual cards are not allowed.**
- 5. Corporate and purchasing cards are only allowed to be used for Official Purposes and for Allowable Payments – both must be met.**
- 6. Corporate cards are issued to an individual (called the Cardholder) and can only be used by approved persons within approved limits.**
- 7. Corporate cards are required to have sufficient funds held in the linked bank account for a transaction to be processed on the card. Credit cards are not allowed for use by Agencies.**
- 8. There is zero tolerance for corporate or purchasing card fraud and using our suppliers/vendor charging accounts to purchase items that are not for official purposes.**
- 9. All officers of an Agency must report matters relating to suspected corporate card misuse to the Department of Finance Financial Audit and Investigation Division (FAID) as soon as an issue is identified.**
- 10. Agencies must ensure that:**
 - a corporate card is only issued to a person where there is a business need and sufficiency in the appropriation to use the corporate card;
 - a corporate card is only issued to a person where they have met the identification requirements of the Bank;
 - every cardholder is allocated a card supervisor (i.e. a person who supervises the use of a card). For the avoidance of doubt, the card supervisor is the supervisor of the card not necessarily the line supervisor of the cardholder, for example, a card supervisor may be assigned to the FAS Corporate Services for all cardholders;

- every card transaction is authorised by a person with an appropriate financial delegation. For the avoidance of doubt, the financial delegation for the authorisation of the transaction may be allocated to a person other than the cardholder, depending on Departmental Head delegations.

To reduce the risk of misuse, the Department of Finance will monitor corporate card use and acquittals and suspend/cancel cards that are not managed in accordance with directions.

25.4.1 Authorised GoPNG Corporate Debit providers

In accordance with section 11 of the PFMA, agency banking arrangements must only be conducted with Banks approved by the Secretary Finance. The approved institutions to supply the GoPNG Corporate Debit Cards are:

- BSP Financial Group (BSP)

25.4.2 Corporate Cards must only be used for official purposes

Corporate and purchase cards are unique in that the procurer and the payee are the same person at the same time. Having a corporate card does not mean that the officer can decide what to purchase and it is important that there is a very clear understanding of the responsibilities in the use of these cards.

Any corporate or purchase card must only be used for official purposes. Official purposes refer to expenditures that are necessary and directly related to the conduct of the agency business.

As a general guide, if the item has not been purchased in the past using other procurement methods, then the cardholder should seek endorsement prior to making the payment.

11.If the cardholder does not have Agency financial delegations (Section 32 delegations), then any corporate card purchase must be firstly approved by the financial delegate prior to payment.

There is a zero tolerance on corporate card fraud and non-official transactions are considered fraud.

Official use includes, but are not limited to:

- Purchasing office supplies, and services required for the performance of official duties.
- Covering costs associated with official travel, such as transportation, accommodation, and meals, in accordance with the government's travel policy.
- Payment for courses, seminars, conferences, and workshops that are approved for the officer/s to attend in accordance with Agency policies.
- Expenses that support the day-to-day operations of the Agency, such as communication services.
- Acquiring goods or services in response to an unforeseen and urgent need that cannot be met through normal procurement channels.

The use of the card for official purposes excludes any personal, private, or unauthorised expenditures.

25.4.3 Prohibited use of Corporate Card – Non Allowable Payments

12. Except in the following circumstances, an Agency Departmental Head or Secretary Finance has the authority to define what purchases are justifiable, auditable, and aligned with the agency's mission and objectives.

13. Corporate cards are not to be used for the following payments or in the following circumstances:

- transactions of a type or for a purpose explicitly restricted by an Agency Departmental Head and it is the responsibility of the Departmental Head to ensure that this should be documented and known by holders of corporate cards.
- In any instance, the following purchases are NOT Allowable:
 - Fines or offences, even if incurred by an individual whilst in a government vehicle.
 - Obtaining cash.
 - Non-current Assets (that is any asset more than K5,000)
 - Computer Hardware – Laptops/Desktops or similar high value portable and attractive items

- Office Fit outs
- Consultancies
- Paying individual persons - Use of a card to make payments directly to individuals using PayPal or any other similar payment gateway that allows a person to pay an individual directly. This does not apply to registered businesses who have this payment option on their official website for purchasing of goods and services, but it is not the preferred method of payment.
- Leasing including equipment, car hire unless during duty travel etc.
- Staff engagements including casual labourers.
- Personal transactions– including linking to or funding a third-party payment account held in the name of the cardholder – for example, linking the card to Digicel or Vodafone accounts, officeworks or another supplier where the corporate card details are saved for future purchases for that individual.

14. Corporate cards are not provided to enable staff to deposit their own travel allowances into that card for travel. A travel allowance or any other allowance paid to an officer is considered personal and must not be held on a corporate card. If a person wishes to use a debit visa or mastercard they should arrange for their own personal card linked to their personal Bank account.

15. Tips and gratuities unless it is in a country where this is expected and can be no more than 20% of the bill in the United States, 15% in Canada, Mexico, Qatar and United Arab Emirates. Cardholders are expected to check the bill has not automatically applied this as a service charge. Any other tips or gratuities are at the travellers expense.

25.4.4 Eligibility to be a cardholder

16. To be eligible for a corporate card, an agency and its officers must:

- be Public Servant officers with no prior history of card misuse or failure to comply with this FMM or Agency corporate card procedures.

Corporate cards will not be issued to contractual employees or in the name of a business unit for use by multiple staff members;

- have a business need for a corporate card for official purposes where it can be demonstrated that the cardholder has an ongoing and regular need to purchase goods or services on behalf of the Agency which is best facilitated through the use of a credit card;
- undertake mandatory training.

17. There is are preapproved limited related to cards an variations from this limit can only be approved by the

25.4.5 Use of Corporate Cards by Portfolio Ministers

18. The Minister for Finance by Gazette notice has authorised limited and conditional corporate-card purchasing powers to Ministers (with a Portfolio) under Section 2B of the PFMA within a specified per transaction threshold and the monthly limit.

19. Portfolio Ministers who have been issued with a corporate card are required to sign and conditions of use form and will also acknowledge that the monthly acquittals will be published on the Department of Finance website.

25.4.5.1 Eligibility

20. A Minister is not automatically assigned a corporate card or provided with corporate-card purchasing powers. The need to have a corporate card must be demonstrated for official purposes related to the Portfolio and are only activated on approval by the Finance Secretary.

21. Each Minister must complete the “Conditions of Use” form and the BSP Corporate Visa application before card issue.

25.4.5.2 Permitted and Prohibited Spend

22. Permitted spend mirrors “Official purposes” in this FMM and also includes:

- a. Prohibited spend extends the general list to include:**
- b. Hospitality for political events.**
- c. Gifts over K 200.**

d. Party-political advertising.

e. Card use for personal or electorate expenses is banned.

25.4.5.3 Oversight and Reconciliation

23. The card supervisor will be the respective Minister is the agency department head and they must approve monthly acquittals.

24. All approved monthly acquittals including statements, receipts, and the reconciled spreadsheet are to be emailed to the Department of Finance Corporate Card Unit by the tenth working day of the following month.

25.4.6 Card limits

25. There are specified card limits for Government corporate cards:

	Transaction limit (incl. GST) Point of Sale	Transaction limit (incl. GST) E-commerce	Monthly limit (incl. GST)	Cash ATM or Cashback at Point of Sale
Minister	K5,000	K5,000	K50,000	K0
Level 1 (high volume user with senior years of services and judgement)	K5,000	K5,000	K100,000	K0
Level 2 (moderate user or procurement level)	K1,000	K,5,000	K25,000	K0
Travel Officer	K50,000	K25,000	K100,000	K0
Other coordinator senior officer	K2,000	K5,000	K15,000	K0

25.5 Non-Mandatory Guidance and Steps for Implementation

Having a corporate card means time and responsibility to maintain the monthly reconciliations and records of receipts related to the transactions.

After a need has been identified and Agency Departmental Head approval has been given to apply, the following steps are followed to apply for a GoPNG Corporate Debit Card:

STEP 1. Complete the **Government Conditions of Use Form** noting that by signing the form, the applicant agrees to comply with the terms and conditions specified on the form including the submission of acquittals prior to replenishment of the card account to the card supervisor,

Agency Finance head and Department of Finance, Financial Control Division;

STEP 2. Complete the **BSP Corporate VISA Application Form** and attach the necessary identification information;

Please note, that the cardholder will be required to satisfy the ‘know your customer’ identification requirements of the BSP.

Please note, that the cardholder will be required to register a mobile phone number to receive OTP when using the card for online transactions.

STEP 3. Sign the **Government Conditions of Use Form** and **BSP Corporate VISA Application Form**, taking a copy for your personal records, and send to the Agency Department Head’s nominated card supervisor for approval.

STEP 4. The card supervisor will:

- i. Read and understand the corporate card supervisor’s responsibilities on the **Government Conditions of Use Form**;
- ii. Review and ensure completeness of the **BSP Corporate VISA Application Form**
- iii. Sign the **Conditions of Use Form** as acceptance of the supervisor role under the section Corporate Card Supervisor’s Acknowledgement and Responsibilities

STEP 5. The Departmental Head is the card approver (if not a bank signatory then the primary mandatory bank signatory of the Agency’s operating account is also required to sign) must also sign the **Conditions of Use Form** and **BSP Corporate VISA Application Form**.

STEP 6. The completed forms are emailed to CorporateCardUnit@finance.gov.pg or delivered attention to: FAS, Financial Controls Division, Department of Finance.

STEP 7. The Corporate Card Unit will review the application for completeness, and match this against the business need and previous history of the Agency.

STEP 8. Comply with the requirements on using, reconciling/acquitting and cancelling corporate cards (which are outlined in the following sections).

Corporate cards must only be used by approved persons within approved limits

25.5.1 Using Corporate Cards

25.5.1.1 Cardholders responsibilities

Agencies must ensure that every **cardholder** accepts responsibility to:

- use the corporate card in line with this FMM and the Agency's own procedures, the card provider terms and conditions of card use, and the Code of Conduct for the PNG Public Service;
- only use the card within card transaction limits;
- only undertake transactions that are within the cardholder's own financial delegation or that are related to a pre-authorized FF3 or other written authorisation;
- where you as a cardholder will personally benefit from the transactions (such as paying for your own training or supplies), that you have sought supporting financial delegation approval to make the purchase and this is in a form that can be used as evidence when completing the reconciliations (such as a manual FF3, approval brief or email);
- use the corporate card with the awareness that unauthorised use of the card by an approved cardholder may attract criminal penalties;
- keep the card, card details (including the 3 digit card security code CVV) and personal identification number (PIN) secure at all times and ensure they are only used by the cardholder when conducting an authorised transaction;
- regularly review the corporate card account or statement within or soon after the end of each monthly billing cycle for the presence of unauthorised transactions, which are to be disputed in accordance with agency practice;

- reconcile and acquit card transactions at the earliest opportunity and at a minimum within timeframes set by the agency for the end of each monthly billing cycle; and,
- retain valid documentation for all transactions i.e. tax invoices and receipts.

25.5.1.2 Agency card supervisor responsibilities

Agencies must ensure that every **card supervisor** accepts responsibility to:

- monitor and supervise the cardholder's use of the corporate card in line with this FMM, Agency procedures, the card provider's terms and conditions of card use, and the Code of Conduct for the PNG Public Service;
- monitor that all transactions are supported by appropriate valid documentation;
- in the case of a cardholder without a financial delegation, review that every card transaction has supporting evidence, in a form suitable to the agency, that it has been authorised by a person with an appropriate financial delegation;
- monitor that cardholder transactions are reconciled, acquitted and, if necessary, disputed on a monthly basis; and,
- review and approve monthly cardholder transactions within timeframes set by the agency.

25.5.2 Activating the card

Agencies must ensure that the card is established on the finance system. For IFMS, the card is created as a new bank account with a specific corporate card bank. For agencies that have been approved to use another accounting system, similar procedures must be in place to register the new bank account on the accounting system to monitor and record accounting transactions and to undertake reconciliations to acquit expenditure.

Transferring money to the corporate card is considered a bank to bank transfer (not expenditure) (Credit Bank 1, Debit Bank Corporate Card 2).

Expenditure is accounted for as the card is acquitted (Debit expenses, Credit Bank Corporate Card 2).

25.5.3 Using and reconciling the card

STEP 1. A cardholder will have online access to their card account and will receive a statement monthly of the corporate card transactions. An

electronic version of this statement is uploaded into the accounting system against the bank account linked to the corporate card.

STEP 2. The cardholder is to go through the statement and attach all supporting documentation (invoices, receipts etc.) to the statement relating to each transaction in on the statement along with a covering spreadsheet which records this. **All transactions must have supporting documentation that support the approval of the expenditure and that this expenditure was for official business purposes.**

Date	Bank Statement Reference	Receipt Reference (attached)	Description/ Purpose	Account Code	Amount	Running Balance

STEP 3. Ensure each transaction has the appropriate activity code/chart of account for the Approved Finance System assigned to the transaction.

STEP 4. Submit this completed spreadsheet with supporting attachments to the card supervisor for approval. This should be done by the 10th working day of the month.

Signatory 1	Cardholder
Signatory 2	Cardholder supervisor
Signatory 3	Finance (acquitted processed)

STEP 5. If there are **unauthorised or disputed transactions** on the statement – the cardholder must contact BSP as soon as possible using the BSP contact details provided with the card issuance documentation or the customer service centre.

STEP 6. Once approved by the supervisor, scan the completed document and retain all original documentation as required in accordance with the Agency record keeping requirements.

STEP 7. Submit the completed corporate card reconciliation including the excel spreadsheet to the Agency finance team to complete a journal upload into the Approved Finance System to finalise the acquittal.

Please note – the Department of Finance Corporate Card Unit will review and sample monthly acquittals for review to ensure that the corporate cards is being in accordance with this FMM. Lodgement of monthly acquittals can be emailed to the corporatecardunit@finance.gov.pg

25.5.4 Card Supervisor reconciliation steps

The card supervisor is required to review all transactions and sign the completed acquittal to verify that:

- All purchases are reasonable and legitimate business expenses and in keeping with the purpose for corporate card issuance;
- Transactions are not for personal purposes;
- There are no cash withdrawals;
- Readable copies of the tax invoices/receipts are attached to the reconciliation to substantiate that the transactions are legitimate;
- Where a legitimate business expense will personal benefit the cardholder, the card transaction has supporting evidence that the expense was appropriately pre-approved by someone other than the cardholder with the appropriate financial delegation (such as a FF3, briefing or email of approval);
- The necessary activity codes/chart of accounts is assigned to each transaction.

The card supervisor is required to immediately report any suspected misuse or fraudulent activity to the Department of Finance, Corporate Card Unit immediately.

If the transactions are not reconciled withing 60 days of the transaction date, the Department of Finance will instruction the suspension of the corporate card. The suspension will remain in place until the reconciliation is completed. Continued failures to reconcile transactions or outstanding reconciliations of three months will result in the corporate card being cancelled.

25.5.5 Cancellation of a Corporate Card

A Cardholder must cancel their card if they:

- Will be away from their work area for three months or more
- Permanently leave their normal work area
- Are resigning or retiring
- No longer need a card
- Are instructed to do so by Department of Finance or the Agency Departmental Head

To cancel a corporate card, the cardholder must:

- Reconcile all outstanding transactions and have them approved by the card supervisor
- Resolve any outstanding discrepancies
- Cancel any subscriptions or other payments on the card
- Cut up and dispose of the card in the presence of a suitable witness to ensure card information is no longer readable or via a provided photo of the cards destruction
- Notify BSP and follow their instructions on cancelling the card.

Cardholders are to also notify the card supervisor and the Department of Finance Corporate Card Unit or the cancellation of the card to remove it from the register and to archive the linked bank account of the agency approved accounting system.

25.5.6 Lost or Stolen Cards

BSP will provide details on the steps required for lost and stolen cards

25.5.7 Monitoring and investigation of card misuse and suspected fraud

25.5.7.1 Agencies must investigate all non-compliance and corporate card fraud

Agencies must document all breaches of this FMM and Agency procedures, the card provider's terms and conditions of card use, and the Code of Conduct for the PNG Public Service in the context of corporate card use, and report these in a timely manner to the Departmental Head and in accordance with the Agency's disciplinary and fraud policies (which should be updated to reflect the use of corporate cards).

Corporate cards are highly susceptible to misuse and overuse and it is important they are monitored closely.

Where there is material breaches, this should be reported to the Financial Audit and Inspections Division of the Department of Finance corporatecardunit@finance.gov.pg in the first instance. However, investigations@finance.gov.pg to contact the Finance Inspections and Audit Division is also available.

Cardholders and card supervisors who allow unacquitted transactions to exceed 60 days after the transaction date are in breach of this FMM.

25.6 Accounting treatment of Corporate Card Transactions

25.6.1 Recognition of the Corporate Card Bank Account and deposits

The method used to transfer funds to corporate card accounts differs depending on whether the agency operates within the IFMS or uses its own approved accounting system. *The distinction reflects the requirements to operate using a Warrant Authority.*

25.6.2 Transfer (Deposits) to Corporate Card Accounts

25.6.2.1 Agencies not using IFMS

For agencies not using IFMS, when a corporate card has been issued to the cardholder, the Head of Finance is required to register the corresponding bank account in the chart of accounts as a bank account (asset). Standard naming should be used for each corporate card bank account - Corporate Card [Cardholder Name]. *Under the Government of PNG Corporate Card Program, until an expense management system is in place – every card is linked to its own bank account with BSP.*

25.6.2.2 Agencies Using IFMS (CFC/TFC Entities)

For national departments, provincial governments, and other agencies operating within the IFMS, transfers to corporate card accounts are recognised as an expense and a dedicated economic item has been set up to record this - **Corporate Card Holding Account (CCHA).**

Before transferring, the Cash Fund Certificate (CFC) or Trust Fund Certificate (TFC) will need to be issued to the CCHA for the relevant sub-appropriation. Please note:

- The CCHA is an expense-classified control code in the chart of accounts (economic item).

- It is used to recognise the deposit of funds disbursed to corporate card accounts and it remains within this economic item pending acquittal.

The transfer process is:

- Issue of CFC or TFC using the CCHA as the nominated economic item. This sets aside budget within the warrant authority to allow disbursement.
- Payment journal prepared through the accounts payable module to the CCHA using the CFC/TFC. The effective journal entry is:
 - **Dr** (expense) Corporate Card Control Holding (CCHA)
 - **Cr** (asset) Operating/Drawing Account/Trust Bank Account

The amount must remain in the CCHA and no further journal may be processed until the acquittal is submitted and signed off by the card supervisor and Head of Finance.

25.6.2.3 Agencies Using External Accounting Systems (Non-IFMS Entities)

Agencies not operating on IFMS must recognise each corporate card (for what it is) as a bank account in the ledger and account for transfers from the operating account to this corporate card account as interbank cash movements. The naming format is **“Corporate Card Account – [Cardholder Name]”**

The transfer process is:

- **Dr** Corporate Card Bank Account – [Cardholder Name]
- **Cr** Agency Operating Bank Account

25.6.3 Recognition of Acquittals

Once a purchase is made using a corporate card, the amount is immediately withdrawn from the card’s linked bank account by the bank. However, no ledger entry is to be recorded until an acquittal has been submitted, reviewed, and approved by the cardholder’s designated supervisor and endorsed by the Head of Finance (or delegate).

The method of recording the acquittal differs depending on whether the agency operates on the IFMS or uses another approved accounting system.

25.6.3.1 IFMS Agencies

For agencies operating within IFMS, acquittals are processed by reallocating the original amount held in the Corporate Card Control Economic Item (CCHA) to the **Corporate Card Economic Item related to its expense type** using a general ledger journal. The economic items that have been set up are:

- CC Travel
- CC Office Supplies and Consumables
- CC Subscriptions (this is recurring and ongoing costs including IT software and other types of automated deductions)
- CC Meeting and Events
- CC Fuel consumables (motor vehicle expenses)
- CC Other Expenses
- CC Recoverable Expenses (this is an account specific to where there is amounts that were not approved as an official business expense and must be recovered from the cardholder)

Approved Acquittal Journal (IFMS):

- **Dr** Substantive Expense Economic Items (e.g. Travel & Subsistence, Fuel, Office Supplies) against the same sub-appropriation
- **Cr** Corporate Card Control Holding Account (CCHA)

This clears the amount from the control account and records the actual economic purpose of the expenditure.

Agencies are to use the CCHA account as a way of tracking unacquitted balances. The Department of Finance Corporate Card Unit will also be tracking the entries and balance of this economic item.

- The amount in the CCHA must not be amended, reclassified, or reversed until the approved acquittal is received.
- Each acquittal journal must reference the cardholder's name, transaction period, and acquittal number.
- Acquittals are to be processed within 10 working days of the transaction or monthly statement close.

25.6.3.2 Non-IFMS Agencies (Using other Approved Accounting Systems)

For agencies not on IFMS, the corporate card account is treated as a separate bank account asset. The acquittal process should follow the agencies current bank reconciliation of categorisation process to match the corporate card bank statement to the corporate card acquittal. Essentially the journal be through the bank reconciliation or general ledger posting:

- **Dr** Substantive Expense Accounts (per receipts)
- **Cr** Corporate Card Bank Account – [Cardholder Name]

Matching and Reconciliation Options:

- Where available, agencies may use their accounting system's bank reconciliation or categorisation matching features to reconcile and allocate the transactions directly to the relevant expense codes.
- For agencies using an Expense Management System (EMS), the acquittal is uploaded and matched through the EMS interface against bank feeds, then reviewed and posted.

Key Controls:

- Each corporate card account must be reconciled monthly.
- Journals should be traceable to the acquittal submission and clearly show each transaction's original value, date, and coding.
- Only the approved portion of the acquittal may be cleared from the card account. Any discrepancies or unauthorised items must be addressed separately (see below).

25.6.4 Handling Prohibited Expenditure, Disputes, and Refunds

25.6.4.1 Prohibited or Personal Expenditure (Recoverable Expense)

Where a corporate card has been used for an ineligible, personal, or otherwise unapproved purchase, the transaction must not be journalled to a standard expense account. Instead, it is to be recorded against a designated recoverable tracking economic item called **Corporate Card Recoverable Account**.

For IFMS Entities

- **Dr** Corporate Card Recoverable Account (CCRA)
- **Cr** Corporate Card Control Holding Account (CCHA)

For Non-IFMS Entities

- **Dr** Corporate Card Recoverable Account
- **Cr** Corporate Card Bank Account – [Cardholder Name]

Repayment by Cardholder:

Upon repayment by the cardholder (via payroll deduction or direct deposit):

- **Dr** Operating Bank
- **Cr** Recoverable Corporate Card Expense

Unrecovered amounts outstanding for more than 30 days must be reported to the Head of Finance and followed up under disciplinary or financial misconduct procedures as appropriate.

25.6.4.2 Disputed Transactions or Unresolved Items

Where the cardholder identifies a fraudulent charge, duplicate transaction, or error lodged with the bank for investigation (it is the cardholder's responsibility to contact and lodge the dispute with BSP and not the supervisor or accounts team), the disputed amount should not be posted to any expense code until resolution is confirmed.

Instead, the amount should remain in the original holding account until settled which is either the Corporate Card Control Holding Account (CCHA) or bank account as unacquitted balance for non-IFMS entities. When the dispute is resolved:

- If refunded: follow refund treatment below.

- If upheld: post to the relevant expense code/economic item

Disputes must be finalised within 30 days where possible. Longer cases must be documented and monitored monthly.

25.6.4.3 Refunds Received After Acquittal

If a merchant refund or chargeback is received after the transaction has already been acquitted, the refund must be applied back to the original expense item used in the acquittal. Refunds must not be credited to a revenue item.

For example if a hotel is holding a credit charge for the room on the corporate card and this hasn't been returned before the acquittal is lodged, the original charge would have been acquitted to travel accommodation economic item and the refund received in later months would also be recognised to this economic item/account.

25.6.5 Reconciliation

All agencies must reconcile corporate card activity at least once per month.

25.6.5.1 IFMS Entities:

- Reconcile the Corporate Card Control Holding Account (CCHA) against all approved acquittals and outstanding transfers.
- Unacquitted balances must remain in the CCHA until cleared.
- Generate reconciliation reports showing all card top-ups, acquittals, prohibited items, and unresolved transactions by sub-appropriation.

25.6.5.2 Non-IFMS Entities:

- Reconcile each Corporate Card Bank Account – [Cardholder Name] using the accounting system's bank reconciliation or expense management function (if possible).
- Acquitted transactions should fully clear the account back to zero (or show pending balances if partial).

25.6.5.3 Unreconciled Balances

- All balances unacquitted for more than 30 days must be reported to the Head of Finance.

25.6.6 Quarterly Reporting

At each quarter and year-end, agencies must report to the Department of Finance Corporate Card Unit on:

- **Total funds disbursed to corporate cards**
- **Total acquitted by expense category**
- **Outstanding unacquitted balances**
- **Prohibited spend and recovery progress**
- **Any unresolved disputes**

These reports must be signed off by the Head of Finance and made available to internal audit, external audit, and oversight bodies as required.

25.6.7 Documentation and Retention

All agencies must retain (in electronic form) the following records:

- Cardholder application and agreement
- Monthly card statements
- CFC/TFC approvals (IFMS only)
- Acquittal forms and receipts
- Journals and reconciliation reports
- Refund or dispute correspondence
- Payroll recovery authorisations (if applicable)

Records must be made available for inspection by internal audit, the Auditor-General, and the Department of Finance when requested.

Further Information	fcd@finance.gov.pg
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FMM 03.26 Foreign Currency Receipts and Payments

26.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Income Tax Act 1959 (as amended)
- Bank of Papua New Guinea (BPNG) – Central Banking Act 2000 (as amended)

26.2 Standards and Supporting Documentation

- Foreign Exchange Application Forms (commercial bank or BPNG submission)
- FE Notice 20 – Notification of Foreign Exchange Remittance
- Foreign Exchange Reporting Framework for Authorised Dealer and Public User (Bank of PNG issued December 2023)
- IRC Tax Clearance Certificate Form (for contracts more than K1.5 million)
- FX confirmation slip (Bank or BPNG)

26.3 Minimum Responsibilities

- Departmental Heads must ensure compliance with BPNG foreign exchange laws and IRC tax requirements.
- Heads of Finance must ensure all foreign payments:
 - Are tax compliant,
 - Include the correct FX process and documentation, and
 - Are converted into Kina for budget and accounting purposes.
- Finance Officers must:
 - Prepare FE Notice 20 forms for all outward foreign payments, and
 - Submit these to BPNG with the payment request and order.

26.4 Mandated Policy

- 1. All foreign currency related expenditure follows the same procurement and payables process as domestic expenditure.**
- 2. Procurement and financial delegation thresholds are to be determined based on the Kina equivalent of the foreign currency value, using the prevailing Bank of Papua New Guinea (BPNG):**

- For expenditure, use the BPNG sell rate on the date the claim is raised must be used.
 - For contracts, the sell rate on the proposed date of execution is to be applied.
 - Where the date is retrospective, or a rate is not available for the transaction date, the BPNG published average rate for the relevant period must be used.
- 3. Cash receipts and payments arising from transactions in a foreign currency shall be recorded by applying to the foreign currency amount the spot exchange rate between PNG Kina and the foreign currency at the date of the receipts and payments.**
 - 4. An agency shall disclose the amount of exchange differences included as reconciling items between opening and closing cash balances for the period (the unrealised gains and losses arising from changes) separately.**
 - 5. All foreign currency remittances, regardless of whether made via BPNG or submitted for processing at a commercial bank, require completion and submission of BPNG Foreign Exchange Notice 20 (FE Notice 20).**
 - 6. All foreign currency is converted and reported in the financial accounts using PNG Kina.**

26.4.1 Tax Treatment

- 7. Refer to FMM Volume 3 on foreign contractors withholding tax.**

26.4.2 Conversion and Budgeting

- 8. The conversion rate and date must be clearly recorded on the claim description in the finance system.**

For approved finance systems (currently not available in IFMS until upgrade) that allow customer/vendor setup in foreign currency, the vendor must be set up in the billing/contract currency and not PNG Kina. The payment or receipt once processed should account for FX rate once receipted or paid.

26.5 Non-Mandatory Guidance

26.5.1 Payment Mechanisms

Where the foreign exchange order is made directly with the BPNG International Settlements team, payments are to be made via:

- EFT or Kundu Pei, or
- Cheque payable to BPNG for international settlement.

Where the foreign exchange order will be filled by a commercial bank (the bank account which the payment is being made from), the payment is liked to be directly deducted from the bank account using an authority form.

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FMM 03.27 Management of Overseas Funds, Financial Operations Overseas (Foreign Posts and Projects)

27.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 111 governs laws of another country applying to financial operations of agents of the State.
 - Section 116 No public money shall be kept in any place outside Papua New Guinea except with the approval of the Finance Minister and subject to such conditions as he determines.

27.2 Standards and Supporting Documentation

- Nil

27.3 Minimum Responsibilities

Department of Finance

- May issue directives, suspend, or terminate overseas accounts if reporting and compliance standards are not met.
- May undertake investigations into suspected financial misconduct or fraud, including abroad.
- Will oversee audit coordination and monitor the compliance of overseas posts with PFMA and financial instructions.

Department of Foreign Affairs and Trade (DFAT)

- Must obtain written approval from the Secretary for Finance for any overseas public bank account.
- Is responsible for developing and enforcing a financial operations manual for all diplomatic posts.
- Must ensure monthly financial reports and reconciliations are submitted to the Department of Finance.
- Must facilitate access for audit and investigation, including from Finance and the Auditor-General.

Heads of Missions/Consulates/Overseas Posts or Projects

- Are accountable for public money held, collected, or spent at their overseas post.
- Must ensure funds are properly recorded, reconciled, and used strictly for official government purposes.
- Must enforce segregation of duties and keep accurate asset registers and procurement records.
- Have a duty to report suspected fraud or misuse immediately to the Secretary of DFAT and the Department of Finance.

27.4 Mandated Policy

- 1. No funds may be held overseas without express written approval of the Finance Minister under Section 116 of the PFMA.**
- 2. All overseas public bank accounts must be reported to, and monitored by, the Department of Finance.**
- 3. All money held outside PNG must be recorded in the general purpose financial statements in PNG Kina at the prevailing exchange rate at the date of the statements.**
- 4. Overseas posts must operate in accordance with a Standard Financial Operating Manual, which must be endorsed by both the department responsible for Foreign Affairs and the Department of Finance.**
- 5. Monthly reconciliation of bank accounts, expenditure reports, and procurement summaries are mandatory.**
- 6. The National Procurement Act 2018 does not directly apply to goods and services procured overseas for consumption overseas, but a parallel procurement framework must be developed and approved for overseas operations as part of the Standard Financial Operating Manual.**
- 7. Fraud and financial abuse in overseas posts will be treated as a breach of leadership and criminal misconduct, and will be subject to investigation under PNG law.**

27.5 Non-Mandatory Guidance

- DFAT shall issue detailed standard operating procedures (SOPs) for:
 - Banking and revenue handling
 - Payroll and allowances for local staff
 - Management of travel advances
 - Small-scale local procurements
 - Use of corporate cards, if applicable
- Finance officers posted overseas must be trained in IFMS or any authorised financial system and be subject to regular refresher courses where IFMS is used.
- Overseas expenditure shall be captured and consolidated into PNG's Whole-of-Government reporting under IPSAS where applicable.

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FMM 03.28 Employee Expenses

28.1 Authority and Prescribed Requirements

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

28.2 Relevant Standards and Supporting Documentation

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

28.3 Minimum Responsibilities

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

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

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

28.4 Mandated Policy

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

28.5 Non-Mandatory Guidance

28.5.1 Establishment and Manpower Budget

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

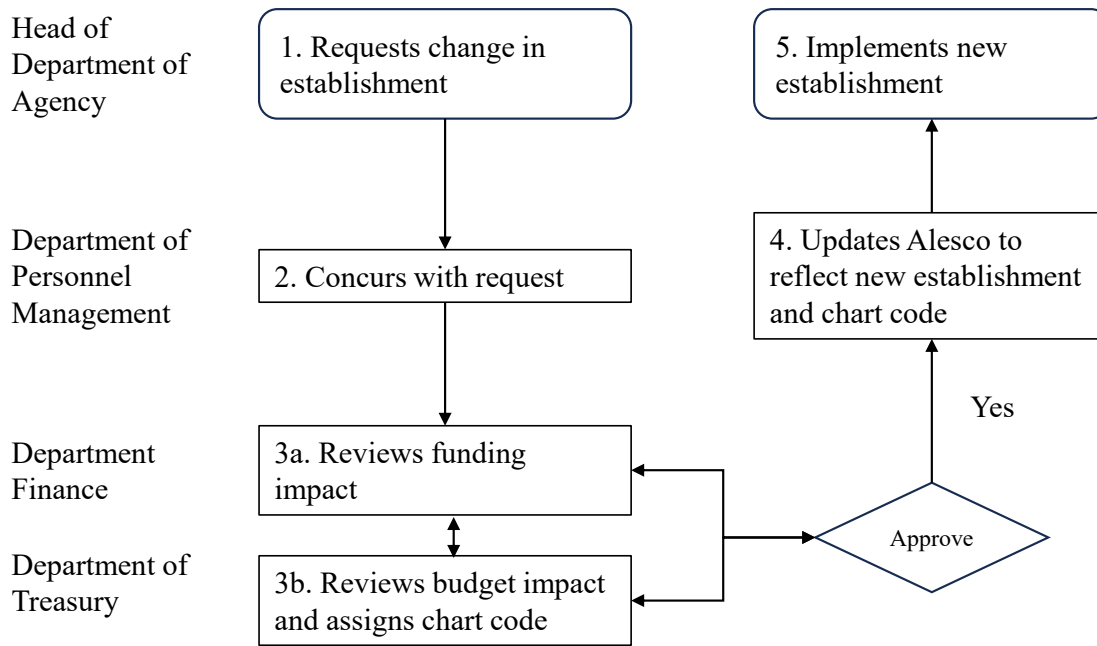


FIGURE 2: ESTABLISHMENT CHANGE

28.5.2 Payroll Management Roles and Responsibilities

The areas of responsibility in Payroll Management are:

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

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

28.5.3 Payroll Process

Figure 10 illustrates the fortnightly payroll process.

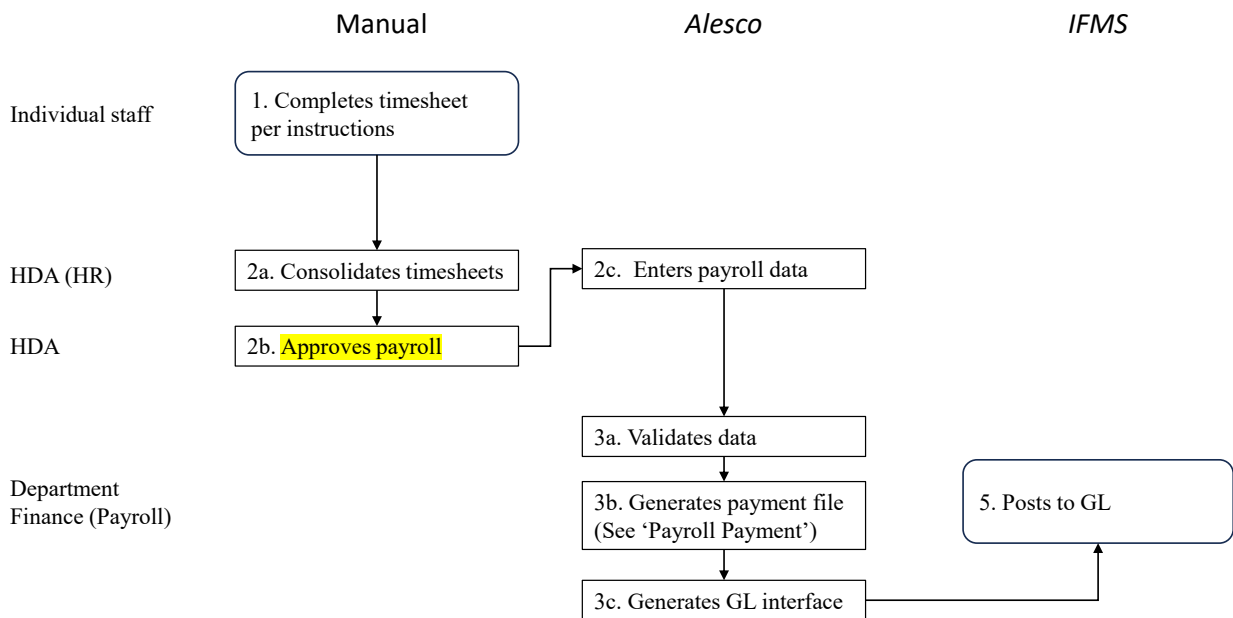


FIGURE 3: PAYROLL PROCESSING

28.5.4 Payroll Disbursement

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

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

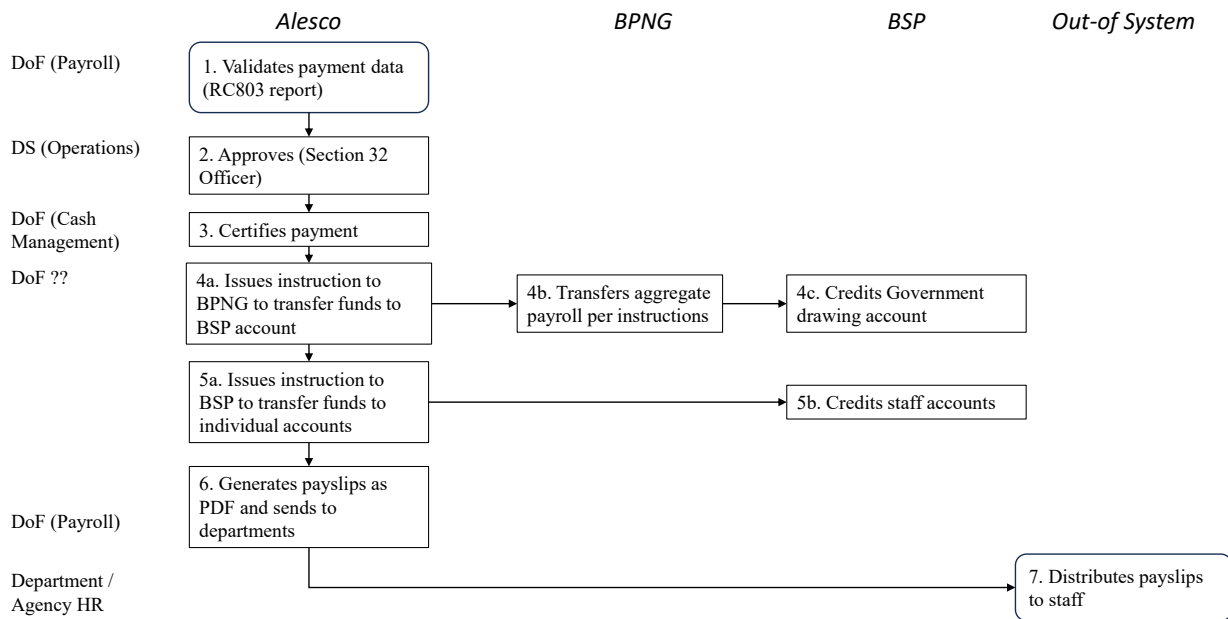


FIGURE 4: PAYROLL DISBURSEMENT PROCESS

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

28.5.5 Tax Withholdings

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

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FMM 03.29 Recalled and Repaid Salaries

29.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

29.2 Standards and Supporting Documentation

- Department of Finance Recalled and Repaid Salaries Business Process Government Payroll Policy 2024
- Banking and Reconciliation Guidelines
- IFMS Payroll Processing Module

29.3 Minimum Responsibilities

The Department of Finance (DoF) is responsible for:

- Managing the Salary Repaid Account held with BSP.
- Approving salary recall and repayment requests.
- Ensuring unclaimed salary repayments are returned to the CRF after one year.

The Payroll Accounting Branch (PAB) must:

- Identify and track undeliverable salary payments.
- Notify affected agencies and public servants of recalled salaries.
- Verify repayment claims and process salary refunds accordingly.
- Reconcile the Salary Repaid Account monthly.

Government Agencies must:

- Submit claims for repaid salaries with supporting documents.
- Ensure salary payments are processed with accurate banking details.
- Report overpayments or salary discrepancies immediately.

The Non-Tax Revenue Division (NTRD) must:

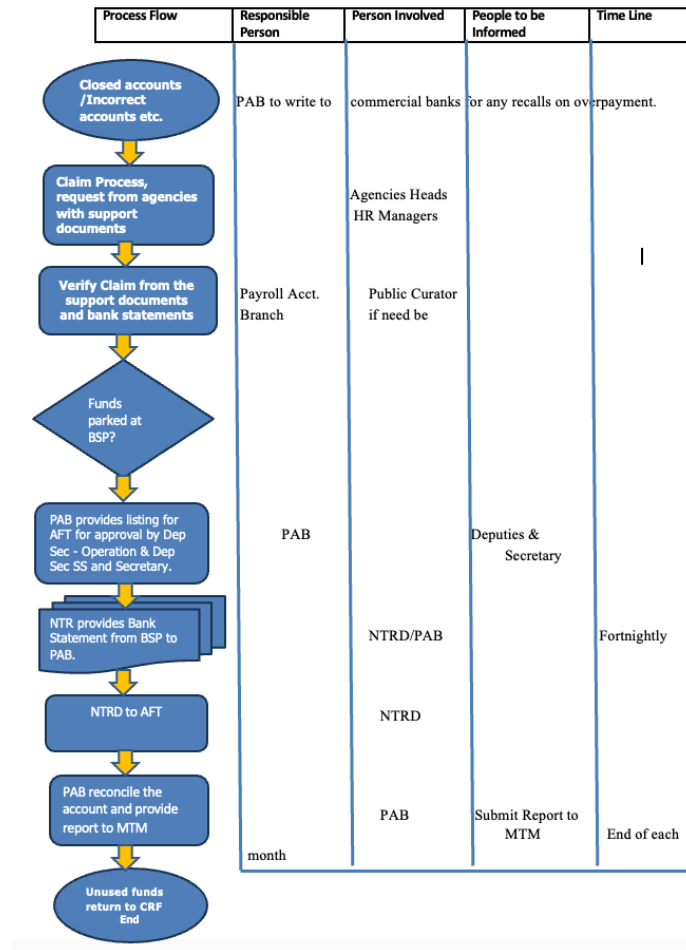
- Monitor the Salary Repaid Account transactions.

- Generate reports from BSP on repaid salaries.
- Process refunds using Authority for Funds Transfer (AFT) where applicable.

29.4 Mandated Policy

- 1. All recalled and repaid salaries must be processed in compliance with PFMA and payroll management policies.**
- 2. Salary payments that are undeliverable due to closed accounts, incorrect details, or deceased account holders must be recalled and temporarily held in the Salary Repaid Account.**
- 3. Recalled salaries may be refunded upon valid claims, supported by original payment details, valid ID, and bank account verification.**
- 4. Unclaimed funds must be transferred to the Consolidated Revenue Fund (CRF) at the end of each financial year.**
- 5. Payroll overpayments that have been recalled must be re-credited to the appropriate government agency's General Ledger (GL) account.**
- 6. Reconciliations must be conducted monthly to ensure proper tracking and reporting of salary recalls and repayments.**

29.5 Non-Mandatory Guidance



29.5.1 Identifying Undeliverable Salary Payments

- Payroll Accounting Branch (PAB) reviews salary payments that were not successfully processed due to:
 - Closed bank accounts
 - Incorrect banking details
 - Deceased employees
 - Other special circumstances (e.g., employees on extended unpaid leave)
- These salaries are moved to the Salary Repaid Account at BSP.

29.5.2 Processing Salary Repayment Claims

- Affected employees or their representatives must submit a formal claim to DoF, including:

- Valid ID
- Proof of original salary payment
- Bank account details (verified through a two-month bank statement)
- The Payroll Accounting Branch verifies claims and processes refunds through Automated Fund Transfer (AFT).

29.5.3 Handling Deceased Employee Salary Payments

- If the salary belongs to a deceased employee, the claim must be processed through the Public Curator's Office.
- The claimant must provide:
 - Death certificate
 - Court or Public Curator documentation proving authority over the estate
 - Proof of original payment details

29.5.4 Managing Unclaimed Salary Payments

- If salary repayments remain unclaimed for one year, they must be transferred to the CRF by December 31st each year.
- Recalled salaries that were overpaid due to system errors or incorrect payroll processing must be credited back to the relevant agency's General Ledger (GL) account.

29.5.5 Reconciling Salary Repayments and Reporting

- The Non-Tax Revenue Division (NTRD) requests monthly bank statements from BSP to reconcile the Salary Repaid Account.
- The Payroll Accounting Branch verifies all transactions and generates financial reports on salary recalls and repayments.
- Reports must be submitted to the Department of Finance for review and national reporting.

29.5.6 Salary Overpayments

Overpayments that are recalled by Payroll Accounting with authorisation from the affected agencies and are the subject of a separate FMM. Monies are re-credited back to the agencies' GL account through:

- Amending records in the system if occupancy records were used.
- Requesting ICT (Database team) to re-credit GL if overpayment occurred using offline data entry.

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FMM 03.30 Treatment of Grants, Subsidies, Financial Assistance and Contributions Expenses

30.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- Section 65 on conditional grants made to Provincial Governments and Local-level Governments

30.2 Standards and Supporting Documentation

- IPSAS 42 – Social Benefits

30.3 Minimum Responsibilities

- Parliament, Provincial Executive Council on specific annual budget allocations that are made for grants, contributions and subsidies are expressly identified based on the grant or assistance program.
- Departmental Heads establish controls that grants and contributions are used for lawful, budgeted purposes and the budgeted appropriation is expressly used for the for the purpose it was identified for.
- Heads of Finance are to monitor cash flow and ensure budget coverage before commitment and maintain complete and auditable documentation for all grant disbursements.

30.3.1 Definitions

Grants and contributions for financial assistance are provided by government to support the achievement of objectives consistent with government policy. Grants may be covered by legislation and/or subject to government discretion. A significant portion of the budget both National and Sub-national governments are dedicated to grants, contributions and financial assistance to non-government organisations and individuals.

As all grant programs involve the use of public money, we are accountable for the funds that are allocated and used, particularly ensuring that the distributions of benefits is fair.

A **grant** is a transfer of public money by a government entity to an individual, organisation, business, or another public body for a specific public purpose, without the expectation of a direct return of goods or services. Grants may be conditional (requiring reporting or performance) or unconditional, and are often used to support:

- Education (e.g. school fee assistance)
- Health and social programs
- Community development
- Public infrastructure or service delivery by non-government entities
- Transfers from National to Provincial and Local-level Governments such as the Service Improvement Program funds

In PNG, grants are often governed by administrative guidelines or ministerial determinations, and must always be budgeted and authorised in accordance with the PFMA and appropriation law.

A grant is not a procurement or a commercial contract, and it must not be used to disguise operational spending.

A **contribution** is a financial support or subsidy given to an entity or project where the government contributes jointly with other funding sources or where the government's support is one of multiple inputs toward an outcome.

Contributions are often:

- Directed to international organisations, churches, or statutory bodies
- Provided as part of shared service delivery arrangements
- Disbursed for ceremonial, diplomatic, or development cooperation purposes

Unlike grants, contributions may not always require specific reporting but must be authorised, budgeted, and transparent.

A **subsidy** is a form of grant-like assistance targeted at reducing the cost of goods or services for individuals or groups. Common subsidies include:

- School fee support

- Medical supply subsidies
- Public transport or agricultural price support These payments are often made directly to service providers on behalf of recipients.

30.4 Policy

- 1. Grant, assistance and contribution expenses are recognised when paid and not on eligibility of the recipient.**
- 2. No grant, financial assistance, contribution of any kind can be paid unless there is a clear budgetary allocation made for the expenditure or program of expenditure and there are rules and grant/assistance administration guidelines in place to administer the distributions:**
 - A program-specific guideline must be approved before any payment is made.
 - The program must be aligned with government priorities and budget allocations.
 - Grants and contributions are not to be paid on an ad hoc or discretionary basis without documented criteria.
- 3. For programs which provide assistance or subsidies, there must be a formal assessment and prioritisation process for selecting recipients. Consideration must be given to geographic, gender, or vulnerability-based equity.**
- 4. For grants or contributions related to projects, infrastructure or market development initiatives, the alignment and prioritisation of the funds must be considered as part of the Provincial, District, LLG development plans.**
- 5. Where grant or contribution programs do not have adequate control or are unable to demonstrate a fair distribution of benefits, funding should be withheld or omitted from the budget.**

30.4.1 School Fee and Education Support Programs

- 6. Provincial and LLGs must have a formal policy or guideline governing school fee assistance:**

- Beneficiaries must be notified in advance of the eligibility criteria, with payment conditions clearly communicated.
- No refund of school fees is permitted unless:
 - A formal notification was issued stating that they are eligible to access the subsidy;
 - Official school receipt is attached;
 - A bank deposit slip or proof of payment is submitted.
- A standard selection process is required for identifying sponsored students.

30.4.2 Disclosure of the recipient category

7. Government grants and contributions must consider the nature of the recipient organisation, as this affects the level of public scrutiny, performance expectations, and reporting requirements.

30.4.2.1 Not-for-Profit Entities (NPOs, NGOs, Faith-Based Organisations)

- Contributions to not-for-profit organisations are generally non-exchange in nature and aimed at achieving a social, humanitarian, or public interest objective.
- These entities are often supported due to their reach, capacity, or alignment with government service delivery objectives.

8. Administrative guidelines or MOUs should be in place to define the public benefit expected and acquittal/reporting requirements for grants or financial assistance given to not-for-profit entities.

Example: A provincial government funds a church-run rural health clinic to improve maternal care in remote areas.

30.4.2.2 For-Profit / Commercial Entities

9. Contributions to for-profit or commercial organisations must be justified only when they are used to deliver a public good or meet policy outcomes, such as:

- Infrastructure delivery

- Agriculture subsidies
- Private sector development partnerships

10. Strict criteria, contracts, and monitoring are required to avoid misuse or appearance of favouritism or subsidy without benefit.

Consideration should be given by the agency on returned benefit from the outcome of the grant or contribution provided.

30.4.3 Payments made for enterprise assistance (commercial for-profit) entities

11. Where public funds are provided to for-profit or commercial entities — including seed funding, business development, research support, or other forms of economic empowerment — the following rules apply to protect public value and ensure financial accountability:

- A formal grant agreement must be in place prior to any disbursement and it captures:
 - Purpose and permitted use of funds;
 - Expected outcomes or deliverables;
 - Timeframes and milestones;
 - Performance and acquittal obligations;
 - Conditions for recovery in the event of commercial success.

The entity must submit financial and program reports as agreed.

The grantor agency is responsible for monitoring compliance and enforcing recovery conditions where applicable.

30.4.4 Recovery of funds

There may be circumstances where moneys remitted to recipients need to be recovered, for example, when:

- Recipients are in breach of the agreement terms and conditions;
- Surplus funds remain unspent at completion of the grant; or
- Grant funds that were provided as seed funding or as an incentive to an organisation to develop commercial successful products or processes

can be repaid to the agency without impacting on the future commercial success and viability of the enterprise.

12. Procedures must be in place to recoup funds from recipients and these are to be documented in the guidelines (and grant agreement if applicable).

13. Recoupment is considered revenue and is recognised in the accounts when received.

30.4.4.1 Recovery of funds provided to for-profit commercial entities

14. Where a grant leads to material financial benefit, and the entity's viability allows, all or a proportion of the funding must be recovered or converted to equity, licensing, or repayment, recovery should be:

- Proportional to the gain realised;
- Triggered by pre-defined thresholds or events (e.g. profits, IP sale, dividends);
- Non-punitive and not applied in a way that risks collapse of the initiative.

30.5 Non-Mandatory Guidance

To ensure transparency, fairness, and accountability in the use of public money, every public entity that administers a grants or subsidy program must establish a formal administrative policy or guideline prior to disbursement of funds. The following core elements should be included:

- Policy Purpose and Scope
- Legal and Financial Authority

Eligibility and Assessment Criteria

- Establish clear, consistent, and fair eligibility criteria (e.g. income, vulnerability, project relevance).
- Include required documents such as:
 - School fee invoices or registration confirmation.
 - NGO registration certificate.
 - Proof of residence or income, if applicable.

- Define how beneficiaries are assessed — via application, referral, or nomination process.
- Describe how equity and provincial/district fairness will be upheld in beneficiary selection.

Application and Selection Process

- Describe the process for:
 - How applications are lodged and by whom.
 - Application forms and deadlines.
 - Assessment panel (if applicable).
- Where assistance is to be distributed to students or individuals, confirm the selection process is standardised across the district or province.

Notification and Conditions

- Beneficiaries must be formally notified in writing of:
 - The assistance being provided.
 - Conditions for use or reporting.
 - Any prohibition on reimbursement claims unless prior approval is given.
- For school fee subsidies, no refund shall be issued unless:
 - The original receipt and bank deposit slip are submitted.

Payment and Disbursement

- Confirm the method of payment (e.g. EFT to school, community group, individual account). There can be no cash payments made.
- Specify whether funds are paid in tranches or as a lump sum.
- Include controls to ensure payments are aligned with the approved recipient list and banking details are verified.

Monitoring and Acquittal Requirements

- Define whether the recipient must submit a:

- Financial report (acquittal).
- Narrative or performance report.
- Include the timeline and format for acquittals.
- Clarify how future support is withheld if acquittals are not provided.

Roles and Responsibilities

- Assign roles to program managers, finance officers, and reviewers.
- Confirm who signs off on the approval and the payment.

Fraud Risk and Sanctions

- Outline fraud risks and misuse of funds scenarios.
- Identify mechanisms for recovery or reporting (e.g. FAID, Ombudsman, ICAC).

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FMM 03.31 Ex-gratia payments and compensation

31.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA) Section 107 – Approval of Ex-Gratia Payments
- Workers' Compensation Act

31.2 Standards and Supporting Documentation

- Nil

31.3 Minimum Responsibilities

Department of Finance (DoF)

- Reviews and approves ex-gratia payment requests within the financial limits.
- Ensures payments comply with PFMA and budget appropriations.
- Maintains a record of all ex-gratia payments for financial reporting and audit purposes.

Government Departments and Agencies

- Submit ex-gratia payment requests with supporting documentation.
- Ensure compliance with loss reporting, injury claims, and compensation guidelines.
- Monitor payments and ensure proper reporting in IFMS.

Finance Officers

- Process approved ex-gratia payments through IFMS.
- Ensure payments are justified, documented, and classified correctly in financial statements.
- Reconcile all payments to prevent duplicate or unauthorised claims.

31.4 Mandated Policy

1. The PFMA grants authority to the Minister and the Secretary for Finance to approve ex-gratia payments and these , through this FMM, are limited to:

- Minister – Up to K50,000
- Secretary for Finance – Up to K25,000

Ex-gratia payments should only be made when a strong justification exists, such as financial hardship, loss, or injury.

Every officer of the Public Service is advised to take out adequate insurance to cover the full value of his personal effects, private furniture, household effects, motor vehicles, boat, and other personal possessions. The Government will not accept liability for losses incurred by officers residing in government or rented accommodation, quarters, hostels or other accommodation for loss or damage arising from fire, theft, storm, tempest, riot, civil disturbance and similar causes or Acts of God.

2. All ex-gratia payments must be recorded in IFMS when paid.

31.5 Non-Mandatory Guidance

31.5.1 Processing Ex-Gratia Payments for Loss of Personal Effects

- Claims must be submitted to the Department of Finance with supporting evidence.
- Verification is conducted to confirm the legitimacy of the claim.
- Payments are processed within the authorised financial limits (up to K25,000 by the Secretary and up to K50,000 by the Minister).
- The authorisation shall be by notice in writing and published in the National Gazette prior to the transfer of the ex gratia payment.
- The Finance Minister shall inform the National Executive Council at the next meeting of the Council after the issue of the authorisation of that ex gratia payment.
- All ex-gratia payments must be recorded under the appropriate expenditure category in IFMS.

31.5.2 Injury to an officer or employee

When an officer or an employee is injured in the course of duty, the superior officer present shall report such injury at the earliest possible moment after the injury occurs.

Such a report, under the Worker Compensation Act, shall be made irrespective of whether a claim for compensation has been made.

Reports of injury to workers or employees will be made in the first instance to the Head of Department. The report whenever possible should contain a statement by the injured person and an eyewitness to the accident stating the circumstances in which the injury was received and should include:

- a) The work on which the worker or employee was employed.
- b) The rate of pay and whether rations and accommodation were supplied.
- c) The names of his or her dependents, their ages and relationship.
- d) Whether the worker or employee during incapacity would receive wages, sick leave, rations, accommodation or other benefits.
- e) Whether the worker when injured was disobeying safety instructions during the execution of his or her work and the manner in which those instructions were conveyed to the workers.
- f) Whether the injury was attributable to misconduct on the worker's part.
- g) A medical report, when available, setting out the:-
 - h) nature of injury
 - i) period or likely period of temporary disability.
 - j) degree of any permanent disability caused by the injury.

The above report will be furnished in all cases where an injury results in incapacity for work irrespective of whether a claim for compensation has or has not been made.

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FMM 03.32 Taxation

32.1 Authority and Prescribed Requirements

- Income Tax Act 2025
- Goods and Services Tax (GST) Act
- Superannuation (General Provisions) Act 2000
- Income Tax (Salary or Wages Tax) Regulation

32.2 Standards and Supporting Documentation

- Public entities must comply with tax guidance, circulars, and practice statements issued by the Internal Revenue Commission (IRC).
- Non-exempt entities, including those formed under the Companies Act 1997 must lodge income tax returns.

32.3 Minimum Responsibilities

Department of Finance is to maintain taxation rules within the IFMS for PNG tax law.

Departmental Heads

- Ensure compliance with tax laws, including the accurate deduction and remittance of taxes and superannuation.
- Monitor tax obligations for non-exempt income and liaise with the IRC as needed.
- Remit to the IRC Section 65A GST withholding amounts.

Payroll Officers

- Deduct and remit salary and wage taxes, including allowances and benefits, in compliance with IRC regulations.
- Calculate and remit employer and employee superannuation contributions.

Procurement and Finance Officer

- Identify GST-registered suppliers for Section 65A withholding obligations.
- Deduct and remit GST withholding tax to the IRC in accordance with legislation.

32.4 Mandated Policy

- 1. Tax expense incurred is recognised when paid from the entity bank account and tax revenue is recognised when receipted into the entity bank account.**
- 2. Income of agencies for public services are exempt from income tax under Section 24 of the Income Tax Act but public entities must comply with other tax obligations.**
- 3. All income of a Provincial Government or of a Local-level Government received pursuant to the Organic Law on Provincial Governments and Local-level Governments is exempt from income tax, except income received from a commercial enterprise conducted by a Provincial Government or a Local-level Government.**
- 4. Agencies are required to fully comply with all tax obligations, including the deduction and remittance of withholding taxes, salary and wage taxes, and GST.**
- 5. All expense transactions entered into the IFMS (or approved finance system) must be assigned a tax code. For each expenditure in IFMS, there is an option to tick a GST box. That automatically deducts the GST and is mapped to a liability code.**
- 6. Agencies are required to comply with Section 65A GST Withholding if nominated by the IRC as a withholding entity. When this is required, the full cost of the services is recognised as an expense but the payment made to the supplier is exclusive of GST. The agency is required to remit the GST withheld portion directly to the IRC. The reconciliation and payment of remittances is tracked using Form 6 which is lodged to the IRC on a monthly basis. IFMS (as is most modern finance systems) will calculate the remittance amount.**

32.5 Non-Mandatory Guidance

Always check payments are in compliance with the IRC - the invoice is a GST compliant tax invoice and the bank account that the payment is made is the same name as what is on the tax invoice.

32.5.1 Application of GST on non-tax revenue and other charges of agencies

GST is not applied to fees and charges for agencies and is not applied to tax revenue. Under the GST Act Section 10 –

- *(7) Subject to Subsection (8), charges for permits or licences issued by public authorities or local authorities and fines or penalties levied by such authorities shall not give rise to a supply of goods and services.*
- *(8) For the purposes of this Act, provincial road-users tax paid under Section 86 of the Organic Law on Provincial Governments and Local-level Governments is deemed to be a consideration for a supply of services in the course or furtherance of a taxable activity carried on by the relevant Province.*
- *(9) For the purposes of this Act, a local authority is deemed to supply goods and services to a person consisting of sewerage, garbage and night soil collection and any other matter prescribed in regulations when any amount of rates is payable by that person to that local authority in respect of such goods and services.*

32.5.2 Requirement to submit income tax returns

The Income Tax Act does not specifically exclude agencies, but under Section 223, the Commissioner General has the right to issue National Gazette notice on who/class of persons that are required to submit and this is issued annually.

Under the National Gazette notice a person who has income (other than exempt income) is required to submit a tax return. A public and statutory body including National Departments only have exempt income and therefore are not required

to submit a tax return. PG-LLG are only required to submit for enterprises if they have commercial income more than K2.00.

32.5.3 Tax Obligations for Public Entities

Tax Type	Definition and Scope	Treatment
GST Section 65A Withholding	Requires public entities – who are declared - to withhold GST at the rate of from payments to registered suppliers and remit it to the IRC, completing Form 6.	Verify GST registration of suppliers. Deduct and remit withholding tax within the prescribed timeframe. Maintain records of all withheld amounts.
Salary and Wages Tax	Applies to employee salaries, wages, and fringe benefits, including housing and motor vehicle allowances. This is applicable not just to Alesco Payroll but all contracted and casual	Deduct tax at source based on employee tax codes. Ensure correct reporting of allowances and benefits. Remit deductions monthly to the IRC.
Superannuation	Mandatory contributions to employee superannuation funds as required under the Superannuation (General Provisions) Act.	Deduct employee contributions and add employer contributions. Remit total contributions to the approved superannuation fund by the due date.
Housing and Vehicle Benefits	Taxation of employer-provided housing and motor vehicle allowances as part of taxable income.	Calculate taxable value based on IRC guidance. Deduct appropriate taxes at source. Include in employee year-end tax summaries.

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FMM 03.33 Assets

33.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
 - Section 2 Defines public property as any asset owned by the State.
 - Section 5 Requires departmental heads to ensure effective management and safeguarding of public assets.
 - Section 42 Mandates the proper recording, usage, and disposal of public property.
 - Section 48 Requires approval for asset acquisitions exceeding prescribed thresholds.
- National Procurement Act 2018 governs the procurement process for acquiring public assets.
- Public Service (Management) Act 1995 outlines responsibilities for managing assets within public offices.

33.2 Standards and Supporting Documentation

- IPSAS 17 (Property, Plant, and Equipment)
- IPSAS 12 Inventory
- Finance Form 87 – Board of Survey Report

33.3 Minimum Responsibilities

Department of Finance to provide a system to maintain a fixed asset register for agencies.

Departmental Heads ensure all assets are recorded, safeguarded, and used for their intended purpose approve asset acquisition, usage, and disposal within delegated authority limits.

Asset Managers

- Maintain an updated asset register and conduct regular reconciliations and stocktakes.
- Implement controls to prevent misuse, theft, or damage.

Finance Officers

- Record asset transactions in the Integrated Financial Management System (IFMS).

- Ensure compliance with financial reporting standards, including asset depreciation.

Auditors and Inspectors

- Verify the existence, condition, and proper management of public assets.
- Review asset registers and associated records for accuracy.

33.4 Mandated Policy

1. All public assets must be acquired, controlled, used, and disposed of:

- In accordance with approved policies, delegated authorities, and legislative obligations;
- Recorded and maintained in the Fixed Asset Module of IFMS, as the system of record at least reconciled annually (even where more detailed and alternative asset systems is used);
- Supported by inventory, stocktake, and reconciliation processes.

33.4.1 Classification of Assets

2. When Assets are recognised for financial reporting purposes they must be classified as either current or non-current.

A current asset is one that is expected to be used or settled within 12 months and a non-current asset is expected to be held for a period of more than one year.

Assets must be identified by type as:

Asset Type	Description
Tangible Assets	Buildings, land, equipment, vehicles, infrastructure, tools, vessels
Intangible Assets	Software, intellectual property, licences
Portable & Attractive	Mobile phones, tablets, laptops, handheld GPS, etc.

33.4.2 Climate Change Risk and Resilience

3. Agencies must consider climate change-related risks to public assets and incorporate them into asset planning, including:

- Physical risk (e.g. flood, landslide, rising sea levels)
- Service disruption (e.g. roads inaccessible due to environmental events)
- Resilience requirements for infrastructure design and maintenance
- Record asset location and risk indicators in IFMS or a linked GIS platform or supplementary system;
- Flag vulnerable assets during capital planning;
- Include climate resilience in procurement and asset lifecycle costing.

33.4.3 Transfers, Disposals, and Assets Held for Sale

33.4.3.1 Asset Transfers

4. Assets may be transferred between government agencies without sale under mutual agreement and does not trigger procurement rules under the National Procurement Act.

- In order to effect a transfer, it must be:
 - Authorised by the respective department heads;
 - Recorded in both agencies' asset registers; and
 - Updated in IFMS.
 - Major assets such as land and building also require notification to the Department of Finance, particularly where such transfer may trigger material costs for assets maintenance or use.

33.4.3.2 Asset Disposals

5. Assets no longer in use or beyond economic repair must be:

- Inspected and certified for disposal

- Disposed of under the Procurement Instructions issued by National Procurement Commission.

33.4.3.3 Assets Held for Sale

6. Assets intended for sale must be separately disclosed in financial statements for agencies adopting Accrual Basis.

33.4.3.4 Assets Received Free or Below Market Value

7. Assets received at no or nominal cost (such as transfer of vehicles following the closure of a donor project) must be:

- Recorded at fair value at the date of receipt;
- Disclosed as donations;
- Subject to all standard controls.

33.4.4 Personal Use and Portable/Attractive Assets

8. Government assets must not be used for personal or unauthorised purposes.

9. All portable and attractive assets must be:

- Tagged;
- Recorded in a portable and attractive sub-register (this is not maintained on IFMS);
- Tracked using a register (on the location and personal responsible).

10. Officers must sign for assigned items (e.g. phones, laptops) and return them upon:

- Resignation;
- Leave of absence;
- End of posting or assignment.

11. Any damage, theft or loss must be reported and recorded in the Losses and Deficiencies Register.

33.4.4.1 Asset Loan Register

12. Departmental Heads shall ensure procedures are in place to effectively control the location, assigned responsible officer, and loans to other officers or departments.

13. A Loan Register is to be maintained to record issue issues to officers in the course of their duties. Minimum information should be: date of issue, description of item, name of officer to whom issued, name/signature of the receiving officer, date of return

The officer to whom the item was issued is personally responsible for returning the item in good condition on return to home station and before departure on leave or transfer.

If an item is forwarded to an agent for service or repair, this should be recorded in the Loan Register. Follow-up action can be taken as necessary to ensure the item is reclaimed upon completion of service or repair.

Misuse, damage, or loss of an asset will be recorded on the Losses and Deficiencies Register and reported to the departmental head for follow-up action.

33.5 Non-Mandatory Guidance

Nil

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FMM 03.34 Asset Register and Maintenance

34.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)

34.2 Standards and Supporting Documentation

- IFMS Fixed Asset Training Manual
- Annual Physical Stocktake Instructions
- IPSAS 17 – Property, Plant and Equipment

34.3 Minimum Responsibilities

Departmental Heads must:

- Maintain a complete and current Asset Register.
- Ensure assets are protected, recorded, and maintained.
- Ensure annual stocktakes and quarterly asset reporting are completed.

Heads of Finance / Asset Managers must:

- Ensure assets are registered in IFMS.
- Maintain component and maintenance records.
- Update depreciation and asset values as per policy.

Receiving Officers must:

- Verify assets upon receipt and initiate registration.

Internal Audit must:

- Review asset records and stocktake compliance.

All Staff must:

- Safeguard assigned assets and report losses or damage immediately.

34.4 Mandated Policy

34.4.1 Asset Classification

1. Assets are registered if they exceed thresholds of:

- **K5,000** for general fixed assets;
- **K100,000** for intangible assets (e.g. software platforms).

2. Assets must be classified and determining these classifications are the responsibility of the department head and are specific to agency required. Assets are classified into classes and sub-classes to provide extra details, but at minimum agencies are required to use the following classes:

- Land and Land Improvements
- Buildings
- Cultural Heritage Assets
- Miscellaneous Equipment
- Transportation
- Plant & Machinery
- Tools and Equipment - A 'tool' is a portable, handheld device used to perform manual or mechanical work. Examples include a drill, shovel, saw, amongst others. In this instance, 'equipment' is the plural of 'tool'
- Roads
- Public Infrastructure
- For financial assets (the minimum classifications required for Financial Assets and Liabilities specified by the IMF)

3. Each asset category must include:

- Asset description and unique identifier

- Date of acquisition
- Unit and total cost
- Expected useful life
- Assigned officer/location
- Maintenance requirements and history
- Any known climate change vulnerabilities

34.4.2 Componentisation

4. Where assets contain components with different useful lives (e.g., HVAC systems in buildings), these must:

- Be recorded and tagged separately;
- Have distinct depreciation schedules;
- Be monitored individually for performance and maintenance;

34.4.3 Asset Maintenance

5. Preventive and corrective maintenance schedules must be maintained.

6. Maintenance history must be recorded in the register.

7. Assets that require calibration, certification, or regular service (e.g. medical or heavy plant) must have documented maintenance programs.

34.4.4 Use of IFMS and other asset management and registration systems

8. IFMS is the official system of record for all fixed assets.

- Agencies must use the IFMS Fixed Asset Module for:
 - Registration
 - Reporting
 - Transfers and disposals

9. Agencies may use supplementary systems where this ensures the better management of the assets (Where a secondary system is used, this is disclosed in the financial reports and the value of these assets are recognised in IFMS at least annually), such as:

- Land management systems
- Road asset and infrastructure databases
- Medical/pharmaceutical inventories
- Software license tracking

34.5 Losses and Discrepancies

10. All entities having possession of public assets are required to maintain a Register of Losses and Deficiencies (refer to FMM Volume 3 FMM 03.43).

34.6 Non-Mandatory Guidance

34.6.1.1 Stocktake Procedures

Each stock sheet shall be certified by two stocktaking officers that the actual inventory on hand is as shown on the stock sheet. The officer-in-charge of the establishment shall certify that:

- The stock balance has been checked with and is in agreement with the balances shown.
- Calculations, extensions, and costings have been checked and are correct
- Surpluses and deficiencies shown have been checked and are correct
- Inventory was conducted in accordance with prescribed procedures

At the completion of the inventory, the stock sheet shall be submitted to the Financial Delegate for decision to adjust the stock levels. If approved, the decision will be conveyed and the Asset Register will be adjusted accordingly.

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FMM 03.35 Inventory

35.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995
 - Section 5 departmental heads are responsible for ensuring that all public property (including inventory and stores) is safeguarded, maintained, and properly recorded.
 - Section 47k, 62 & 68 requires appropriate records and controls for the custody and issue of stores and public property.

35.2 Standards and Supporting Documentation

- IPSAS 12 – Inventories
- Finance Form 88 – Stores Discrepancy Report
- Finance Form 103 – Stock-taking sheet

35.3 Minimum Responsibilities

Departmental Heads are to ensure inventory systems and controls are in place and maintained and approve the valuation methodology and ensure it is documented and applied consistently.

Heads of Finance

- Monitor inventory registers and stock movement records.
- Maintain a losses and discrepancies register
- Ensure physical stocktakes are conducted and reconciled with system balances.

Inventory/Stores Officers

- Maintain current and accurate stock records.
- Apply FIFO or WAC consistently to stock issues and replenishments.
- Document any write-offs, shortages, or losses.

Internal Audit are to confirm compliance with inventory policies and verify that stock is properly accounted for and safeguarded.

35.3.1 Inventory Defined

Inventory includes consumable items held for use in operations, such as (for example):

- Stationery and supplies
- Fuel and lubricants
- Medicines and medical supplies
- Uniforms and safety gear
- Parts and maintenance items
- Relief items or donor-supplied stocks
- IT items such as laptops, desktops and mobile phones or tablets

35.4 Mandated Policy

35.4.1 Cash Basis Context

1. Agencies with material inventory are required to maintain a register to control that inventory and preferably in electronic form.

Establishing and maintaining an inventory register is essential for:

- Effective stock control;
- Avoiding misuse, loss, or pilferage;
- Ensuring proper audit and donor reporting;
- Preparing for future transition to accrual reporting under IPSAS;
- Supporting performance-based budgeting and service delivery tracking.

35.4.2 Valuation Method

2. The Government adopts FIFO (First In, First Out) and Weighted Average Cost (WAC) as the official methods for valuing inventory.

35.4.3 Physical Control and Stocktake

3. Agencies must conduct physical stocktake at least annually, and:

- Reconcile physical counts to inventory records;
- Investigate and report discrepancies;
- Submit loss or damage reports through the prescribed Losses and Deficiencies Register process.

4. Any expired, damaged, or obsolete stock must be written off with proper approval.

35.4.4 Stock Register

5. All issues and receipts of inventory must be:

- Recorded in the inventory register;
- Authorised by an officer with appropriate delegation;
- Supported by issue and receipt documentation/notification .

35.4.4.1 Discrepancy Report

Where stores shortages or surpluses are discovered under circumstances other than by normal stock takes or check, the discrepancies may arise from the following causes:

- Incorrect Supply - Where items are under-supplied or lost in transit, the responsible officer must immediately notify the supplier and lodge a formal claim for adjustment or replacement. If the supplier accepts the claim and rectifies the issue, no further action is required, but documentation must be retained for audit;
- Loss in transit including theft;
- Errors in quantity of issue or description - Errors in the issued quantity or incorrect descriptions must be investigated. If the error is confirmed and can be corrected by updating records or returning goods, it should be promptly adjusted in the inventory register.
- Theft or misappropriation; and
- Accounting errors.

6. If a discrepancy cannot be resolved through correction or claim adjustment a Discrepancy Report must be completed.
7. When approval to write-off has been granted the original Discrepancy Report shall be returned to the originating office (refer to FMM Volume 3 FMM 03.43 on Losses).

35.4.5 Storage and Security

8. Inventory must be stored securely and monitored regularly.
9. Only authorised officers may access stores.
10. High-value or sensitive stock (e.g. medicines, relief goods) must have restricted access and additional tracking.

35.4.6 Surplus and Disposal

11. Surplus inventory no longer required must be:

- Reported for reallocation;
- Disposed of in accordance with disposal procedures (within the disposal thresholds set by the National Procurement Commission);
- Removed from stock records upon disposal authorisation.

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FMM 03.36 Operation of Bank Accounts

36.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995
 - Section 11 states that all public money must be deposited in bank accounts approved by the Secretary for Finance. Where banking facilities are not available, the Secretary will issue directions.
 - Section 5 Departmental heads must safeguard and account for all public money and ensure it is kept and used lawfully.

36.2 Standards and Supporting Documentation

Nil

36.3 Mandated Policy

36.3.1 Government Banking Framework

1. **The Waigani Public Account (WPA) is the principal bank account for the Government of Papua New Guinea and part of the Consolidated Revenue Fund. All national revenue—including taxes, grants, fees, levies, and borrowings—is deposited into the WPA and appropriated expenditures are paid from it.**
2. **A reporting entity shall have an operating bank account and this account is still part of the Consolidated Revenue Fund (or General Fund for provincial and local-level government entities)**

36.3.1.1 Approval of Bank Accounts

3. **No bank account may be opened or operated by a government entity, public body, or statutory authority without the written approval of the Finance department head.**

Applications must include:

- Clear justification (e.g. operational need, donor conditions, geographic location);

- Estimated cash flows and nature of transactions;
- Evidence of capacity for regular reconciliations and compliance with FMM policy;
- Confirmation that funds will be swept into the WPA if required.

4. Banks shall not permit a public or statutory body to open, maintain or operate a bank account without the consent in writing of the Finance department head. At the beginning of each fiscal year, the Secretary shall contact all banks in PNG to:

- Advise them that the prior consent of the Finance department head is required to permit a public or statutory body to open, maintain, or operate a bank account
- Advise banks of all approved accounts
- Require banks to search and examine their records within thirty (30) days to determine if they hold or operate any accounts in breach of Section 11 of the PFMA and to advise the Secretary for Finance

36.3.1.2 Closing of Bank Accounts

5. No account may be closed without prior written approval of the Finance department head.

6. Any unused balance must be returned to the Consolidated Revenue Fund WPA or General Fund (for provincial and local-level government).

36.3.1.3 Approved Banks

7. Public money may only be held in:

- Bank of Papua New Guinea (WPA);
- Commercial banks approved and gazetted by the Secretary for Finance.

8. The Department of Finance must review bank account approvals annually and liaise with all financial institutions to:

- Reconfirm approved accounts;

- Identify any accounts in breach of PFMA Section 11;
- Ensure full transparency and reporting to the Department of Finance.

9. Where an agency or an banking institution does not comply with information requests or directions given to it by the Finance department head, the Finance department head has the powers, by notice in writing to any bank in which a bank account has been opened, maintained or operated to transfer all funds in that account to the WPA and to close or otherwise allow the Finance department head to take over the operation of the account.

36.3.1.4 Depositing of Public Money

10. Any officer in possession of public funds (cash) must ensure those funds are banked at the earliest reasonable opportunity, which is defined as:

- By the next banking day, where an approved bank is within 10 kilometres of the point of collection.
- Electronic means (e.g. EFTPOS, online deposit) are the preferred method of banking and receipting.

36.3.1.5 Banking in Remote Locations

11. In areas without access to approved banking services, the departmental head must request specific instructions from the Finance department head for the safe holding and transfer of funds.

12. Special arrangements (e.g. mobile banking, periodic collection) will be issued and must be documented and followed.

36.3.1.6 Bank Account Maintenance and Compliance

13. All approved bank accounts must be fully reconciled, at least, monthly.

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FMM 03.37 Trust Fund Accounts

37.1 Authority and Prescribed Requirements

- Public Finances (Management) Act (PFMA) Part III

37.2 Standards and other Supporting Documentation

- IPSAS 23 – Revenue from Non-Exchange Transactions – Governs recognition of funds received in trust.
- Volume 2D, Budget Book, Section IV Details of Trust Accounts
- Trust Instrument Template
- Financial Instruction 5/13, Illegal Transfer of Recurrent and Development Funding into Trust Account at End of Year, dated 17 November 2014
- Finance Instruction 05/2024, Renewal of Trust Accounts, date 9th July 2024
- IFMS Guide to Trust Accounts

37.3 Minimum Responsibilities

The Finance Minister has the authority to open or close Trust Accounts.

The Finance department head has oversight of the operations of trust accounts and may suspend the operation of a Trust Account where the provisions of this Part are not complied with and take over the responsibility for the Trust Account, or authorise the transfer of the surplus in that Trust Account to the CRF/GRFs.

The Department of Finance facilitates the establishment of trust accounts under ministerial authority. It also monitors compliance with PFMA and Finance Instructions on trust fund management and oversees financial reporting and reconciliation of trust fund accounts in IFMS.

Department heads of Trust Fund managing agencies is to ensure trust fund transactions comply with the fund's legal purpose, maintain accurate records of all receipts, payments, and balances and submit quarterly and annual trust fund financial reports to the Department of Finance. they are also required to close trust funds when no longer required and transfer remaining balances to the CRF/GRFs.

Heads of Finance are to ensure the recording of all trust fund transactions in IFMS using the appropriate codes, ensure disbursements from trust accounts align with approved purposes and perform monthly bank reconciliations for trust accounts.

Internal auditors are to review trust fund transactions for compliance with the PFMA and Trust Instrument and ensure trust fund is used for its intended purpose and are accurate and properly disclosed.

37.4 Mandated Policy

- 1. Provision can be made in Acts other than the Public Finance (Management) Act, 1995 for the establishment of trust, but all trust accounts require an instrument signed by the Finance Minister under the authority of the Public Finance (Management) Act, 1995.**
- 2. Where an agency has been issued with a trust instrument and this agency operates on IFMS, no activity or transactions can occur until the trust has also been established in IFMS with its trust bank account.**
- 3. Unspent trust funds must be returned to the CRF or other approved accounts (if specified such as returned to donor) when the trust is closed.**
- 4. Public money designated for the trust fund must not be held outside of approved trust accounts.**
- 5. Transfers of funds from CRF to Trust Fund are prohibited unless a special transfer is authorised by an Appropriation Act. Government contributions to donor-funded projects shall be transferred to the relevant Trust Account in compliance to the terms and conditions determined by the Finance department head.**
- 6. Moneys held in a bank account for the Trust Account at the end of a fiscal year shall not lapse at the end of that fiscal year.**
- 7. Trust funds of an entity is to disclose in the notes to the financial statements, the amount and nature of cash flows and cash balances resulting from transactions administered by the entity as an agent on behalf of others.**

- 8. Where such cash receipts and payments pass through a bank account controlled by the entity, they are treated as cash flows and balances of the entity itself and included in the totals shown on the face of the statement of cash receipts and payments. Paragraph 1.3.13(a) of Part 1 of this IPSAS Cash Basis of Accounting Standard permits such cash receipts and payments to be reported on a net basis.**
- 9. For any trust bank account not on IFMS, the departmental head must submit the bank statement and bank reconciliations within 10 days of the following month to the Department of Finance.**
- 10. The provisions relating to Appropriation, Minister's Warrant, Warrant Authorities and Cash Fund Certificates, do not apply to Trust Account operations. However, the requirements of commitment control and all other requirements set out in this and other sections and parts of the Manual will fully apply to expenditure drawn from trust accounts.**
- 11. A Departmental Head of a Department responsible for a Trust Account -**
 - may authorise payment out of that Trust Account in accordance with the estimate of receipts and payments submitted under subsection (3) and agreed by the Finance Secretary; and
 - shall maintain such records pertaining to the Trust Account as are required by the Finance Secretary and shall submit to him within seven days after the end of each month, details of transactions on the account; and
 - shall, within one month of the commencement of each fiscal year, submit to the Finance Secretary, a statement of account for the preceding year.

37.4.1 Suspension of Trust Accounts

- 12. The Finance department head under Section 19 (5) of the Act may;**
 - Suspend the operation of a Trust Account where the provisions of the Act are not complied with, or
 - Take over the responsibility for the operation of that Account, or

- Close the operation of the Account where there has been no attempt made to reconcile the Account.

37.4.2 Control of Trust Expenditure

13.Section 19 of the PFMA prescribes that before the commencement of each fiscal year, the departmental head of the agency management of Trust Account shall submit to the Finance departmental head an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year.

14.As part of the National Budget process and before the commencement of each fiscal year, the departmental head of the agency management of Trust Account shall submit to the Treasury departmental head an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year.

15.The Department of Finance is required to maintain a register of all Trust Accounts established in the Trust Fund including the National Trust Fund and the Provincial Government and Local Level Government Trust Fund Environments.

37.4.3 Renewing of Trust Accounts

16.A Trust Account can only be renewed within the fiscal year that it expires.

37.4.4 Closing of Trust Accounts

17.The Finance Minister may direct that any Trust Account be closed. After all liabilities of the Account have been met, the balance shall be dealt with in accordance with any trust instrument governing dealings with the moneys on the failure or expiration of the trust. If there is no such instrument or if the trust instrument makes no provision for dealing with the trust moneys on the failure or expiration of the trust, the balance shall be paid to the respective CRF or GRFs.

37.4.5 Unclaimed Trust Fund Moneys

18.The process for accounting for unexpended balances after the expiration of a trust account will follow the terms of the Trust Instrument. If this document

is silent, then the enabling legislation for the trust will inform the distribution of unclaimed moneys. Where the enabling legislation is silent, then the provisions of Section 12(2) of the PFMA apply and the balance is paid into the CRF.

37.5 Non-Mandatory Guidance

37.5.1 Establishing a Trust Fund Account

- The agency submits a request to the Department of Finance, justifying the need for a trust fund.
- The Minister for Finance approves and issues a formal trust deed, outlining:
 - Purpose of the trust
 - Funding sources
 - Conditions for fund disbursement
 - Reporting requirements
 - Persons (name and designation) authorised to operate the account.
- The trust fund account is set up in IFMS with a unique identification code.

37.5.2 Categories of Trust Accounts

Trust Accounts have been established to account for the following types of transactions or funds:

- a) Moneys held in trust for third parties.
- b) Revolving or working capital funds provided for certain Government, commercial or trading operations.
- c) Suspense or other transitory transactions which are to be held in special accounts until they are transferred to the final accounts.

37.5.3 Managing Trust Fund Transactions

37.5.3.1 Payments into Trust Accounts

Trusts – Receipt Accounting in IFMS

- Trust Accounts receipting directly into IFMS (example Court Bail and Child Maintenance) – refer to Court Bail and Child Maintenance Section.

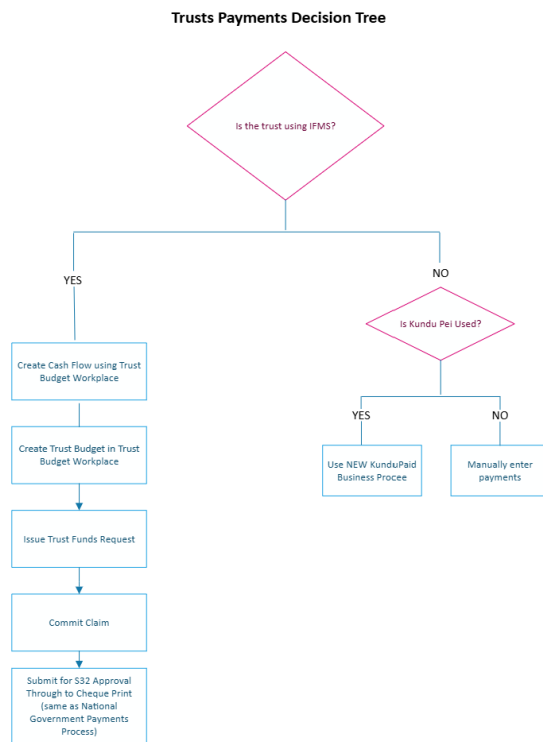
- Trust Account not receipting directly in IFMS (Includes all other trusts).
 - Administering agency to enter a general journal of all receipts at the end of each day, week or month.
 - Use assigned cash book appropriation and sub-appropriation code and relevant revenue economic item (refer to Chart of Accounts section). If donor fund, use relevant fund source code (refer to Chart of Accounts section)

Funds deposited into trust whether from Waigani Public Account or other sources	In trust books: DR Trust cash book (e.g. 30033-000-01-311701) CR Revenue Code (30033-000-01-191100)
Inter-bank transfer or receipting	DR Subsidiary trust cash book (30134-0F0-07-313398) CR Revenue (30134-0F0-07-191100)

37.5.3.2 Payments out of Trust Accounts

Moneys may be paid out of a Trust Account only –

- (a) For the purposes of the Account or as authorized by law; and
- (b) If a sufficient credit is available in the Account.



- Trust Accounts operating in IFMS (example Court Bail and Child Maintenance) – refer to Court Bail and Child Maintenance Section.
- Trust Accounts using Kundu Pei (examples FMIP and PCaB Trusts). Refer to IFMS Kundu Pei Payment Process section.
- Trust Accounts using IFMS Cheques:
 - Refer to IFMS National Accounts Payable Process - the same business process applies but using the Trust Workplace. See IFMS Trust Budget Support Guide.
 - Use the IFMS Trust Budget Maintenance Workplace in IFMS to create a trust budget for the year and to issue Trust Fund Request (TFR).
- Trust Account not operating in IFMS (Includes all other trusts).
 - Administering agency to enter a general journal of all payments at the end of each day, week or month.
 - Use assigned cash book appropriation and sub-appropriation code with relevant expenditure economic item (refer to Chart of Accounts section). If donor fund, use relevant fund source code (refer to Chart of Accounts section)

Funds transferred in from Waigani Public Account or other sources	In trust books: DR Trust cash book (e.g. 30033-000-01-311701) CR Revenue Code (30033-000-01-191100)
Expense paid from Trust	DR Expense Code (30033-000-01-227120) CR Trust cash book (30033-000-01-311701)

- Bank charges – Record bank charges using Economic Item 224120. Must be part of the cash flow and budget entries.

Bank charge	In trust books: DR Expenditure (e.g. 30134-000-00-224120) CR Trust cash book (30134-000-00-311727)
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- Inter-bank transfers – Record these as revenue for the subsidiary trust and expenditure for the parent trust.

Transfer from Main to Subsidiary Trust	In trust books: DR Expenditure (e.g. 30134-000-00-299100) CR Main Trust cash book (30134-000-00-311727) DR Subsidiary trust cash book (30134-0F0-07-313398) CR Revenue (30134-0F0-07-191100)
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37.5.4 Closing a Trust Fund Account

- If the trust fund has fulfilled its purpose, the managing agency must:
 - Submit a closure request to the Department of Finance.
 - Confirm that all bank statement reconciliations and financial reporting acquitting the trust is completed.
 - Transfer any remaining balance to the CRF or an approved alternative fund.
 - Submit final financial reports detailing all transactions before closure.
- The Department of Finance reviews and approves the closure.

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FMM 03.38 Bank Reconciliations

38.1 Authorities and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA) Section 5 requires departmental heads must implement internal controls, including reconciliation of bank accounts and Section 11 states that all public money must be held and managed in approved bank accounts, with appropriate oversight.

38.2 Standards and Supporting Documentation

- IFMS Bank Reconciliation Training Manual (2020)
- Manual reconciliation templates (for non-integrated or temporary accounts)

38.3 Minimum Responsibilities

Department of Finance is to maintain a register of government bank accounts and provide technical oversight and escalate repeated reconciliation failures.

Departmental Heads / Provincial Administrators

- Ensure that every government bank account under the agency's control, whether integrated with IFMS or not, is reconciled monthly.
- Certify and submit reconciliation reports to the Department of Finance.
- Establish internal procedures to monitor reconciliation timeliness and integrity.
- Ensure that officers who are preparing bank reconciliations are qualified and properly trained.

Bank Reconciliation Officers

- Perform reconciliations using IFMS tools or approved manual methods for off-book accounts.

- Investigate unmatched transactions, post correcting entries, and resolve discrepancies in a timely manner.

Internal Audit

- Regularly verify reconciliation processes and report on non-compliance, especially for trust and donor accounts held off IFMS.

38.4 Mandated Policy

- 1. Bank reconciliations are to be undertaken either daily, weekly or monthly and at minimum monthly depending on the volume and materiality of transactions.**

Heads of Finance should consider the time intervals for undertaking a bank reconciliation based on the volume and complexity of the bank reconciliations

– Daily, Weekly or Monthly

- 2. All reconciliations must be reviewed by the Head of Finance or senior accountable officer equivalent and certified as correct.**
- 3. Reconciliations must:**
 - Compare IFMS cashbook balances (or approved finance system) to actual bank statements.
 - Be finalised no later than 14 days after month-end.
 - Be signed by the reconciliation officer and approved by the Head of Finance or Departmental Head.
 - Identify and resolve stale cheques, unpresented items, and unexplained variances.
 - Be retained in both electronic and hard copy formats for five (5) years.

38.4.1 Bank Accounts not kept on an Approved Finance System

- 4. Bank accounts not yet integrated with IFMS must still be subject to the same level of daily, weekly or monthly reconciliations and oversight. These include:**
 - Donor or project-specific accounts temporarily outside IFMS.
 - Older accounts pending closure or transition.
 - Accounts held in commercial banks where automated reconciliation is not yet possible.
- 5. Reconciliation must be conducted manually using approved templates where the system does not provide for the uploading and preparing reconciliations within the approved finance system.**
- 6. A reconciliation report must be prepared, signed, and submitted to the departmental head or Finance departmental head or bank signatory for the bank account.**
- 7. Where these accounts are material, efforts must be made to integrate them into IFMS within a reasonable timeframe.**

38.4.2 Special Instructions for Stale Cheques and Unclaimed Funds

- 8. A stale cheque is one that has not been presented within 12 months of issue. All cheques that have not been presented and clear after 12 months**
- 9. A cheque CANNOT be reversed or cancelled in a finance system (IFMS or approved finance system) without the cheque being firstly notified and cancelled by the bank. These must be reversed using the IFMS economic item 812105 – Stale Cheques.**
- 10. A cheque that has already been presented and cleared CANNOT be reversed or cancelled in the accounting records.**
- 11. If a reissue is requested it can only be paid from current-year appropriations or a new claim is required under a new appropriation.**

38.4.3 Consequences of Non-Compliance

12.Failure to conduct and submit monthly reconciliations may result in:

- Withholding of warrants or funding releases by the Department of Finance for the next period;
- Escalation to the Departmental Head and potential investigation by Internal Audit or Treasury;
- Adverse findings in audit reports by the Auditor-General’s Office;
- Inclusion in the non-compliance list for public reporting and disciplinary review;
- Financial misstatements that impact reporting to Parliament and development partners.

Agencies experiencing legitimate delays (e.g., internet connectivity, delays in receiving bank statements) must inform the Financial Controls Division of the Department of Finance in writing, with supporting documentation, within five (5) working days of month-end.

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FMM 03.39 Advances and Acquittals

39.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA) Section 5 – Requires Departmental Heads to establish internal controls, including acquittal processes, to ensure proper accountability of public funds.

39.2 Standards and Supporting Documentation

- Finance Form 14 – Advances Schedule
- Finance Form 16 – Acquittal Form
- Finance Form 108 – Acquittal of temporary advance voucher

39.3 Minimum Responsibilities

Departmental heads must ensure that all advances, allowances, and payments requiring acquittal are reconciled within the prescribed timeframe.

Finance Officers/Authorising officers are responsible and must track and reconcile acquittals, ensuring that all transactions are properly recorded in IFMS and that necessary documentation is submitted.

Public Officers receiving cash advances, allowances, or procurement-related payments must acquit funds within the required period, submitting all required documentation and refunding any unspent amounts.

39.4 Mandated Policy

- 1. All government funds issued as advances such as for travel allowances, operational advances, purchasing, project expenditures, and other accountable payments must be fully acquitted within the prescribed timeframe. This includes advances made to suppliers on account for future expenditure.**
- 2. No cash advances are allowed, for example, for petty cash, travelling allowances or counter cash. Department heads can authorise advances for such special payments refer to FMM Vol 3.22 Processing Payments Where Cash Handling is Required.**

3. Travel allowances are to be paid into the officers bank account including payments for any overseas travel allowance.
4. Where an agency has been paying operational advances for overseas costs, the agency needs to apply for a government corporate debit visa card and implement the necessary internal controls for the management of these cards to pay for costs *other than the costs of an officer's travel allowance which must be paid and incurred on their own bank accounts*.
5. The value of the operational travel advance or activities should be based on the estimated costs that will be incurred and these costs should be specified and estimated individually by category for reasonableness and final acquittal (such as conference fees, accommodation, hire etc).
6. Section 32 officers are empowered to approve advances only up to the limits of their delegation and a departmental head may specify additional approvals or retain the delegations for advances approval.
7. An officer shall not use an advance for a purpose other than that for which it was intended.
8. Acquittal of an advance is the personal responsibility of the holder of the advance.

39.4.1 Register

9. Agencies are required to maintain a register of any advances made and Finance Form 14 – Advances Schedule or similar will be used for that purpose (including an electronic version). A register is to record the date of issue, the amount advanced, the purpose for which the advance is made and the date of repayment and/or acquitted.
10. Where a register can be maintained in the agency's finance system using account entries on the balance sheet for prepayments, Finance Form 14 is not required as an advances schedule.

39.4.2 Repayment and Acquittals

11. Advances must be repaid in full as early as possible where no repayment date is specified but the maximum will be the date of the acquittal which is:

- Travel and operational advances must be acquitted within 14 days of return from duty travel or project completion.
- Corporate card transactions must be fully acquitted within 10 working days of the end of each monthly billing cycle.
- Project-related payments, trust account disbursements, and grant expenditures must be acquitted within 30 days of expenditure unless otherwise specified in financial agreements.
- Any outstanding acquittals beyond 90 days will be treated as a financial irregularity and referred for further investigation.

12. The records for the acquittal are to be attached or recorded with the documentation for the original advance payment.

13. To prevent fraud and mismanagement, a monthly list of outstanding acquittals must be circulated to senior management, and any acquittals that remain unresolved after three months may be classified as an attempt to defraud the State.

14. A new advance will not be made for any purpose while the previous one to the same person is unacquitted except where evidence is produced that payment is still continuing and repayment action on the first advance is not deliberately delayed.

15. A salary advance is not payable except where a special pay has not been arranged in time on transfer of an officer from one location to another remote location.

16. A reimbursement is not an advance and should be claimed from the financial delegate concerned using the payment processes and supported by original receipts.

39.5 Non-Mandatory Guidance and Steps for Implementation

39.5.1 Pre-Acquittal Requirements – Establishing Advance Accounts and Requesting the Advance

- An agency should have established roles who are responsible for managing the advance register and in the case of advances managed on the finance system, created various advance categories in the chart of accounts as a current asset/prepayment.
- An agency department head should consider if applying and maintaining a government corporate debit visa card is more appropriate for the pattern and behaviour of use of advances (and these cannot be used for travel allowances or personal expenditure by the cardholder).
- The officer must submit a request for an advance stating the purpose, estimated amount, and justification. Attached to this advance should be documentation, for example, the supplier quote (if establishing an advance account with a supplier), travel itinerary etc.
- The request must be approved by a financial delegate before funds are disbursed.
- The advance must be recorded in IFMS under the recipient's name.

39.5.2 Acquittal Submission

- The officer must submit an acquittal report within the days specified (refer to policy above) of returning from duty travel or completing the assigned task.
- The report must include:
 - Original receipts and supporting documents
 - Breakdown of expenses against the approved advance
 - Refund of any unspent balance to be returned to the government account (details of this are to be supplied by the agency finance team)

39.5.3 Review and Reconciliation

- Finance Officers must verify the acquittal submission against the advance issued.
- If all supporting documentation is valid, the acquittal is recorded in IFMS, and the advance is cleared.
- If any amount is unaccounted for, the officer may be required to reimburse the missing funds.

39.5.4 Follow-Up on Outstanding Advances

- If an advance remains unacquitted after 30 days, the Finance Officer must issue a formal reminder.
- Advances outstanding for more than 90 days may result in salary deductions or disciplinary action.
- Non-compliance must be reported to the Department of Finance for further action.

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FMM 03.40 Public Investments, including funds and grants to Commercial Enterprises & Subsidiary Statutory Bodies

40.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 3A responsibilities of powers of the Treasurer also include managing investments of public funds and state loans, other than investments from the public funds pursuant to Section 12.
 - Section 12 – Finance department head powers investment of public money not immediately required and includes money held in Trust and money held by Provincial and Local-level Government.
 - Section 64A and 47N – Require Departmental and Ministerial approvals for establishment, restructure, or ownership changes of public entities.
 - Section 49 – A subsidiary statutory body is subject to the PFMA unless the Minister exempts it by Gazette notice.
 - Section 57 – Investments by Statutory Bodies subject to Finance Minister notice and requires quarterly reporting and that all revenue and profits of the statutory body for the fiscal year not contractually committed to be transferred to the Consolidated Revenue Fund.
 - Section 66 – Investment by Provincial and Local-Level Governments subject to Finance Minister notice and requires quarterly reporting
- Organic Law on Provincial Governments and Local-Level Governments (OLPGLLG)
- Companies Act 1997
- PPP Act 2014 provides a legal framework for investments that involve partnerships between the State and private sector entities.

- Connect PNG (Funds and Management) Act requires the submission of an investment plan
- Kumul Consolidated Holdings Act 2015 governs SOE investment oversight through KCH
- Organic Law on Sovereign Wealth Fund oversees investments through the SWF trusts from resource revenues
- Planning and Monitoring Responsibility Act 2016 requires the submission of an investment plan to the Treasurer as part of the National Budget and provides a framework for screening proposed investments using public investment program funds.
- Connect PNG (Implementation and Funding Arrangements) Act 2021 requires the submission of an investment plan (five year) to the Treasurer for approval.

40.2 Standards and Supporting Documentation

- IPSAS 16 – Accounting for Investment Property – Ensures that public sector real estate investments are properly valued and disclosed.
- IPSAS 29 – Financial Instruments – Requires recognition, measurement, and reporting of government investments in shares, bonds, and other financial assets.
- IPSAS 35 (Consolidated Financial Statements) – Requires consolidation of controlled entities in the financial statements of the controlling public sector entity.

40.3 Minimum Responsibilities

The Treasurer requires the Department of Treasury to be responsible for reviewing and approving all government investments in accordance with the Fiscal Responsibility Act outside of those specified in PFMA, ensuring that all investments are financially sound and in the public interest and monitoring investment returns and compliance with financial reporting standards.

Provincial and Local-Level Governments must ensure that commercial business arms operate transparently and in compliance with financial laws, seek approval for new investments and prevent investments in high-risk ventures that could result in financial losses.

Statutory Bodies and Government Business Enterprises must operate in a financially sustainable manner, ensure that any surplus funds from investments contribute to public service delivery and comply with corporate governance rules under the Companies Act 1997.

Finance Officers must:

- Track all government investments and record them in IFMS.
- Ensure that investment income is reported in financial statements.
- Assess risks and report any potential financial exposure.

Internal Auditors must:

- Verify that all public investments comply with legal and financial reporting requirements.
- Ensure that investment decisions align with government priorities.
- Report financial risks and non-compliance to the Department of Finance.

40.4 Mandated Policy

Investments can be, but are not limited to:

- Shares in a company or corporation (e.g., equity holdings) including Joint Ventures
- Government (Treasury) bonds and bills
- Term deposits and interest-bearing instruments
- Purchase of land or property with a view to generating returns (e.g., rental income)

- Lending arrangements or financial instruments involving returns
- Establishment of or participation in commercial undertakings
- Contributions to Public Private Partnerships (PPP) or other co-funded ventures or Joint Ventures

An investment is different from a grant or assistance in that:

- The primary purpose is to generate a return, such as dividends, interest, appreciation in asset value, or cost savings.
- The use of funds results in ownership, control or claim over an asset, company, or revenue-generating arrangement.
- The outcome includes financial benefits, strategic assets, or future income streams for the State or a public body.

1. Investments of public funds must be undertaken with due diligence and give due regard to the public benefit of investing.

2. Automatic (“safe harbour”) instruments where no further approval is required are:

- deposits with a bank already authorised for operation;
- Bank of PNG or State securities;
- any other security on which the Bank of PNG is lender-of-last-resort;
- instruments that a trustee may hold under PNG law.

3. Finance Minister and Treasurer approval is required for all other forms of investment such as unit trusts, corporate bonds, private debt, real property, or equity/commercial-enterprise investments before commitment (PFMA s57(1)(e), s66(1)(e), s12).

40.4.1 Commercial-enterprise (equity) investments

4. Equity, speculative property development, joint-venture or share acquisitions must also:

- Undertake consultation with the Treasurer and prior to any submission to the National Executive Council;
- Demonstrate a clear public-policy or strategic return;
- Include a business case, due-diligence report and risk analysis;
- Receive NEC concurrence when the total commitment exceeds K10 million or 5% of the entity's prior-year expenditure, whichever is lower.
- The proceeds of the investment such as dividends and disposal or divestment proceeds are public money and must be returned to the CRF or General Fund or in the case of Trusts, to the Trust Fund or as directed by the Finance Minister.

40.4.2 Borrowing vs Investment

5. Investment of surplus funds is separate from borrowing or guarantees, which always require Treasurer approval under PFMA s54 (statutory bodies) or s67 (PG/LLGs).

40.4.3 Investment Register

6. Every statutory body and every PG/LLG must publish, within 30 days of each quarter-end, a Gazette notice listing all investments held or made and this will specify the amount, counter-party, instrument, term, interest/dividend rate and fees (PFMA s 57(4), s 66(4)).

7. Each entity shall maintain an Investment Register containing at minimum:

Field	Description
Unique ID	Sequential number
Instrument & counter-party	e.g. 12-month TD – Bank XYZ
Date placed & maturity	
Principal (K)	
Rate / dividend	
Approval reference	Gazette date / Finance-Minister letter ref.
Source of funds	Vote, trust, project, surplus
Security class	Safe-harbour (a–d) or “Other-with-FM-approval”
Current fair value (if applicable)	For equity interests
Disposal / rollover details/ exit strategy details	

40.4.4 Retention & disclosure

- 8. The agency's investment register must be updated within five working days of any change.**
- 9. The investment register balances must reconcile to the general ledger monthly and be disclosed in the annual financial-statement note.**
- 10. The Register must be supplied to auditors, the Public Accounts Committee and the Department of Finance on request.**

40.4.5 Personal-benefit prohibition

- 11. Public funds shall never be invested to benefit an individual, a political candidate or a private venture not delivering a demonstrable public return.**
- 12. Investing outside the four classes without Finance-Minister approval, failure to Gazette, or failure to maintain the Register constitutes a breach of PFMA and attracts surcharge, disciplinary action and possible criminal prosecution.**

40.4.6 Submission requirements

- 13. Where an investment of public money is proposed (other than above), the following information should be collated and submitted to the Finance Minister and Treasurer:**
 - Clear request for approval of a proposed investment.
 - A formal business case (depending on the nature of the investment proposal) outlining the following:
 - Type of investment (e.g., equity, property, bond, term deposit, etc.)
 - Total amount of public funds to be invested
 - Source of funds (e.g., agency revenue, trust account, CRF allocation)
 - Purpose (e.g., income generation, strategic asset acquisition, partnership)
 - Alignment with Government policy, strategic or development goals

- Forecasted return on investment (ROI)
- Expected timeline for realisation of returns (monthly, annually, etc.)
- Non-financial benefits (e.g., job creation, capacity development)
- A risk assessment showing key risks and mitigations
- Due diligence findings or expert valuation reports
- Legal structure (e.g., wholly owned company, joint venture, partnership)
- Outline on how and by whom investment will be managed
- Details of the investment exit strategy if the investment underperforms such as conditions of sale or liquidation and mechanisms to return proceeds to CRF/GRFs.

14. The department head will need to sign a statement confirming:

- Funds used are public money
- The investment will comply with PFMA
- All due diligence has been undertaken

15. All contracts related to the investment are to have Legal Clearance by the State Solicitor.

16. All contracts that involve the procurement must follow the rules under the National Procurement Act 2018.

17. Any agreement that requires financing – including vendor financing (such as finance style leasing) requires approval of the Treasurer in accordance with Sections 36, 37, 54, and 67.

40.4.7 Investment and Ownership of Government-Controlled Entities including Establishing a Commercial Enterprise under Organic Law

Government-controlled entities—including commercial enterprises and subsidiary statutory bodies—represent a form of public investment. These entities may be established by statutory bodies, provincial governments, local-level governments, or central government with the intention of pursuing commercial, development,

or policy objectives. Regardless of their legal form (e.g., incorporated companies, trusts, statutory arms), where public money is invested, these entities fall under the financial accountability framework established by the PFMA.

18. Refer to FMM Volume 1 – FMM 01.09 Formation, Restructure, Acquisition of New Public Entities including Subsidiary Statutory Bodies:

- All government-controlled entities—whether commercial or not-for-profit—must be:
 - Registered with the Department of Finance as part of the whole-of-government entity register;
 - Disclosed in the parent entity’s financial statements as required by IPSAS 35;
 - Audited annually by the Auditor-General;
 - Monitored for financial returns, governance, and policy alignment.
- *Where a subsidiary statutory body or commercial enterprise is profitable:*
 - *The parent agency liaise with Department of Treasury to assess whether a dividend policy is needed;*
 - *The entity may be directed to repay seed capital or reinvestment funding;*
 - *Excess funds must not be held unless for approved business continuity or capital investment purposes.*

40.5 Non-Mandatory Guidance

A departmental head should ensure that there is Board or Assembly-approved Investment Policy Statement covering objectives, risk appetite, authorised instruments, counter-party limits, ESG considerations and reporting lines.

Any investment, and this includes when consider the signing of a memorandum of agreement to joint venture or support a particular venture, due diligence

including credit rating checks, legal review of security, sensitivity analysis and exit strategy.

An agency who does have investments should also capture an exit strategy within their investment policy which sets trigger points for divestment or restructuring if commercial-enterprise investments fail to meet agreed KPIs.

Further Information	frcd@finance.gov.pg enquiries@treasury.gov.pg for inquiries on investments
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FMM 03.41 Liabilities

41.1 Authority and Prescribed Requirements

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

41.2 Standards and Supporting Documentation

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

41.3 Minimum Responsibilities

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

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

Department heads:

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

41.4 Mandated Policy

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

41.4.1 Arrears

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

41.5 Non-Mandatory Guidance

The definitions of liabilities are as follows:

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

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

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

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

Further Information	enquiries@treasury.gov.pg
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FMM 03.42 Borrowings, Loans, On-Lending and State Guarantees

42.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
 - Part IV Borrowing, Guarantees and Loans by the State.
 - Section 54 on Borrowing, Guarantees and Loans of statutory bodies.
 - Section 67 on Borrowing, Guarantees and Loans of Provincial and Local Level Governments including subsidiary statutory bodies and commercial enterprises.
 - PPP Act 2014 – governs arrangements for public private partnerships.
- Fiscal Responsibility Act 2006
- Loans (Overseas Borrowings) Act 1973
- Loans and Assistance (International Agencies) Act 1971
- Loans Securities Act 1960

42.2 Standards and Supporting Documentation

- Instructions on the management of the debt management system – Meridian with Department of Treasury
- Treasury guidelines on:
 - State Guarantees Policy 2021
 - State Guarantees Guidance Note 2022
 - State On-lending Policy 2024
 - State On-lending Guidance Note 2024

42.3 Minimum Responsibilities

Treasurer executes loans on behalf of the State following approval of the National Executive Council.

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

Department of Finance is required to ensure agencies can accurately record and disclose borrowings and loans in IFMS.

Agency department heads:

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

In accordance with Section 5 of the Fiscal Responsibility Act 2506, no Government agency, statutory authority, or public enterprise may table a submission to National Executive Council which has fiscal implications for the State without consultation with the Treasurer of this submission. The Department of Treasury is required to provide written notice of this consultation for attachment to the NEC Submission.

42.4 Mandated Policy

- 1. The National Procurement Act 2018 requires the issuance of a Certificate of Expediency by the National Procurement Commission Board for any procurement that is related to borrowings, loans or guarantees.**

Borrowing refers to any arrangement — formal or informal — that results in the State or a public body incurring a present obligation to make future payments of

money in exchange for current or past goods, services, or assets, regardless of whether the arrangement is explicitly termed a loan, such as:

- Loans and advances from banks, financial institutions, or other lenders;
- Writing a 'letter of comfort', memorandum of understanding or indemnity to take on a liability or guarantee a future payment, however vague that gives rise to a moral or legal obligation;
- Issuance of bonds or other debt securities;
- Supplier or contractor arrangements that defer payment over time (e.g. "pay later" terms embedded in contracts);
- Public-Private Partnerships that involve deferred government payment obligations;
- Finance leases and hire-purchase arrangements where the government assumes responsibility for long-term payments;
- Build-Own-Operate-Transfer and Build-Lease-Transfer schemes where payments are contractually committed over time.

2. No Government agency, statutory authority, or public enterprise may borrow funds — either domestically or internationally — unless specifically authorised by law and executed by the Treasurer in accordance with Section 209 of the Constitution and the PFMA.

3. All borrowings must be approved by the National Executive Council (NEC) and executed by the Treasurer on behalf of the State.

4. The Treasurer may provide a State Guarantee of repayment of funds only where the transaction is firstly approved by the National Executive Council and the purpose is demonstrably for the benefit of the State. Guarantees are tightly controlled and are not a routine financing mechanism.

5. In cases where the State borrows and subsequently on-lends funds to a statutory authority, State-Owned Enterprise (SOE), or subnational government:

- The on-lending arrangement must be approved by the National Executive Council;
- A formal On-Lending Agreement must be executed by the Treasurer and managed by the Department of Treasury;
- The borrower (e.g. SOE or provincial government) must be credit-assessed and subject to repayment monitoring;
- The terms (interest, maturity, etc.) must mirror or improve on the original financing terms to protect State interests.

6. All liability arrangements — including concessional loans, sovereign guarantees, and on-lending mechanisms — are subject to the following:

- Debt Management Strategy and Medium-Term Debt Strategy (MTDS) issued by Treasury;
- All related loan legislation including the Fiscal Responsibility Act 2006;
- Treasury Instructions and Policies under the PFMA;
- Annual Public Debt Reports presented to Parliament;
- National Budget Strategy Paper.

7. Any agency or public body receiving a guarantee or on-lent funds must:

- Report quarterly on usage, repayments, and risk exposure;
- Record the liability in its financial statements in accordance with IPSAS or the prescribed accounting framework;
- Ensure the liability is disclosed in agency-specific financial reporting to DoF and during external audit reviews.

8. The Treasury department head responsible for the recording and monitoring of all State borrowings, State Guarantees and State On-lending.

9. The Treasury department head is required to maintain a register of all State borrowings, State Guarantees and State On-lending.

42.4.1 Notifying liabilities to Parliament

10. Under the Loan and Securities Act 1976, the Treasurer is required to table loan agreements in Parliament after execution:

Obligation	Law	Timing	Notes
Table loan agreements in Parliament	<i>Loans Securities Act s11</i>	After execution	Required for transparency
Report debt levels and liabilities	<i>PFMA s15</i>	Annually and quarterly	Budget papers – Appropriations Act
Publish fiscal strategy and debt sustainability targets	<i>Fiscal Responsibility Act 2006</i>	Annually and mid-year	MYEFO, FBO, Fiscal Strategy Paper
Obtain authorisation to borrow	<i>PFMA, Loans Securities Act</i>	Before borrowing	Via NEC

42.5 Non-Mandatory Guidance

The Treasurer and the Department of Treasury has complete control to establish the policy and processes that guide any borrowing, loan, guarantee and State on-lending and has published a series of guidelines on various arrangements.

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

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

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FMM 03.43 Recognition of Commitment Provisions and Contingent Liabilities

43.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 5 mandates Departmental Heads to establish internal controls for accurate recording of financial obligations, including commitments and contingent liabilities.
 - Section 47K, 62 and 68 requires public bodies and statutory authorities and Provincial Governments and Local Level Governments to keep property accounts and records of its transactions and affairs. And to ensure that liabilities are controlled.

43.2 Standards and Supporting Documentation

- International Public Sector Accounting Standards (IPSAS):
 - IPSAS 19 Provisions, Contingent Liabilities, and Contingent Assets
 - IPSAS 1 Presentation of Financial Statements

43.3 Minimum Responsibilities

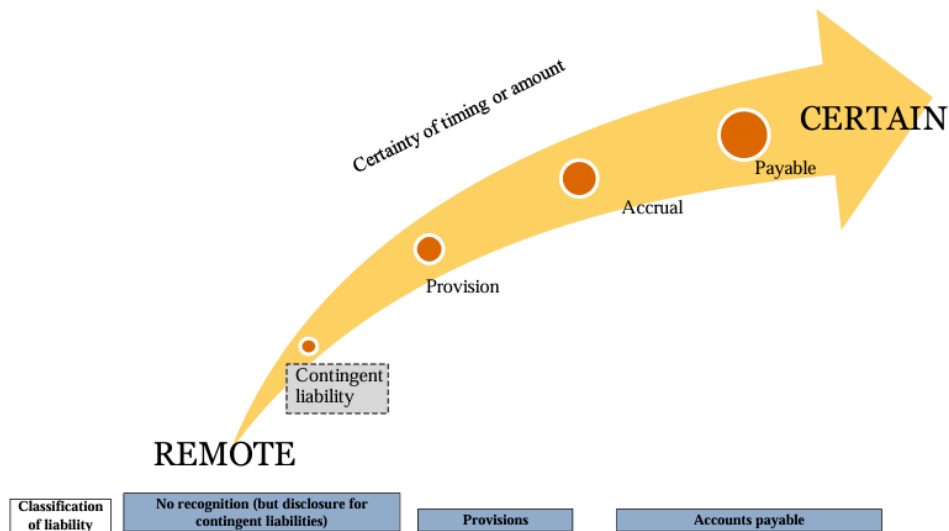
Departmental Heads are to ensure provisions and contingent liabilities are properly identified, recorded, and disclosed. An agency must establish a Contract Register as well as contingent liabilities for financial statement purposes.

Heads of Finance are to establish controls to record and monitor financial provisions and contingent liabilities and the ongoing maintenance to ensure proper classification and documentation of commitments.

The finance department head is responsible for establishing controls to consolidate commitments and contingent liabilities for national reporting purposes and provide technical guidance to agencies on compliance with PFMA and IPSAS requirements.

Internal Audit Units are to review the processes for recording and reporting provisions and contingent liabilities.

43.4 Mandated Policy



1. **Parliament must be notified of the existence of any commitment of possible future liabilities when they are identified or committed.**
2. **Commitment provisions and contingent liabilities must be recognised and disclosed as a note in the financial statements of an agency:**
 - All commitments exceeding K100,000 are to be captured on a commitment register and disclosed as a note for annual reporting purposes.
 - Multi-year commitments must be disclosed in financial reports, including their impact on future liabilities budgets.
 - Contingent liabilities must be reviewed and disclosed in financial statements where there is a possible financial obligation.
 - Unfunded commitments are prohibited, and all financial obligations must be supported by available appropriations.
 - Risk management processes must be in place to assess and mitigate contingent liabilities.
3. **Should a contingent liability give rise to the need for public expenditure, the expenditure requires the authority of an Appropriation Act.**

43.4.1 Exception for commitments incurred without Warrant release

4. In cases where an entity enters into a legally binding contract with an APC but a Warrant has not been issued at the time a claim was lodged by the contractor, the commitment must still be tracked to ensure it is recognised and prioritised when funding becomes available.

43.4.1.1 Establishment of a Commitment Register

5. Each public entity must maintain a Contract/Commitment Register for:

- Legally executed contracts.
- Multi-year contract obligations requiring staged funding.
- Emergency or high-priority expenditures that must be recognised before a warrant is issued.

6. The Contract/Commitment Register must be reconciled monthly and cross-checked with warrant releases to ensure timely recognition in IFMS.

7. Once a warrant is issued, the commitment must be entered into IFMS (or approved finance system) immediately.

8. Heads of Finance must report all commitments in the Off-System Register to the Department of Finance on a quarterly basis.

9. Commitments and Contingent liabilities are recorded as part of the agency's annual general purpose financial statements, and for agencies that form part of the Public Accounts, reported with the Department of Finance for compilation with the Public Accounts.

10. Provisions are recognised in financial statements as a note as they are probable and can be reliably measured (refer to FMM Volume 4).

11. Contingent Liabilities are also disclosed in the notes if the likelihood of an outflow of resources is possible but not probable (refer to FMM Volume 4).

12. Failure to record commitments accurately, leading to arrears or financial misstatements, may result in disciplinary action.

13. The Register must be audited annually to ensure compliance with PFMA and government financial policies.**43.4.2 Definitions**

Commitment provisions are recognised when an agency has a present obligation that arises from past events, which will likely result in an outflow of resources or payments. Provisions are recognised in the financial statements because the amount and timing of the obligation are certain. Examples of Commitment Provisions:

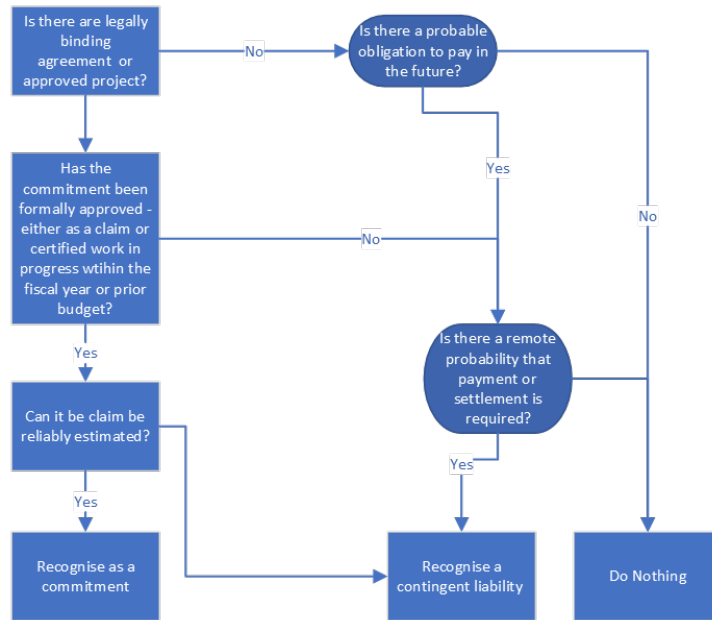
- Contractual obligations for goods or services received but not yet paid, or claims lodged but unpaid (these can be recorded in or outside of IFMS and the approved finance system).
- Court order legal settlements where the outcome and amount are reliably estimable.

Contingent liabilities represent potential obligations that arise from past events but are dependent on future events not wholly within the entity's control.

Examples of Contingent Liabilities:

- Pending litigation where the outcome is uncertain.
- Guarantees provided to third parties, where payments may be required depending on future events.

43.4.3 Difference Between Provisions and Contingent Liabilities



43.5 Non-Mandatory Guidance

Nil

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FMM 03.44 Accounting for Leases – Operating and Finance Leases

44.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA)
- National Procurement Act 2018

44.2 Standards and Supporting Documentation

- IPSAS 43 – Leases

44.3 Minimum Responsibilities

Treasurer only has the authority to approve finance leases (defined below) as it is a form of financing by the State.

Departmental Heads must ensure all lease arrangements are assessed for classification and financial impact and are therefore, responsible for ensuring cost-benefit analysis is undertaken and documented before entering into lease agreements.

44.4 Mandated Policy

44.4.1 Definition of a Lease

A lease is an agreement whereby the lessor (owner) conveys to the lessee (user), in return for a payment or series of payments, the right to use an asset for an agreed period. Leases are generally categories as either an operating or finance lease.

44.4.1.1 Operating Lease

- An operating lease does not transfer the ownership of the asset at the end of the term of the lease or have a clause or opportunity to take over the ownership of the lease during or at the end of the lease term.

1. As an operating lease, the lease is not recorded as a liability nor is the leased asset recorded as an asset.

- 2. For any lease or service agreement, the total value of the lease or agreement must be approved by a delegate within their delegated authority, not a portion. Only the delegate can sign the lease or agreement.**

For example, if an officer seeks to hire a vehicle, then the total days that the vehicle is to be leased must be specified and approved by the delegate. The vehicle cannot be approved for hire based on number of days or based on day rate alone, the total value needs to be approved for the lease term.

- 3. An operating lease does not require the Treasurer approval as a borrowing, guarantee or loan by the State.**
- 4. Payments are recognised as an expense over the lease term when paid. Outstanding lease payments are recognised as a commitment on the commitment register (refer to FMM 03.20 Expenses).**

44.4.1.2 Finance Lease

- A finance lease transfers substantially all the risks and rewards incidental to ownership, even if title is not transferred. A finance lease usually includes an arrangement where the lessee will have the asset transferred to them (to the State) or provides an option for the lessee to pay for the asset to be transferred to them after a period of time of leasing.
- A finance lease is essentially a financing agreement or form of borrowing to acquire an asset. Typical indicators of a finance lease include:
 - Ownership transfers to the lessee at the end of the lease.
 - Option to purchase the asset with or without a residual payout amount.
 - Lease term covers most of the asset's useful life.
 - Present value of lease payments equals or exceeds fair value of the asset.
 - The leased asset is of a specialised nature usable only by the lessee.

5. Both the value of the asset and total expected value of the lease liability must be recorded in the approved accounting system of the agency. The liability is equal to the present value of minimum lease payments and the asset is registered on the asset register.
6. The lease is a form of borrowing and must have approval of the Treasurer prior to entering into the agreement (refer to FMM Volume 3 on Loans, Borrowings and Guarantees for further details).
7. Before entering into any lease, agencies must:
 - Conduct a cost-benefit analysis comparing leasing to purchasing;
 - Evaluate risks such as technological obsolescence, maintenance obligations, or ownership value;
 - For long-term, high-value or recurring lease costs, assess the risk of creating long-term liabilities without appropriate budgeting.

44.5 Non-Mandatory Guidance

Nil

Further Information	frcd@finance.gov.pg – general information enquiries@treasury.gov.pg for assistance on finance leases
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FMM 03.45 Losses and Deficiencies – Writing Off

45.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 195 (PFMA) Section 108 provides for the writing off of losses or deficiencies of public moneys, irrecoverable amounts of revenue, irrecoverable debts and overpayments and value of lost inventory and other assets.

45.2 Standards and Supporting Documentation

Nil

45.3 Minimum Responsibilities

The Minister for Finance has the power to write off and any power exercised to be published in the National Gazette. The Minister of Finance also has the power to delegate this power.

The Finance department head ensures that all financial losses are investigated before granting approvals and is required to maintain a record of all write-offs and waivers for financial reporting and audit.

Departmental heads are to submit applications for write-offs and waivers with supporting documentation ensuring write-offs and waivers are used only in exceptional circumstances.

Heads of Finance are to process approved write-offs and waivers in IFMS and ensure all write-offs and waivers are justified and recorded.

45.4 Mandated Policy

"Loss or deficiency of public moneys" is a physical loss by an accountable officer of any money or assets or anything where the 'resources' did not realise their full value or where there was expenditure that should not have been paid. It does not include accounting adjustments or losses that do not affect the fiscal position (such as accounting errors).

As Parliament does not approve in advance for potential future losses when passing the Appropriations Act, when it occurs it gives rise to greater scrutiny and control than other payments.

- 1. The department head is required to establish and maintain a Register of Losses and submit this within 30 days of the end of the fiscal year to the Finance department head.**
- 2. All losses and deficiencies of public moneys and irrecoverable amounts of revenue, debts and overpayments shall be suitably and briefly recorded in a Register of Losses kept for the purpose, to include:**
 - (a) gross value of losses or deficiencies or irrecoverable amounts of revenue, debts and overpayments (to be entered as soon as the losses or deficiencies are known);
 - (b) date losses advised to Department of Finance
 - (c) amount recovered;
 - (d) amount written off;
 - (e) authority for adjustment;
 - (f) advice of any defects in the internal control system, and if so, a reference to remedial action taken;
- 3. Entries are still recorded in the approved accounting system.**
- 4. Losses or deficiencies of public moneys are recognised in the accounts when approved as a write-off. Where the loss or deficiency concerns moneys which should be credited to a revenue account or have been charged to an expenditure account, the Finance department head will provide instructions when the write-off is approved.**
- 5. It is the responsibility of the department head or delegate to ensure that all cases submitted for write-off approval have been thoroughly investigated. Before approving the write-off and the delegate must be satisfied that write-off is the only reasonable course of action to take and that disciplinary action is not warranted.**
- 6. The write-off action does not extinguish the debt and the Government is not excluded from pursuing the debt at a later date.**
- 7. The following delegations exist for writing off:**

a) Arising from theft, robbery, fraud or other cases.

- Deputy Secretary Operations, DoF = K 5,000
- Departmental Head of any Department = K 3,000

b) Irrecoverable Revenues – Debts and Overpayments

- Commissioner General = K50,000
- Commissioner = K20,000
- Assistant Commissioner = K10,000
- Loans, Revenue & Debt Management = K 5,000
- Deputy Secretary, Operations Department of Finance = K 5,000
- Departmental Head of any Department = K 3,000
- Provincial Treasurer = K 3,000

8. Where write-off sought exceeds delegated limits shown above, a submission should be made to the Finance department head who has been given unlimited power for the above purposes under Section 108 of the PFMA.

45.4.1 Liability in Respect of Losses or Deficiencies

9. Where there has been a loss or deficiency of public moneys due to misappropriation or fraud, the agency should make every effort to recover in full such losses or deficiencies from the person responsible either by cash payment and/or withholding moneys due, as soon as the loss is known.

10. Where there has been a loss or deficiency of public moneys, not due to misappropriation or fraud, the person responsible shall be advised that he is liable for the full amount of the loss, subject to any relief granted under the provisions below.

11. If relief is not granted, the full amount of the loss shall be recovered.

Where relief is applied for, arrangements shall be made for the following amounts to be made good initially:

- (i) Where the loss or deficiency is K500 or less, the whole amount;
- (ii) Where the loss or deficiency exceeds K500 but does not exceed K1,000 the amount of K500;

- (iii) Where the loss or deficiency exceeds K1,000, fifty toea for each Kina making up the loss or deficiency.

Appropriate adjustments shall be made as soon as a decision has been taken and the Departmental Head or an Officer appointed by him for the purpose, may approve payment by instalments, but payments shall begin no later than the next pay day.

45.4.2 Prosecutions

12. Any undertaking not to prosecute a person if he makes a restitution shall never be given by a department. It is an offence against the law to compound a felony by agreeing not to prosecute the person who committed the felony if he does a certain thing.

45.4.3 Surcharge or Court Order to make Good

13. In every case involving the loss of Government property including money, the Department should consider in consultation with the State Solicitor, what action should be taken. If this action is unsuccessful or if criminal action is not taken, the Department should look at the further remedy of surcharge, or if it is not proceeded with, further legal action if the State Solicitor considers it appropriate. If criminal action is proceeded with, every effort should be made to seek an order for restitution.

45.5 Non-Mandatory Guidance

45.5.1 Overpayment of Salary and Allowances

The following procedure is to be observed by Departments in the event of an overpayment of salary and allowances.

- Where an overpayment of salary or allowance has occurred through miscalculation or payroll error, or clearly a mistake in the application of an Act, Regulation, or Public Service General Orders, the overpayment is recoverable and the Department should proceed to take recovery action immediately.
- Where an overpayment of salary or allowance is alleged to have occurred for any other reason and the officer or employee disputes the matter or the Department itself is doubtful whether the overpayment is recoverable, all the relevant facts shall be referred to the Department of

Finance Financial Reporting and Compliance Division who will seek legal advice, if necessary, before any recovery action is taken.

- Overpayments which are deemed to be recoverable and which have been received in good faith shall be recovered in full if the overpayment has not continued beyond twelve months. If the overpayment has continued beyond twelve months, the amount overpaid for the last twelve months alone shall be recovered. Cases of hardship can be reviewed by an officer vested with the power for write-off or the Department of Finance.
- Overpayments which are deemed to be recoverable and which have been received in bad faith, (i.e., where the recipient had reason to know he was being overpaid), shall not be waived but shall be recovered in full.
- Where an overpayment has been established the following procedures shall be followed by Departments:
 - A formal letter of demand is to be issued to the officer overpaid asking him either to refund the amount or agree to recovery by instalments from his salary.
- Where recovery is by instalment, each instalment should be not less than 10% of net salary and the number of instalments should not exceed 18 paydays.
 - If no reply is received within seven days or a reasonable period after issue of the letter or a letter is received but without offering satisfactory repayment arrangements or the officer refuses to allow deductions to be made from salary, particulars are to be sent by the Department Staff or Salaries Section to the State Solicitor for recovery to commence by legal action.
 - In the case of legal action for recovery of debts caused by defalcation, details are likewise to be sent to the State Solicitor, advising him to commence recovery.
 - In both cases it will be necessary to advise the State Solicitor, the following detail:
 - a. Amount of debt

- b. Name of debtor
- c. Address of debtor
- d. Recovery action taken to date

45.5.2 Irrecoverable Debt and Revenue Procedure

The following procedure shall be followed where moneys are not collected and are irrecoverable:

- The exercise of any delegation to write off irrecoverable amounts of revenue or irrecoverable debts and overpayments does not imply a legal renunciation by the State of a claim on money due to the government. Nor does this action absolve a department from recovering a debt if recovery becomes possible at some future date. In the case of an overpayment of periodical amounts paid by departments, a notation shall be made on the appropriate record to ensure the amount is overpaid is recovered.
- Where it has been found impossible to recover revenue, overpayments and other debts owing to the Government, the authority of the Secretary for Finance or his delegate shall be obtained for the write offs.
- Where an amount is owed by a bankrupt or a company in liquidation, the amount shall not be written off until the bankrupt has been discharged from bankruptcy, the liquidation of the company has been finalized or advice has been received from the administrator that further distribution is not likely.

45.5.3 Procedure for Other Irregular Payments.

Unless otherwise directed by the Finance department head, the steps above shall also apply to:

- a. an irregular payment which has not been immediately recovered;
- b. an overpayment due to a breakdown in procedure;
- c. an overpayment due to arithmetical error which cannot be recovered from moneys due, or known to be due in the future to the payee, and which is not recovered within a period of four weeks from the date of discovery of the overpayment;
- d. a loss of revenue occasioned by the non-collection of an amount which is determined to be due to the Government under a law, regulation or a decision by the appropriate authority; and

- e. a non-collection or under-collection of an amount which is due and not recovered within a period of four weeks from date of discovery.

45.5.4 Recovery of Losses from officers or employees

45.5.4.1 Recovery from Refunds of Superannuation or Benefit Funds

If, despite Departmental requests, an officer or employee (including a member of a Force) who is a contributor under the Superannuation (general provisions) Act, or the PNG Defence Retirement Benefits Act has failed to repay to the Government sums misappropriated, deficiencies of cash, overpayments of salary and such like, and is resigning or being dismissed or retrenched from the service, then the Department shall:

- obtain from the contributor a completed application form for refund of contributions together with an order authorising superannuation to pay to the department the amount of the contributions or so much thereof as will cover the debt;
- if the contributor completes an application form for refund of contributions, but refuses to sign the Order referred to in (a), forward the application form to the Superannuation Funds with full details of the case and a request that payment be made to the Department;
- if a complete application form cannot be obtained from the contributor , fill-in the form as appropriate and forward it to the Superannuation Funds with full details of the case and a request that payment be made to the Department;

Before action is taken to seek recovery of the debt in whole or in part from the State Services and Statutory Authorities Superannuation Board or Defence Retirement and Benefits Funds, Departments should ensure that proper evidence is available to support the Government's claim for the debt owing to it;

- When a refund of contributions has been made to a Department by the State Services and Statutory Authorities Superannuation Board or Defence Retirement and Benefits Funds, the balance due to the contributor, after deducting the amount owing to the Government, should be paid without delay.

For Losses or Deficiencies - Applications for Relief by Officers or Employees, the following conditions are prescribed for general application:

- any officer or employee having caused a loss or deficiency in public moneys may make application for alleviation or discharge from the liability;
- any such application shall be made by the officer or employee to the Departmental Head through his immediate superior officer and shall set out the amount of the loss or deficiency and any explanation he may desire to offer;
- the application shall be considered by a Committee of three officers two of whom shall be appointed by the Departmental Head or an officer authorised by him for the purpose, one being the Head of the Branch in which the officer or employee is employed, or his representative. The Chairman shall be a senior officer from the Department of Finance. An officer of another department is not prevented from being a member of the Committee if circumstances warrant such an appointment.
- the Committee shall take into consideration the circumstances of the loss or deficiency, the record of the officer or employee and the amount of loss or deficiency and any amount recovered or any compensatory payment made by the officer in regard to the loss or deficiency.
- the Committee shall report the facts and recommend to the Departmental Head with a copy to the Secretary for Finance the amount of the loss or deficiency which it considers should be borne by the officer or employee.

45.5.5 Reporting and Recording

As soon as losses or deficiencies of public moneys are noticed, the following action shall be taken:

- If theft, robbery or fraud is suspected:
 - Report to the Police and request for an investigation as soon as possible.
 - Advise the Auditor-General and the Department of Finance Financial and Audit Inspections Division as soon as it becomes known.

- Where the amount of loss or value is more than 10,000 - within 14 days of the occurrence of the loss, submit a complete report to the Auditor General and the FAID
- In other cases:
 - losses and deficiencies exceeding K10,000.
 - Advise the Department of Finance (FAID) as soon as possible.
 - Within 14 days of the occurrence of the loss, submit a report to the Department of Finance outlining:
 - 1) Nature and amount of the Loss: (state whether theft, misappropriation, fraud, negligence etc.).
 - 2) Division/Branch/Location where the loss occurred.
 - 3) Date or period when the loss occurred or discovered.
 - 4) Brief report on the circumstances leading to the loss indicate how the loss was facilitated.
 - 5) Name of officer(s) directly responsible for the loss.
 - 6) Names of other officer(s) indirectly involved. How were these officer(s) involved?
 - 7) Name and designation of supervising officer(s).
 - 8) What form of controls exists to prevent losses of the nature reported?
 - 9) Are the controls stated in 8 above being exercised effectively? If not state reasons for the breakdown.
 - 10) Have the police been informed? If not are there any reasons, why? If the police have been informed, a copy of the Report should be submitted, when available.
 - 11) Has any officer been convicted by the court? Please provide details and a copy of the court order when received.
 - 12) Has an order for Restitution been sought from the court? Please provide details
- After taking all other necessary action submit a report, with appropriate recommendations to the Department of Finance.

Further Information	frcd@finance.gov.pg
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