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## **PART 1 - MANAGING GOVERNMENT FINANCES: INTRODUCTION**

Financial Management in Government achieves significance and prominence because of public interest in the affairs of government. As a result of public interest, government must be concerned with a wide variety of measures, most of which must relate to the specific focus of public interest some of which lead to legislation.

This revision of the *Financial Management Manual* was necessitated mainly by the enactment of new legislation resulting in the issuance of accompanying or related *Finance Instructions* to ensure complete guidance in managing public finance and resources.

The main objective of government financial management is to control public spending against legislated budgets. Thus the primary concern is about compliance with budgetary provisions and allocations.

A modern approach to managing government resources draws attention to revenue and expenditure performance in terms of efforts spent on achieving budgetary objectives. In order to report results of budgetary performances, government financial management in the Papua New Guinea system, a program orientation has been adopted to provide the policy implementation platform. It is thus the focus that the financial management system must generate information to ministers, departmental heads and managers for them to make clear and informed decisions for the benefit of the country and economy.

The ultimate goal of government financial management system is to raise revenue and to ensure that goods and services are delivered to the civil community in the most efficient and effective manner. Governments establish the level of services that they will provide, calculate their cost and then they set ways of generating finances to pay for the services. If this is achieved, then it is easy to conclude on the performance of a government against its budgetary goals.

This manual is therefore designed to ensure that service delivery by government is achieved through effective budgeting, accounting, resource management and public reporting. The manual thus provides a point of reference to expedite the process of effective resource management. In the process, emphasis is placed on timeliness, reliability, clarity and simplicity at all levels of financial management of government.

This manual has 34 Parts and each part is divided into Divisions with each division dealing with an area of focus. At the very beginning of the manual is a copy of the *Public Finances (Management) Act* for ease of any necessary cross referencing.

## PART 2 - GUIDELINES ON FINANCIAL MANAGEMENT

### DIVISION 1- LEGAL BASIS OF GOVERNMENT FINANCIAL MANAGEMENT SYSTEM

1. The raising and expenditure of finance by the National Government is subject to **authorisation and control by the National Parliament and is regulated by an Act of Parliament as per Section 209 of the National Constitution.**
2. The **Public Finances (Management) Act, 1995** provides for the management of public finances. The Act also enables regulations to be made by the Head of State acting on the advice of the National Executive Council, for "the better control and management of public moneys and public property" (**Section 115**) and for issue of Financial Instructions by the Secretary of the Department responsible for financial management (Department of Finance) for the purpose, under **Section 117 of the Act.**
3. The **Act**, the **regulations** thereunder and the **financial instructions** constitute the legal framework for the Government Financial Management System. In their application to public bodies, they should be read with the constituent Acts of the respective bodies.

### DIVISION 2 - OVERVIEW OF THE GOVERNMENT FINANCIAL MANAGEMENT SYSTEM

4. Central to the Government Financial Management System are the following facts:-
  - The Minister for Finance and Treasury is responsible for the supervision of the finances of the State and public bodies, the formulation of the National Budgets and overseeing its implementation (**Section 3 of the Act**); and
  - The Secretary for Finance is responsible for the control and direction of all matters relating to the management of the financial affairs of the State. He may require the submission of financial reports at specified intervals and may impose surcharges and penalties on Departmental Heads who fail to submit the required reports (**Section 4 of the Act**).
5. The basic components of the Government Financial Management System are:
  - Planning
  - Budgeting

- Raising and spending of resources and accounting
  - Control procedures including internal and external audit
6. Planning is the process of determining priorities and developing ways of achieving the priorities in a budget formulated in accordance with an overall development strategy.
  7. A government budget is a resource plan relating to a period of time and takes the form of an annual estimate of revenue and expenditure in terms of money.
  8. Procedures for raising revenues are designed to comply with requirements of relevant taxation statutes and in case of non-tax revenues, to satisfy in part or in full, the self-financing needs of the services provided.
  9. Expenditure procedures comply with relevant financial laws and ensure effective administrative control over operations, *and promote economy, efficiency, effectiveness and prevention of fraud and waste.*
  10. Control procedures include a satisfactory accounting system in operation, to give a true and fair view of the income and expenditure of the Government during the year and the state of affairs at the end of each year, provide means for economic and financial appraisal of programme operations and facilitate internal and external controls. The control system also includes a review of the Annual Accounts by the Parliamentary Committee on Public Accounts empowered to obtain evidence from Departments and agencies of government.

### **DIVISION 3 - CYCLE OF FINANCIAL CONTROL**

11. The control of Government finance operates in a cycle and is based on the principles of:
  - Legislative Supremacy
  - Executive Initiative
12. **Legislative Supremacy**
  - 12.1 The **Constitution, Section 209** requires the financial proposals for a fiscal year to be presented to the Parliament in the form of a National Budget.
  - 12.2 The Budget sets out the estimates of public moneys to be raised and proposed expenditure. Public moneys raised in the form of revenue (tax or non-tax), grants, loans or other finances are paid into the Consolidated Revenue Fund. Expenditure proposed in the National

Budget is paid out of the Consolidated Revenue Fund under Appropriation for the year.

- 12.3 Separate proposals for the services of Parliament, Judiciary, General Public Services and development expenditure are made in the form of Appropriation Bills, to be approved by the Parliament. Approval is granted through Appropriation Acts.

### 13. Executive Initiative

- 13.1 The proposal for the raising and spending of money by the Government is a function of the Executive. This is recognised by **Section 210 of the Constitution** which prescribes that the Parliament must authorise the imposition of tax, raising of loans or expenditure of public money only on recommendation of the Head of the State, acting on advice of the National Executive Council. The section further prescribes that Parliament cannot change the purpose of any tax, loan or expenditure or increase or reallocate the amount in budget proposals.

- 13.2 Parliament, however, may reduce the amount of taxation; loan or expenditure proposed in the Budget and it can increase the estimate of expenditure for Parliament and Judiciary up to the amounts proposed by the latter.

### 14. The following are the various phases of the control cycle:

- 14.1 Preparation of Estimates by the various Departments leading to the Formulation of the National Budget
- (a) Budget proposals, indicating requirements of funds by the spending agencies, are made in two stages:
    - (i) By Departments, Provincial Governments, Local-level Governments and Statutory Authorities to the Department of Treasury.
    - (ii) By the Minister for Finance & Treasury to the Parliament (under direction of the National Executive Council to the Legislature).
  - (b) The requirement for funds by spending agencies are examined by the Department of Treasury with reference to (i) needs of an activity or project under the prescribed policies of government, (ii) justification of the cost provided under items of expenditure, (iii) targets set by the National Executive Council.

- (c) The Department of Treasury obtains approval of the National Executive Council before submitting budget proposals to Parliament through the Minister for Finance & Treasury.
- (d) The exercise should start well before the beginning of each year through issue of Budget Circular by the Department of Finance indicating the details of requirements to be complied with by Departments, Governments and Statutory Authorities in submitting budget proposals.

#### 14.2 Approval by the National Parliament

- (a) This denotes legislative approval of the Appropriation Bill by an Act of Parliament after the presented National Budget and Appropriation Bill are debated in Parliament.
- (b) The Appropriation Act provides for expenditure to be incurred during the year for the services set out in a schedule to the Appropriation Bill. It also confers authority on the Government to incur expenditure on services (i) not originally contemplated (new services) or (ii) in excess of the amount allocated under the Appropriation Act.

For the above purposes, the Appropriation Act prescribes the following mechanism and limits for adjustments of appropriation:

- (i) *Adjustment of Appropriation for New Services (Generally known as Section 3 Transfer):*

*The net appropriation should not exceed the amount of Secretary's Advance voted under Appropriation*

- (ii) *Adjustment of Appropriation As Between Services (Generally known as Section 4 Transfer):*

*The sum of additional appropriation should not exceed the limit specified in the annual Appropriation Act*

#### 14.3 Allocation

- (a) This denotes authorisation to commit or pay out or both within a specified time period within the amounts approved in the National Budget after the Appropriation Act is passed.
- (b) Such authorisation is provided by the following 3 instruments at different stages:

*(i) **Minister's Warrant** - Authorisation to the Secretary, Department of Finance to issue Warrant Authorities signifying release of funds to departments.*

*(ii) **Warrant Authority** - Authorisation by Secretary, Department of Finance to departmental heads to commit or pay out.*

*(iii) **Cash Fund Certificates** - Authorisation by Departmental Head to his Financial Delegate to commit or pay out.*

*Details of release procedure are set out elsewhere in this Finance Manual.*

#### 14.4 Accounting for Revenue raised and Expenditure incurred

- (a) The Department of Finance under the **Public Finances (Management) Act, 1995** has the responsibility to ensure that complete and proper accounts are maintained in respect of all transactions involving public moneys and to prepare quarterly summarised statement of receipts and expenditure of the Public Account and to prepare for each financial year detailed statements of the Public Account.
- (b) The accounting system and records maintained by the various Departments are subsidiary to those of the Department of Finance unless the accounts are maintained and rendered under a specific enactment which excludes the application of the **Public Finances (Management) Act, 1995**.
- (c) Self Accounting Departments keep their own account books and compile their monthly statements of accounts subject to directions issued by the Department of Finance. Consolidated Accounts for the Government rendered by the Department of Finance incorporate the accounts of Self Accounting Departments as well, and are to be regarded as authoritative and final.

#### 14.5 Audit of Accounts

- (a) Auditor General:

The functions and duties of the Auditor General in relation to public accounts and records are set out in the **Constitution and the Audit Amendment Act, 1995**. His audit results are included in the Annual reports forwarded by him to the Speaker of Parliament for presentation to Parliament.

(b) Departments of Finance and Treasury:

In accordance with **Section 6 of the Act**, all Accountable Officers are required to maintain full and proper accounts and records of public moneys, stores and other public property in their possession. Under **Section 9 of the Act**, the Secretary of the Department of Finance and / or a Finance Inspector has right to full and free access to accounts and records of all accounting officers and to inspect and inquire into those accounts and records.

Finance Inspectors and auditors carry out such inspections and audits according to approved programmes at any time and intervals they feel necessary or upon specific direction of the Secretary.

**14.6 Review by the Parliament**

A committee of the Parliament - the **Public Accounts Committee**-examines the Public Account presented to the Parliament with the Auditor General's report and makes a separate report to Parliament.

**DIVISION 4 - ROLE OF DEPARTMENTAL HEADS AND OTHERS**

**15. The role of the Departments of Finance and Treasury in Financial Management.**

**15.1 Under the **Public Finances (Management) Act, 1995 Section 23**, the Department of Finance is responsible:**

- For compilation of the National Budget, release of funds or payment of grants and related activity, according to Parliamentary appropriations, and to carry out periodical reviews of budgetary performance and appraisal of projects; (Administratively, this function has been delegated to Treasury Department); and
- For managing revenue, commercial investments, public debt and loans and guarantees by the State;

**15.2 The Department of Finance is also responsible:**

- For preparing the National Government Accounts, publish the summarised account quarterly, and submit the statement of the Public Account to the Auditor General and the National Parliament at the end of each year; and
- For review of the operation of trust accounts; and
- For control over the bank accounts where public moneys are kept;



- For laying down appropriate procedures of procurement of goods and services, asset management, payment of salaries, wages and other entitlements and advances and for the proper implementation of approved projects;
- For carrying out inspection of records of public moneys and stores; and
- For assisting the Public Accounts Committee in its deliberations and preparing Government responses in the form of Minutes addressing issues raised in Public Accounts Committee reports.

## 16 Responsibilities of Heads of Departments

16.1 **Section 5 of the Public Finances (Management) Act** outlines the duties of the Departmental Heads in the following areas:

- Formulation of annual estimates;
- Prompt and full collection of public money;
- Proper authorisation and application of expenditure with reference to regularity and propriety, economy, efficiency and effectiveness;
- Control over expenditure and commitment within warrant authorities;
- Management of stores and safe custody of Government property;
- Proper maintenance of accounts and records;
- Providing information to the Public Accounts Committee;
- Advice on financial management to the Minister politically responsible for the Department;
- Preparation of annual financial management report; and
- Ensuring compliance with the *Public Finances (Management) Act, the Financial Management Manual and Finance Instructions*.

16.2 It is obvious that the Departmental Head cannot himself perform or even closely supervise the manifold financial duties implicit in the foregoing broad statement of his responsibilities. It is therefore one of his chief responsibilities to make sure that his department is

organised and staffed on sound lines, particularly in the finance and establishment branches, to provide for proper delegation of duties.

- 16.3 While it is recognised that the Head of the Department is not to be turned into an accountant, he cannot escape the modern and wider concept of his responsibility to ensure that financial considerations are taken into account at all stages in framing and reaching decisions on policy and in their execution and for the efficient and economical conduct of departmental operations.
- 16.4 The role assigned to him in the Act emphasises the importance of management, on which effective control of the expenditure and value for money depends. This comprises the preparation of material on which decisions are taken, the technical efficiency with which large administrative operations are carried out, the cost consciousness of staff at all levels, the provisions of special skills and services (scientific, statistical, accountancy and management) for handling particular problems and the selection and training of staff.
- 16.5 As part of this general concept, he becomes responsible to the Public Accounts Committee to provide satisfactory answers for any apparent waste or extravagant administration as well as any weakness in financial procedure.
- 16.6 Relation of the Departmental Head to Parliament, through the Public Accounts Committee:

The Departmental Head is responsible to answer enquires addressed to him by the Public Accounts Committee in relation to his departmental activities and for the efficient and economical conduct of his department as well as for the regularity and propriety of all the expenditure out of the votes under his control.

- 16.7 He has the duty to appear personally before the Committee, if so required by the Committee, and to give evidence in public in relation to departmental activities and expenditure. If the evidence, however, relates to any secret or confidential matter he may request the committee for any inquiry in private.
- 16.8 Advice to the Minister from the Departmental Head:

The Departmental Head has a particular responsibility to Parliament through the Public Accounts Committee in connection with requirements for efficiency, financial prudence and use economic resource in the conduct of his department and he will from time to time need to advise his Minister from this stand-point.

It is for the Departmental Head himself to decide how and in what form to give his advice. He should not however hesitate to state clearly and explicitly in writing to his Minister his disagreement with any aspects of a proposal, which he considers he would have difficulty in defending as a matter of prudent and economic administration before the Public Accounts Committee, and to ask for a specific instruction from his Minister. Having done so, he must, if his Minister adheres to his decision, accept it and support any subsequent action taken in response by reference to the policy ruling or direction given by his Minister.

- 16.9 Alternatively the matter of the Departmental Head's disagreement and his representation, may be one which involves his personal accountability on a question of safeguarding of public funds or the formal regularity or propriety of expenditure. In that case, he should state in writing his objection and the reasons for it, and carry out the Minister's decision only on a written instruction from the Minister over-ruling the objection.
- 16.10 Provided that this procedure has been followed the Public Accounts Committee may be expected to acquit the Departmental Head of any personal responsibility for the transaction.
- 16.11 **Regularity and propriety of Expenditure:** As mentioned in paragraph 16.1 the Departmental Head should be concerned with the regularity and propriety of expenditure in relation to his Department. The term "regularity and propriety" means that the expenditure must be within the scope of, and limit of, the sum authorised to be spent on the vote to which it is charged. Further, the expenditure must be supported by proper vouchers and by evidence of performance of the service.

## 17. Quarterly and Annual Financial Management Reports

- 17.1 As required in **Section 5 of the Act**, Departmental Heads shall submit a report on financial management after the end of each quarter for each fiscal year. The report shall be made to the Secretary, Department of Finance and must reach him as soon as possible after the close of each quarter of the year but not later than the 7th of the following month by completing Activity and Project Performance Reports (APPR and APPR/1 forms).
- 17.2 The Annual Report should address relevant issues under convenient sections, as indicated below:
- i. Organisational Chart up to Branch level indicating Activities and Projects handled by Branches.*

- ii. List of Approved Programs indicating Activities and Projects under each Program. (Departments not on Program Budget may list Functions in lieu of Programs).
- iii. Program/Function Evaluation Report (PER): Bring out in the covering note the salient features and highlights emerging from the Program/Function Evaluation Reports to be appended. Append for each Program/Function a report by completing Form APPR and APPR/1.
- iv. Activity and Project Performance Reports (APPR): Bring out in the covering note salient features and highlights emerging from the Activity and Project Performance reports (PPAR and PPAR/1).
- v. Revenue: Estimated revenues (original and revised) by each Revenue sub-head, the actual collection, and reasons for arrears with brief description of remedial steps taken.
- vi. Internal Monthly Reviews: Indicate whether internal monthly reviews were regularly undertaken, the level at which they are undertaken, and the main problems highlighted including the action taken to resolve them.
- vii. Reports by the Auditor General and Inspection Division of the Department of Treasury: Indicate salient features of the reports by the Auditor General's Office and the Inspection Division of the Department of Treasury issued during the year indicating the period to which they relate and the actions taken by the Department on the observations in the reports.
- viii. Overall Assessment: Overall assessment of the Financial Management by the Department during the year including the steps proposed for its improvement in future and the action taken against Accountable Officers for offences under Public Finance (Management) Act.

## **DIVISION 5 - MISCELLANEOUS**

### **18. Financial Procedures**

These are set out in detail in the succeeding parts of this Finance Manual.

### **19. Interpretation**

Many of the terms used in this Manual have been defined in the Act or the appropriate parts of Financial Instructions issued by the Department of Finance. In the Financial Instructions, unless a different meaning is evident from the context:

**the Act** means the **Public Finances (Management) Act, 1995** with amendments, if any.

**the Minister** means the Minister responsible for the above Act for example ,the Minister responsible for Financial Management.

**the Secretary** means the Departmental Head of the Department responsible for financial management, in this case the Department of Finance.

**the Departmental Head** means the Departmental head of a National Government department , a Provincial Government or a statutory authority.

## 20. Updating of the Manual

From time to time there may be changes in financial procedures and it will be necessary to alter this Manual. All corrections must be carried out citing the effective date. It is the responsibility of the officer to whom the Manual is issued to keep it up-to-date and circulate the corrections immediately and the updated versions of the Manual periodically to all Departments, Governments and Agencies.

## PART 3 - PUBLIC ACCOUNT – NATIONAL GOVERNMENT

### DIVISION 1 - PRELIMINARY

1. The Public Account in case of the National Government consists of two Funds, viz

- (a) The Consolidated Revenue Fund, and
- (b) The Trust Fund

In the case of a Provincial Government or a Local-level Government the Public Account also consists of two funds –

- (a) a General Revenue Fund; and
- (b) a Trust Fund

2. All public moneys are to be paid into the Public Account either to the **credit** of the **Consolidated Revenue Fund or the Trust Fund or a General Revenue Fund** as applicable. Surplus moneys that are not immediately required may be invested by the Secretary for Finance or the Provincial Government or the Local-level Government subject to any specific direction from the Minister for Finance & Treasury and in accordance with **Section 12** of the Act.

3. Investments out of a Trust Fund shall be deemed to be part of the Trust Fund, while investments from the Consolidated Revenue or General Revenue Fund will be part of that Fund. Income arising from such investments will, however, be credited to the Consolidated Revenue Fund or the General Revenue Fund irrespective of the source of the investments unless the investment relates to the Trust Fund and the relevant trust instrument or any legal provision requires a different treatment.

4. Bank Accounts

4.1 Section 11 of the Public Finances (Management) Act 1995 provides that public moneys shall be kept in such bank or banks as the Secretary for Finance directs subject to any specific directions of the Minister. Where banking facilities do not exist public moneys shall be kept in such manner as the Secretary for Finance directs.

4.2 Where banking facilities exist, public moneys are to be kept in accounts at a bank approved by the Secretary for Finance taking into consideration directions, if any, from the Minister for Finance & Treasury. Where they do not exist, the Secretary will issue directions as to the manner in which they are to be kept.

4.3 If a National Department or a provincial or a local-level government requires to open a bank account to conduct its operations, the Departmental Heads should submit full justification with the amount of advance required to open the account, to the Department of Finance. The justification should be based on the estimated out-turn of the entity, capability and capacity to keep the bank account reconciled up to date and other pertinent information.

4.4 All moneys collected and banked through these bank accounts are public moneys as defined under Section 2 of the Act.

4.5 No Bank Account may be opened or operated without the consent in writing of the Secretary for Finance.

4.6 Transfer of Funds:

For National Departments, the equivalent amount of funds will be transferred to the respective Drawing Accounts based on the actual cheques presented for payment at the Bank of Papua New Guinea. Departments should account for the amount in their cashbook (debits) subsequently.

4.7 Bank Reconciliation:

All Heads of Government Departments and Statutory Authorities are to ensure that their Bank Accounts are reconciled on a monthly basis. Bank balances should be reconciled against the Cashbook balance and the reconciled Cash Book balance should be agreed with the Appropriation Ledger for National Government, Provincial Government and Local-level Government transactions. Copies of Bank Reconciliation Statements should be forwarded to Accounting Frameworks and Standard Division, Department of Finance no later than 14 days of the close of each month.

Failure to comply with the above, may necessitate withholding further issuance of Warrant Authorities.

## **DIVISION 2 - CONSOLIDATED REVENUE FUND**

5. All public moneys raised or received for the purposes of government (including loan moneys but not including moneys payable under any law or on account of the Trust Fund) are to be paid into the Public Account to the credit of the Consolidated Revenue Fund.

This includes any short term investment in bank deposits or any other investment under **Section 12** of the Act and advances made in accordance with the Act.

### **DIVISION 3 - TRUST FUND**

6. The Trust Fund comprises the balances standing to the credit of various Trust Accounts established for the purposes as approved by the Minister for Finance & Treasury or prescribed by any law. The procedure for opening and operating trust accounts is dealt within Part 16 of this Manual.

### **DIVISION 4 - ACCOUNTING SYSTEMS**

7. The accounting systems and records maintained by the various Departments are subsidiary to the accounting systems and records of the Department of Finance.
8. Departments may issue subsidiary instructions for the proper operation and effective management of their offices and agencies, but these instructions should not contravene the **financial instructions, regulations or the Act**. Where exemptions or deviations from the prescribed procedures are considered necessary because of the special requirements of a particular Department, the Department concerned should go to the Department of Finance for the issuance of an appropriate Finance Circular.
9. All Departments, agencies and offices should submit their monthly statements of accounts to the Department of Finance **within 7 days** of the end of the month, for incorporation in the General Ledger.
10. National Government Departments and Statutory Authorities using the Standardised Government Computerised Accounting System (PGAS) must ensure direct interface takes place into the General Ledger.



## **PART 4 - PUBLIC ACCOUNT – PROVINCIAL**

### **DIVISION 1 - PRELIMINARY**

1. The Public Account consists of two Funds, viz
  - (a) The General Revenue Fund; and
  - (b) The Trust Fund
2. All public moneys are to be paid into the Public Account either to the credit of the **General Revenue Fund or the Trust Fund**. Surplus moneys, that are not immediately required, may be invested by the Secretary for Finance subject to any specific direction from the Minister for Finance & Treasury and in accordance with **Section 12** of the Act.
3. Investments out of the Trust Fund shall be deemed to be part of the Trust Fund, while investments from the General Revenue Fund will be part of that Fund. Income arising from such investments will, however, be credited to the General Revenue Fund irrespective of the source of the investments unless the investment relates to the Trust Fund and the relevant trust instrument or any legal provision requires a different treatment.
4. Bank Accounts
  - 4.1 Section 11 of the Public Finances (Management) Act 1995 provides that public moneys shall be kept in such bank or banks as the Secretary for Finance directs subject to any specific directions of the Minister. Where banking facilities do not exist public moneys shall be kept in such manner as the Secretary for Finance directs.
  - 4.2 Where banking facilities exist, public moneys are to be kept in accounts at a bank approved by the Secretary for Finance taking into consideration directions, if any, from the Minister for Finance & Treasury. Where they do not exist, the Secretary will issue directions as to the manner in which they are to be kept.
  - 4.3 If a Provincial Government requires to open a bank account to conduct its operations, the Provincial Administrator should submit full justification with the amount of advance required to open the account, to the Department of Finance. The justification should be based on the estimated out-turn of the entity, capacity and capability to keep the bank account reconciled up to date and other pertinent information.
  - 4.4 All moneys, including internally raised revenues by Provincial Governments collected and banked through these bank accounts are public moneys as defined under Section 2 of the Act.

- 4.6 No Bank Account may be opened or operated without the consent in writing of the Secretary for Finance.

4.6 Transfer of Funds

For Provincial Governments, the equivalent amount of funds will be transferred to their Operating Accounts based on the actual cheques presented for payment at the Bank. As such, the respective Provincial Governments should subsequently account for this amount in their cashbook as receipts.

4.7 Bank Reconciliation

It is a mandatory requirement that all Provincial Administrators reconcile their Bank Accounts on a monthly basis. Bank balances should be reconciled against the Cashbook balance and the reconciled Cash Book balance should be agreed with the Appropriation Ledger for Provincial Government transactions. All copies of Bank Reconciliation Statements should be forwarded to Accounting Frameworks and Standard, Department of Finance no later than 14 days of the close of each month.

All bank accounts should be reconciled monthly; bank statements and monthly reconciliation statements should be forwarded to the Accounting Frameworks and Standard Division, Department of Finance not later than 14 days after the close of each month.

Failure to comply with the above may necessitate withholding further issuance of Warrant Authorities and/or remittance of grants.

## **DIVISION 2 – PROVINCIAL GENERAL REVENUE FUND**

5. All public moneys raised or received for the purposes of government (including loan moneys but not including moneys payable under any law or on account of the Trust Fund) are to be paid into the Public Account to the credit of the Consolidated Revenue Fund.

This includes any short term investment in bank deposits or any other investment under **Section 12** of the Act and advances made in accordance with the Act.

## **DIVISION 3 – PROVINCIAL TRUST FUND**

6. The Trust Fund comprises the balances standing to the credit of various Trust Accounts established for the purposes as approved by the Minister for Finance & Treasury or as prescribed by any law. The procedure for opening and operating trust accounts is dealt within Part 16 of this Manual.

**DIVISION 4 - ACCOUNTING SYSTEMS**

7. The accounting systems and records maintained by the various provinces are subsidiary to the accounting systems and records of the Department of Finance.
8. Provinces may issue subsidiary instructions for the proper operation and effective management of their offices and agencies, but these instructions should not contravene the **financial instructions, regulations or the Act**. Where exemptions or deviations from the prescribed procedures are considered necessary because of the special requirements of a particular Province, the Province concerned should go to the Department of Finance for the issuance of an appropriate Finance Circular.
9. All Provinces their agencies and offices should submit their monthly statements of accounts to the Provincial Treasury **within 7 days** of the end of the month, for incorporation in the General Ledger.
10. Provincial Treasuries and agencies using the Standardised Government Computerised Accounting System (PGAS) must ensure direct interface takes place with the General Ledger.

## **PART 5 - PUBLIC ACCOUNT – LOCAL LEVEL GOVERNMENT**

### **DIVISION 1 - PRELIMINARY**

1. The Public Account consists of two Funds, viz
  - (a) The General Revenue Fund, and
  - (b) The Trust Fund
2. All public moneys are to be paid into the Public Account either to the credit of the **General Revenue Fund or the Trust Fund**. Surplus moneys, that are not immediately required, may be invested by the Secretary for Finance subject to any specific direction from the Minister for Finance & Treasury and in accordance with **Section 12** of the Act.
3. Investments out of the Trust Fund shall be deemed to be part of the Trust Fund, while investments from the Consolidated Revenue Fund will be part of that Fund. Income arising from such investments will, however, be credited to the General Revenue Fund irrespective of the source of the investments unless the investment relates to the Trust Fund and the relevant trust instrument or any legal provision requires a different treatment.
4. Bank Accounts
  - 4.1 Section 11 of the Public Finances (Management) Act 1995 provides that public moneys shall be kept in such bank or banks as the Secretary for Finance directs subject to any specific directions of the Minister. Where banking facilities do not exist public moneys shall be kept in such manner as the Secretary for Finance directs.
  - 4.2 Where banking facilities exist, public moneys are to be kept in accounts at a bank approved by the Secretary for Finance taking into consideration directions, if any, from the Minister for Finance & Treasury. Where they do not exist, the Secretary will issue directions as to the manner in which they are to be kept.
  - 4.3 If a Local Level Government requires to open a bank account to conduct its operations, the District Administrator should submit full justification with the amount of advance required to open the account, to the Department of Finance. The justification should be based on the estimated out-turn of the entity, capacity and capability to keep the bank account reconciled up to date.
  - 4.4 All moneys, including internally raised revenues by Local-level Governments collected and banked through these bank accounts are public moneys as defined under Section 2 of the Act.

- 4.5 No Bank Account may be opened or operated without the consent in writing of the Secretary for Finance.

4.6 Transfer of Funds

For Local-level Government, the equivalent amount of funds will be transferred directly to their respective operating accounts based on the approved warrants for LLGs. The respective LLGs should account for this amount of money in their cashbook.

4.7 Bank Reconciliation:

It is a mandatory requirement that all District Administrators to ensure that Local-level Governments reconcile their Bank Accounts on a monthly basis. Bank balances should be reconciled against the Cashbook balance and the reconciled Cash Book balance should be agreed with the Local-level Government transactions. All copies of Bank Reconciliation Statements should be forwarded to Accounting Frameworks and Standards Division, Department of Finance no later than 14 days of the close of each month.

All bank accounts should be reconciled monthly and bank statements and monthly reconciliation statements should be forwarded to the Accounting Framework and Standard Division, Department of Finance not later than 14 days after the close of each month.

Failure to comply with the above, may necessitate withholding further issuance of Warrant Authorities.

## **DIVISION 2 – LLG CONSOLIDATED REVENUE FUND**

5. All public moneys raised or received for the purposes of government (including loan moneys but not including moneys payable under any law or on account of the Trust Fund) are to be paid into the Public Account to the credit of the LLG Consolidated Revenue Fund.

This includes any short term investment in bank deposits or any other investment under **Section 12** of the Act and advances made in accordance with the Act.

## **DIVISION 3 - TRUST FUND**

6. The Trust Fund comprises the balances standing to the credit of various Trust Accounts established for the purposes as approved by the Minister for Finance & Treasury or prescribed by any law. The procedure for opening and operating trust accounts is dealt within Part 16 of this Manual.

**DIVISION 4 - ACCOUNTING SYSTEMS**

7. The accounting systems and records maintained by the various Departments are subsidiary to the accounting systems and records of the Department of Finance.
8. Local-level Governments may issue subsidiary instructions for the proper operation and effective management of their offices and agencies, but these instructions should not contravene the **financial instructions, regulations or the Act**. Where exemptions or deviations from the prescribed procedures are considered necessary because of the special requirements of a particular Local-level Government, the Local-level Government concerned should go to the Department of Finance for the issuance of an appropriate Finance Circular.
9. All Local-level Governments and their agencies and offices should submit their monthly statements of accounts to the Department of Finance **within 7 days** of the end of the month, for incorporation in the General Ledger.
10. District Treasuries using the Standardised Government Computerised Accounting System (PGAS) for Finance Department and other department's operations must ensure direct interface takes place into the General Ledger.

## APPENDIX 1 - OVERVIEW OF THE GOVERNMENT ACCOUNTING SYSTEM

### I. ACCOUNTING PRINCIPLES AND CONCEPTS

1. Government accounts are maintained on cash basis. Receipts and expenditure are brought to account only when money is actually collected or when a payment is made. Cost of goods and services received in one year is brought to account in the year of payment and not spread over the years during which they may be used. Similarly, if revenue receivable in one year is not actually received in that year, its accounting will be deferred until it is received.
2. A distinguishing feature of the Government financial system is the concept of fund entities, which is derived from the fact that the legislature controls public finances. According to the fund entities concept, government revenues and loans accumulate under a fund and withdrawals therefrom to meet expenditure are strictly governed by authorisation by Parliament through structured channels. If an obligation incurred during a year is not met during or before the close of the year, it has to be carried forward and met from next year's Parliamentary authorisation, and cannot be met from unspent revenues of the year in which the obligation was incurred. Parliamentary authorisations (or appropriations) are annual but there are special dispensations within the concept to allow for revolving fund operations of a quasi-commercial nature, usually under trustee arrangements. Under these arrangements, Parliamentary appropriations, either for start-up assistance in the form of initial working capital or budget subsidies for operations, are paid into a separate fund or the balances under this fund are carried forward from year to year. Monies raised by such activities which get paid into the fund are subject to vigorous control as normal public expenditure.
3. If an expenditure is incurred on a service in one year and a recovery is made or a refund is received or a cheque is returned not delivered to the payee in relation to that expenditure in the subsequent year, the recovery, refund or the value of the cheque banked will be credited to Revenue (Appropriation of Former Years) in the subsequent year's account. Thus, if an airline ticket is purchased in 2004 and if a refund is obtained from the airline company in 2005 because the ticket was not utilised, refund will be credited to Revenue in 2005. Similarly, if salary is overpaid erroneously in one year and is recovered in the next year, the recovery will be credited to Revenue. No attempt shall be made to raise the budgeted allocations by crediting to the expenditure votes, recoup of overpayments, refunds received and other recoveries for services paid for in the previous years.
4. If expenditure is incurred in one year and recovery is made or refund is received or cheque is returned without delivery to the payee in respect of that expenditure within the same year, the recovery, refund or value of

cheque banked will be credited to the expenditure vote thereby adding to the availability of funds.

5. No refund of revenue shall be made by charging the revenue. All refunds have to be made charging the expenditure votes for Refunds included under Appropriation Act.
6. Offshore loans received in kind under which international agencies pay suppliers directly for services or goods supplied, by treating them as part of the loan to the Government, must be brought into account both as loans (revenue ledger) and as expenditure.
7. Grants and loans received in cash, even if they are specific to projects, will be accountable as revenue.
8. Grants received in kind will not however be reflected in the accounts.

## **II - FINANCIAL AND MEMORANDUM ACCOUNTS**

9. Since Government accounts are kept on a cash basis it is imperative that subsidiary accounts are maintained to provide a complete view of the assets and liabilities of the Government and are kept reconciled to the financial accounts as far as possible. The following are the major memorandum records that are subsidiary to the financial accounts:
  - (a) Uniform register showing the date of purchase of each item of capital nature (classified under the sub-category 210, 220 and 230 with over K1,000 in value and with normal life of more than one year) its cost price, description, distinctive (serial and model) number, date of final disposal and method of disposal.
  - (b) Debtors accounts showing the name and address of each debtor, amount due, reference to the demand notice, debit note or other source document, date of receipt of cash, amount received, receipt number and other useful information.
  - (c) Vendors' accounts showing accounts received from suppliers (or personal claims) and registered for payment, particulars of payments, if not paid - stage at which pending.
  - (d) Advances Ledger showing payments either charged to votes or to Advances account analysed by name and address of the advance holder, amount, date of advance, when acquitted, refund amount (if any) received, date of final acquittal of an advance.

## **III - GENERAL LEDGER**

10. The General Ledger (or Main Appropriation Ledger) which is the main financial account is maintained in three parts:



- Revenue
  - Expenditure
  - Trust
11. **The Chart of Accounts** follows closely the budget format using the internationally recognised classifications based on International Monetary Fund guidelines.
  12. **Expenditure Ledger** uses a format breaking down the expenditure (outlay) into Division (Department/Province), Indicator (Recurrent/Project), District (District/Electorate) Local Level Government (LLG), Grant No, Function, Program, Activity and item.
  13. **Revenue Ledger** uses a format breaking down the receipts in Groups, Heads, Division, Districts, Local Level Government and Sub-Heads. There are five groups Departmental Revenue, General Revenue (Tax and Non Tax), Loan, Grants, and Financing. Each Group is further broken into Heads(name of department or nature of receipt classified into broad categories) and Sub-Heads (specific nature of receipts).
  14. **Trust Ledger** is kept in two sub-parts, one for payment and the other for receipts and the trust accounts are identified by their code numbers allocated by the Department of Finance (Trust Section) and are grouped under the following categories.
    - *Finance Operating (Non Bank) Trust Accounts*
    - *Finance Operating (Bank) Trust Accounts*
    - *Trust Bank Accounts*
    - *Trust Investment Accounts*
    - *General Trust Fund Account (With Bank Account)*
    - *General Trust Fund Account (Without Bank Account)*
    - *Invested Trust Fund Account*

#### IV - SUB APPROPRIATION LEDGERS

15. Provincial Treasuries will maintain sub-appropriation ledgers by consolidating accounting data received from the District Treasuries and Cash Offices, Local Level Government assigned to each Provincial Treasury Office for all transactions in provinces falling under the National Budget.
16. National Departments, having drawing accounts, maintain sub appropriation ledger in respect of transactions processed at the headquarters of the

department. Those without drawing accounts maintain commitment ledger and other subsidiary records, and do not prepare monthly trial balance.

17. The Finance Accounts Branch, Waigani have the responsibility to collect money in respect of all receipt transactions processed at the headquarters of all national departments. For this purpose they maintain the RPM Account. They are also responsible for all payments in respect of National Departments without drawing accounts and in respect of their own offices. For these payments, they operate on a drawing account. The FCB, Waigani maintain sub appropriation ledger for these transactions.

## V - CASH MOVEMENTS

18. **Cash Office Imprests:** Cash Offices operate in the provinces at district levels and at headquarters. They have cash provided to them based on Cash Fund Certificates which shall be replenished to the extent of any grant due to a particular Local level Government.
19. District Treasuries operate the same way as Cash Offices.
20. **Provincial Treasury Offices (Operating Accounts):** All Provincial Treasury Offices have operating accounts for receipt and payment of grants, to receive CFC related cash on behalf of National Departments and moneys remitted for trust payments.
21. **National Departments (Drawing Accounts):** All national departments that have drawing accounts should be reimbursed from Waigani Public Account as often as decided.
22. **Receiver of Public Moneys:** All National Departments and Provincial Treasuries operating these accounts should transfer all receipts to Waigani Public Account on daily basis.
23. **Waigani Public Account:** This is the main bank account of the Government and all revenues will be transferred into it either directly from collecting centres (Internal Revenue Commission) or through RPM accounts. Also Australian and other overseas grants, domestic and overseas borrowings, service receipts toward repayments of loans, income from investments and other miscellaneous revenues are directly received in this account. Major payments such as debt service charges, grants to Provinces, transfers from Provincial Treasury offices and Statutory Bodies and reimbursements to Drawing Accounts of National Departments and the Sydney Office are made directly from this account.

## VI - MONTHLY STATEMENT OF ACCOUNT

24. Accounting data, showing receipts and payments for the National Government and Local-level Governments, is submitted periodically by District Treasuries and Cash Offices, with supporting documents to Provincial Treasury Offices

who incorporate this financial data into their accounts along with data on transactions taking place at Provincial Treasury headquarters.

25. Provincial Treasury Offices make weekly accounting returns showing receipts and payments for the entire Province (save Provincial Government and Local-level Governments revenue or expenditure falling within their budgetary jurisdiction) analysed by the standard chart of accounts to the Provincial and District Financial Management Division of the Department of Finance. Weekly returns will be supported by documents relating to movement on trust accounts and other extracts as prescribed by Department of Finance.
26. National Departments having drawing accounts, and Finance Accounts Branch, Waigani will process their sub-appropriation ledgers daily and draw up trial balances not later than the 7th day of the following month for incorporation in the Main Appropriation Ledger.

## VII. GENERAL LEDGER

27. Expenditure Ledger of the General Ledger (or the Main Appropriation Ledger) will have information recorded for funds movements as well as commitments and outlays.

**Funds Movements:** This part will contain the original appropriation, reallocations approved between line items for existing services, additional funds allocated for existing services or new services from the Secretary's Advance and the revised appropriation and funds progressively released through Warrant Authorities.

**Commitments:** The commitments made during the month will be recorded from information received along with the trial balance from Provincial Treasury Offices, National Departments having drawing accounts, and from Finance Accounts Branch, Waigani in respect of transactions processed by them. In regard to National Departments at the headquarters (without self accounting status) whose accounts are also processed by Finance Accounts Branch, Waigani, they will send commitment information directly to the Expenditure and Cash Management Division by the 7th of the following month. In submitting these status reports, progressive commitment to the end of the month will also be shown.

**Outlays:** The actual payments made during the month will be recorded from the trial balances received from agencies and journal entries and the trial balance for Waigani Public Account transactions prepared at Finance Headquarters. Also, progressive expenditure to the end of the month will be shown.

**Variance:** A variance analysis will be provided showing the difference between the actual progressive expenditure and funds released through Warrant Authorities.

**Over Commitment:** An analysis will be provided showing: (a) Over commitment as the difference between progressive funds released through Warrant Authorities and progressive commitment to the end of the month, and (b) outstanding commitment as the difference between progressive commitment and progressive expenditure to the end of the month.

28. The Revenue Ledger will show the original and revised estimate and the actual collections during the month and to the end of the month together with a variance analysis.
29. The Trust Ledger will show the opening balance, receipts and payments during the month and the closing balance under each trust account.

## **VIII QUARTERLY STATEMENTS OF ACCOUNTS**

30. Statements of accounts at the end of each quarter must be published in the National Gazette to satisfy requirements of **Section 3 (2) of the Act**.

## **IX ANNUAL CLOSING OF ACCOUNTS**

31. Since all appropriations lapse at the end of the year, no cash payments can be made after the close of the fiscal year, although book adjustments may be carried out until the books are finally closed.
32. Statements prepared at the end of the year disclose the information which the Public Accounts Committee needs for full evaluation of the financial performance of the National Government.
33. Public Accounts are submitted to the Auditor General for an annual audit into these accounts. The audited final accounts are submitted by the Minister to the National Parliament. The accounts and the Auditor General's report thereon are tabled in Parliament in the same session

## **PART 6 - NATIONAL BUDGET**

### **1. Compilation of National Budget**

1.1 The National Budget of a fiscal year consists of the following:

- a) Receipt Estimates;
- b) Recurrent expenditure estimates; and
- c) development expenditure estimates.

1.2 Receipt estimates are set out under Administrative and Economic classifications. The Administrative classification exhibits receipts under 5 Groups: (1) Departmental Revenue showing receipts for each head (Department), (2) General Revenue showing receipts for each Head such as taxation, Customs, revenue from assets (mineral resource stabilization fund, dividends, sale of equity and similar revenue inflows), (3) Loan Service Receipts for each Head (interest and principal separately for foreign currency and domestic currency), (4) Grants, and (5) Borrowing under each Head such as domestic, concessional in foreign currency for projects, commercial investment or budget support.

Each Head is further broken into convenient, descriptive sub-headings. A three-tier classification under 6 digits represented by Group (1 digit), Head (3 digits), and Sub-head (2 digits) is followed under Administrative classification.

Economic classification of receipts follows the chart prescribed by the International Monetary Fund, showing receipts under 3 categories: (1) Revenue, (2) Grants, and (3) Borrowings. Each category is further broken down into categories, minor categories, sub categories, and detailed categories. A five-tier classification under 6 digits is followed in economic classification.

1.3 Expenditure estimates are shown for each National Department, Provincial Government, Local-level Government, Statutory Authority, and for Public Debt. Agencies covered by Program Budget follow a 14 digit coding system in a hierarchy comprising Operating Agency (3 digits), Affairs (1 digit), Function (1 digit), Main Program (2 digits), Program (1 digit), Project or Activity (3 digits), and Items (3 digits).

Each Operating Agency is shown by 3 digits. Affairs, Functions and Main Programs are common to all agencies, Programs and Activities/Projects are however, unique to each agency. Agencies not covered by Program Budget exhibit their expenditure estimates for each operating Agency as Division (3 digits) under Function (4 digits), Activity or Project (4 digits) and Item (3 digits).

Items represent the nature of expenditure and indicate the kinds of goods and services procured by an agency. The list of items is standard and common to all operating agencies, whether covered by Program Budget or not.

From 2007 onwards, the Integrated Financial Management System will have a different chart of account.

2. **Section 23 of the Act** allows the Secretary, Department of Treasury to issue directions to Departments on the form and content of Departmental estimates, which are further processed and consolidated to prepare the National Budget. Expenditure is categorized into six sectors for administrative convenience.

The sectors are:

- *Economic*
  - *Infrastructure*
  - *Social*
  - *Law and Order*
  - *Administrative*
  - *Provincial Government*
3. Circulars are issued by the Department of Treasury on the preparation of estimates as early as July of each year for the following fiscal year. It is the responsibility of Departmental Heads and Provincial Administrators to issue their own internal instructions to the Divisional Heads and other staff concerned so that the procedures for compilation of the Departmental, Provincial and Local level Government Budgets are complied with.
  4. Preparation of annual budget estimates for Provincial and Local Level Governments is the responsibility of the respective Executive arms in consultation with the District and Provincial Administrators. Provincial and District Treasurers should play an advisory role in the budget preparation process.
  5. Local Level Government budget estimates must be submitted to the Joint District Planning and Budget Priorities Committee for approval. The approved budget is given to the Head of Local Level Government for presentation to the Assembly for passage of Local Level Government Appropriation Act.
  6. After the Local Government Assembly passes the budget, the copy of the approved budget must be sent to the Provincial Administrator to be given to the Governor of the Province. The approved budget estimates for Local Level Governments and Provincial Governments are forwarded to the Minister for Finance & Treasury for approval under Section 65A of the Act.

## PART 7 – BUDGET AND EXPENDITURE CONTROL

### DIVISION 1 - APPROPRIATIONS

#### 1. Supply Services

Expenditure incurred from the Consolidated Revenue Fund is subject to annual appropriations made by the Parliament through the **Appropriation Acts**.

#### 2. Adjustment of Appropriations

2.1 **Reallocation Between Services: Section 24 of the Public Finances (Management) Act, 1995** provides for adjustment of Appropriation as between services. Corresponding provision is also included in the **Appropriation Act (Section 4)** each year. Where there is insufficient appropriation to meet expenditure on services already included in approved estimates, the Minister may direct the reallocation of unspent appropriation or savings under other services.

2.2 **Reallocation For New Services and Between Services: Section 25** of the Public Finances (Management) Act provides for adjustment of Appropriation for new services and as between services through the Secretary's Advance. A corresponding provision is made under **Section 3 of the Appropriation Act**. Where there is insufficient or no appropriation to meet expenditure for a particular service, the Minister may direct the allocation of additional appropriation through the Secretary's Advance. The Secretary's Advance is an approved amount of Appropriation under a vote.

2.3 Allocation of additional appropriation to a **New Service** or a service with no appropriation must be obtained from the Secretary's Advance. Additional allocation to an **Existing Service** or a service having insufficient appropriation may be made from savings available under other services or from the Secretary's Advance.

2.4 **Limits on Reallocation:** An Act of Parliament, normally the **Appropriation Act**, lays down a ceiling for the total reallocation between services under 2.1 above. It will be the responsibility of the Secretary, Department of Treasury that this limit is not exceeded.

Under the **Public Finances (Management) Act, 1995 and the Appropriation Act** the net amount of reallocations for new services and between services through the Secretary's Advance under 2.2 above should not exceed the amount appropriated under the Secretary's Advance. It will also be the responsibility of the

Secretary, Department of Treasury to ensure that this limit is not exceeded.

3. Delegation to Departments:

3.1 The Minister may delegate under **Section 26(1) of the Public Finances (Management) Act, 1995** his powers to reallocate funds between line items, subject to the overall limit laid down in the **Appropriation Act**, to the Secretary, Treasury

3.2 The Secretary, Department of Treasury may in turn delegate under **Section 26(2) of the Act**, his powers to reallocate funds between services under 2.1 above to Departmental Heads subject to the limits on reallocation under 2.4 above and further subject to the conditions that may be imposed.

4. Procedure to follow for Reallocation of Funds:

(a) Reallocation to be approved by the Departmental Head under the Delegated Powers (Paragraph 3.2 above).

(i) *The Divisional Head (normally the **Section 32 Officer** with operational responsibility for expenditure on the vote) who is requesting the transfer completes Finance Form 34 "Application for re-allocation of funds".*

(ii) *Departmental Head checks application and ensures the limit has not been exceeded, items are within his authority, and prescribed conditions are met.*

(iii) *Departmental Head either approves or rejects request.*

(iv) *If transfer approved, Warrant Authorities should immediately be prepared to reflect the reallocations.*

(v) *A monthly report on reallocations made by Departmental Heads under the delegated powers during each month shall be sent to the Department of Treasury on Finance Form 35, no later than the 5th day of the following month, with a copy to the Auditor General*

(vi) *No reallocation shall be approved after the close of the fiscal year*

(b) Reallocations to be approved by the Department of Treasury (Paragraph 2.3 above).



- (i) *Departmental Head completes Form SA-P1 and submits it to Department of Treasury. Reallocations during quarterly reviews will be considered on Form SA-QR.*
- (ii) *Application considered by Secretary, Department of Treasury, and either approved or rejected.*
- (iii) *If approved the Department of Treasury raises Warrant Authority to reflect the reallocation and submits it to the Secretary, Department of Finance and Treasury for signature.*

## **DIVISION 2 - MINISTER'S WARRANT, WARRANT AUTHORITIES AND CASH FUND CERTIFICATES**

Appropriation denotes approval by Parliament it does not constitute the authorisation, express or implied, to commit or spend. Such authorisation is provided by Warrant Authority. There are two kinds of Warrant Authorities Minister's Warrant and Departmental Warrant Authority.

### **5. Minister's Warrant:**

- 5.1 Soon after the annual **Appropriation Act** is passed by the Parliament, the Minister's Warrant is issued under **Section 29(1) of the Public Finances (Management) Act, 1995**. It constitutes an authorisation to the Secretary for Treasury, to issue Warrant Authorities to National Government Departments, Provincial Government and Local level Government and agencies to release funds from the Consolidated Revenue Fund. However the Minister's Warrant does not constitute an authorisation to these agencies to commit or spend.
- 5.2 Minister's Warrant is issued for the full amount of expenditure under Consolidated Revenue Fund in the National Budget. It includes the provisions made in the **Appropriation Acts**. However, this amount may be reduced by the Minister under **Section 29(2) of the Act** if in his opinion "financial exigencies or the public interest so require".

### **6. Warrant Authorities:**

- 6.1 The next stage after the Minister's Warrant is the issue of Warrant Authorities. These are issued by the Secretary for Treasury under **Section 29(1) of the Act** "authorising the expenditure of moneys from the Consolidated Revenue Fund for the purpose for which these moneys are appropriated. Warrant Authorities constitute the authorisation to implementing agencies to commit and spend funds out of the Consolidated Revenue Fund.
- 6.2 Warrant Authorities are issued for items of expenditure under each activity and project.

- 6.3 Normally, Warrant Authorities are issued periodically by the Secretary for Treasury for example monthly warrants, and the amount of Warrant Authorities is based upon cash availability.
  - 6.4 The amount in Warrant Authorities is generally based on estimate of cash flow requirements submitted by agencies. However, Warrant Authorities can be issued for reduced amounts if in the opinion of the Minister "financial exigencies or the public interest so require".
  - 6.5 Warrant Authority for Donor Funded Projects will be treated as Non-Cash Warrant Authorities and issued on the basis of funding available from the Donor agencies.
7. Lapsing of Recurrent Appropriation and Certain Warrants:
    - 7.1 All recurrent appropriations out of the Consolidated Revenue Fund lapse at the end of the fiscal year with the exception to advances of Government contribution to donor-funded projects.
    - 7.2 Subject to Section 34 of the Act, all Warrant Authorities issued to all Agencies relating to recurrent appropriation lapse at the end of the fiscal year. Warrant Authorities for grants to Provincial and Local-level Governments lapse at the end of each fiscal year.
8. Limit of Expenditure:
    - 8.1 **Section 29(2) of the Act** provides that a Warrant issued under Section 29 (1) may limit the amount of moneys to be spent from the Consolidated Revenue Fund if, in the opinion of the Minister, financial exigencies or public interest so require. **Section 31(3) of the Act** further provides that, notwithstanding the issue of a Warrant Authority, if in his opinion the financial or the public interest so require, the Minister may limit or suspend any expenditure with or without suspension of the authority.
    - 8.2 Hence, the imposition of the limit on the expenditure can be done by the Minister in the following way -
      - (a) *Withhold or reduce the amount in Minister's Warrant or in Warrant Authority.*
      - (b) *Limit or suspend the expenditure in respect of a Warrant Authority already issued either by suspending that Warrant Authority or even without suspending it.*

## 9. Cash Ceilings:

Based on total estimated revenues of the National Government during a month that can support that month's actual expenditure, it is prescribed that Cash Ceilings should be allocated in aggregate, but separately, for:

- (i) Personal Emoluments Items - To Department of Finance  
processed by Dept. of Finance
- (ii) Other Goods and Services - To Implementing agencies.  
processed by Implementing agencies

Each category of Cash Ceiling should be further distributed by the Department of Treasury and the implementing agency among votes between Headquarters and Provincial and Local-level Government expenditure.

## 10. Procedure for Issue of Warrant Authorities:

- 10.1 Cash flows received from Departments are input to the Planning and Budgeting System (PBS) computer in the Department of Treasury. Warrants are generated on the system with reference to the Fund Flow.
- 10.2 The Secretary for Treasury may decide to issue Warrant Authorities on all or some items (expenditure votes), with the exception of personnel emoluments, included in the budget of a department to the Departmental Head.
- 10.3 Irrespective of the agency to which Warrants are issued or which makes the payment, the Departments in whose budget the votes are included are responsible to ensure that commitments and expenditure are within authorised limits.
- 10.4 The computer generated Warrant Authority on PBS uses Finance Form 23 B. Sometimes, it is necessary to issue Warrant Authorities manually, using Finance Form 23A for departments on Program Budget, and Finance Form 23 for departments not on Program Budget.
- 10.5 All Warrant Authorities will be issued by the Budgets Division in triplicate. Original will be sent to the departmental head while the duplicate will be forwarded to the Expenditure and Cash Management Division. Triplicate will be retained by Department of Treasury for updating the warrant control registers kept in the Budget Division.

- 10.6 Warrant Authorities issued to Departmental Heads and Administrators must be entered into the appropriate accounting system (eg PGAS).
11. Cash Fund Certificates:
- 11.1 Before the Issue of Cash Fund Certificates (CFC)
- (a) The Warrant Authorities received from the Department of Treasury must be entered in the Funds Distribution Control cards (Finance Form 19).
  - (b) The next step the Departmental Heads must take is to decide how each vote is to be distributed among the Financial Delegates. Requirements of funds by Financial Delegates will depend on the number of votes for which they are responsible and anticipated commitment from respective centres. It is not necessary to immediately allocate all the funds available under a Warrant Authority. If the Departmental Head feels that some funds should be held back for contingencies, this can be done.
  - (c) While there is no limit on the number of Financial Delegates a Department should have, Departmental Heads should try to keep their number to a minimum so that there is effective coordination and monitoring. Generally, a Financial Delegate should be a senior member of the Finance and Accounting Section of the Department.
  - (d) In order to avoid delays in the signing of requisitions and claims, Departmental Heads may appoint a main Financial Delegate and an alternate for each centre.
  - (e) The appointment document specimen signature of Financial Delegates and their alternates should be forwarded by the Departmental Head to the Government paying office under whose jurisdiction the Financial Delegates operate.  
  
Whenever there are staff changes, the appointment document which shall include specimen signatures of the new incumbents, must be similarly forwarded to the paying offices without delay.
  - (f) Upon receipt of the Cash Fund Certificate (CFC) at the paying office, the Cash Fund Certificate must be entered into the appropriate accounting system (eg PGAS).

## 11.2 Issue of Cash Fund Certificates (CFC)

- (a) After distributing amounts in Warrant Authorities, Financial Delegates receive feedback on allocation of funds made under cash fund certificates. The Cash Fund Certificates (CFCs), are signed by the Departmental Head and indicate the limits up to which funds may be committed and spent by them. Finance Form 17A can be used by Implementing agencies on Program Budget while Finance Form 17 is for agencies not on Program Budget.

- (b) The following points should be noted when preparing a CFC:

- (i) *Cash Fund Certificates shall bear distinct (six digit) numbers to identify the Financial Delegate to whom they are issued. If more than one Cash Fund Certificate is raised to a Financial Delegate during the year by a Departmental Head, the same distinctive (CFC) number should be used on all of them, but they will bear sequential serial numbers.*
- (ii) *The first three digits of the CFC number must indicate the Division Number of the Department followed by a three digit number that identifies the Financial Delegate (or the CFC Holder). For example:*

<b>Department</b>	<b>CFC No.</b>	<b>Serial No.</b>
<i>Finance</i>	<i>207-001</i>	<i>001,002</i>
<i>Health</i>	<i>240-013</i>	<i>001,002</i>

- (iii) **Distribution**

*Cash Fund Certificates must be made out in triplicate and distributed as follows:*

*Original to the Financial Delegate (to be kept with the Commitment Control Section)*

*Duplicate to the controlling paying office*

*Triplicate Book-fast*

- (iv) *Cash Fund Certificates should indicate the Warrant Authority number.*

- (v) *Cash Fund Certificates lapse at the end of the year in which they are issued.*

- (c) Once CFCs have been issued they should be entered into the Funds Distribution Control Cards (FF 19) and into the appropriate accounting system (PGAS). The aggregate of Cash Fund Certificates eventually raised under each vote should at no stage exceed the total funds approved under Warrant Authorities for that vote.

### **DIVISION 3 - CONTROL OF PUBLIC EXPENDITURE**

#### **The system of Decision-making in Government Expenditure:**

- 12. The central focus in expenditure control is how to bring the growth of public expenditure under better control, and how to contain it within such limits as the Government thinks desirable. Different Governments will have different views about the proper size of public expenditure, but all have the same problem of how to keep it within this size. The level of government expenditure and thus the level of taxation are consequences of Government policies and the crucial point is the system by which policies affecting public expenditure are made and decisions about public expenditure are taken. Public expenditure decisions, whether they are defence, police, education, or anything else are made after taking into consideration what the country can afford having regard to prospective resources and the relative importance of one kind of expenditure against another.

#### **The Responsibilities of Implementing Agencies and the Departments of Finance and Treasury:**

- 13. The primary responsibility of an agency is to implement its policy effectively within financial limits laid down by the Government. The agency is itself responsible for efficiently implementing its policy initiatives, the agency head, as an accountable officer, is responsible for the efficient administration of the agency. It is important that these responsibilities are clearly understood, fully accepted and reflected in the agency's relations with the Departments of Finance and Treasury in a common enterprise.

The Department of Treasury is responsible for economic policy and its implementation. The Department of Finance is responsible for financial policy and implementation as well as being the custodian of the consolidated revenue fund. Jointly, they bear the responsibility for:-

- (a) allocating the amount of money to be made available for each purpose to each agency;
- (b) advising agencies on financial matters through issue of Financial Instructions, and for assisting them to maintain proper practice in the expenditure of public money.

### Importance of Management:

14. All must be increasingly conscious of the importance of management. The efficiency of management includes the preparation of material supporting decisions; the technical efficiency with which administrative operations are carried out; the cost-consciousness of staff at all levels; the provision of special skills and services for handling difficult problems; the training and selection of men and women for posts at each level of responsibility. These are the foundations of good management and it is upon them that the effective control of expenditure and value for money must ultimately depend.
15. The primary responsibility for management efficiency in each agency must rest with the agency. This includes the organisation of work; the scrutiny of new agency policies; the detection and removal of deficiencies in management and the critical review of the agency's existing activities, particularly those which are static or declining.
16. Staff engaged on this work should be highly competent and in particular provide high quality advice and counsel, to the agency heads on staffing and organisation matters, and in this regard the post of Principal Establishment Officer should be given the utmost priority. It is increasingly necessary for the agency head to devote considerable time and attention to problems of management. His responsibilities are to ensure that appropriate policies are carried out economically and that his department is staffed as efficiently as possible for this purpose seems no less important than advising his Minister on major issues of policy.
17. An efficient public service is vital for control of expenditure. The recruitment of competent and technically proficient personnel to meet the foreseeable requirements; proper training of staff; and maintenance of a transparent selection process so that the best individuals may ultimately emerge in the most senior posts.
18. It follows that agencies should be knowledgeable with their internal organisation to be able to detect and cooperate in remedying defects and shortcomings in managerial efficiency; and should be aware of those talented staff members who appear to be marked out for advancement and be able to develop career planning options with foresight and imagination.

### DIVISION 4 - CASH FLOWS

#### 19. Expenditure Cash Flow

Soon after the Parliament has passed the **Appropriation Act** but before the beginning of the financial year, Departments, Provincial Governments, Local-level Governments and Statutory Authorities in respect of grants payable under the Organic Law should prepare cash flows of revenue and

expenditure for each vote ( for example - each item under an Activity or Project ) on the expenditure side and each sub-head on the revenue side. Cash flow statements are prepared on the basis of amounts approved in the budget. Generally, a circular on their preparation is also issued by the Department of Treasury.

There are two types of Cash Flows for Expenditure:

- Fund Flow statement
- Expenditure Out Flow statement

## **20. Statement of Fund Flow**

20.1 It is prepared for the following purposes:

- To determine the amounts for which Warrant Authorities should be issued by the Department of Treasury.
- To ensure that commitments are planned.
- To monitor decommitments against planned commitments.

20.2 It shows the estimated commitment for each month of the year under each vote (item under an activity or project) against the annual estimate of expenditure.

20.3 Preparation of the Statement of Fund Flow is important because Warrant Authorities issued on this basis set the ceiling within which funds can be committed, and commitment is the first and most important point of expenditure control.

## **21 Statement of Expenditure Outflow**

21.1 This statement is prepared for the following purposes:

- To determine the amounts of monthly cash ceiling (separately for salary, Department of Works items, and other items) to be issued by the Department of Treasury for each Implementing Agency.
- To plan expenditure month-by-month.
- To monitor actual expenditure against planned expenditure.

21.2 It shows the estimated disbursement by cheque/cash for each month under each vote against the annual estimate of expenditure.

21.3 Statement of Expenditure Outflow is important for planning and controlling cash.



- 21.4 Both the Fund Flow and Expenditure Outflow statements are prepared for each vote against approved annual expenditure in the budget. Therefore, the yearly total should be the same in both statements. However, there may be differences in any month because of delay in supplies or submission of claims by suppliers.

## 22. Statement of Revenue Inflow

- 22.1 This statement shows the revenue projection month-by-month for each sub-head under each revenue head against the approved annual amount in the Budget. The projected amount is the amount of revenue expected to be deposited in the bank to the credit of government account.

- 22.2 The Revenue Inflow is important for:

- (a) planning and control of cash requirements, and
- (b) deciding the amount of Warrant Authority and/or monthly cash ceiling.

## 23. Periodicity

The Cash Flow (Fund Flow, Expenditure Outflow, and Revenue Inflow) projections should be prepared by Departments, Provincial and Local level Governments and Statutory Authorities soon after the Parliament has passed the **Appropriation Act** but before the beginning of the year. However, these projections are likely to undergo changes as the year progresses. The Cash Flow statements will, therefore, require revision. This revision should be done by Departments, Provincial Governments Local-level Governments and Statutory Authorities quarterly or as and when required in accordance with guidelines prescribed by the Department of Treasury. The revised cash flows should indicate:

- (a) the actual expenditure/revenue in each month up to the preceding month, and
- (b) month-by-month projection for the following months of the year.

## 24. Guidelines for preparing the Statement of Fund Flow and the Statement of Expenditure Outflow

- 24.1 The Statement of Fund Flow deals with the projection of fund requirements for commitment whereas the Statement of Expenditure deals with the projection of expenditure or actual payments likely to arise in a year. The distinction between the two is very important and crucial, and should always be kept in mind while preparing both statements.

- 24.2 The Cash Flow should be prepared in consultation with Financial Delegates responsible for an expenditure vote. Financial Delegates should in turn consult the respective Activity or Project managers and Section 32 Officers before sending cash flows to departmental headquarters.
- 24.3 Commitments and expenditure should be projected on the basis of month-by-month planned requirement of inputs at different stages for an Activity or Project under each expenditure item. The amount approved in the Budget should not be equally divided among months.
- 24.4 Expenditure on an Item is aggregated from the sub-items of expenditure. Fund Flow and Expenditure Outflow under an item should, therefore, be projected after determining in which month the sub-item would be committed and paid respectively.
- 24.5 Distinction between regular and irregular or seasonal payments should be kept in mind. For this purpose, factors such as three pay periods in a month, agreements having a fixed date to pay, payments falling due at the end of a quarter or some other period, leave fares to be paid when officers are due to go on recreation leave, repatriation expenses and similar out goings should be kept in mind.
- 24.6 Even if personal emoluments are processed by Department of Finance, cash fund certificates should be issued to the Secretary, Department of Finance by Heads of Departments in whose budget the expenditure votes are included and who are responsible to ensure that over-commitment and over-expenditure do not take place on personal emoluments.
- 24.7 In case of PIP/SIP projects, the statements should be prepared on the basis of implementation schedules agreed upon with the Department of National Planning and Monitoring and only for those projects for which funds have been secured.
- 24.8 Each PIP project funded by an external agency should have two (2) expenditure outflow statements in respect of: (i) expenditure financed through internal revenue, and (ii) reimbursable expenditure. In addition, a revenue inflow statement for reimbursable expenditure should also be prepared.

## **DIVISION 5 - EXPENDITURE DECISIONS: SECTION 32 OFFICERS**

### **25. Management of Budget: General Principles**

- 25.1 Management of financial resources allocated to a Department should aim at economical means of achieving Departmental goals and objectives within the limit of allocated funds. Funds are allocated annually through the National Budget under **Section 22 of the Act**, to the various

Departments. While budgetary control of expenditure is important, it does not alone guarantee the quality of decisions made or that the expenditure programs are cost effective and meet Departmental goals and objectives in conformity with approved Government priorities.

- 25.2 Senior Departmental Managers must ensure, before approving expenditure of funds, that the various options have been considered and the best option is selected. The Act and the Financial Instructions provide for certain essential procedural steps to be taken within each Department consistent with the manager's accountability for the management of Departmental funds. The Act also provides for responsibility assigned to various levels of officers, coordination of major purchases through Supply and Tenders Boards, control over execution of contracts and accounting and reporting as a means to ensure overall cost effectiveness and to discourage wasteful, extravagant and unproductive expenditure.
- 25.3 The destination of funds appropriated by the National Parliament through an Appropriation Act cannot be changed except by a due process laid down in the **Appropriation Act** itself or the **Public Finances (Management) Act 1995**.
- 25.4 It should be recognised that even though individual Departmental Budgets may have been carefully formulated, it may not be possible to meet all their revenue and expenditure requirements given the limitation on available resources. Departmental Budgets will undergo curtailments and changes in the course of scrutiny before the final phase of approval by the National Executive Council.
- 25.5 It is the responsibility of senior Departmental management to modify Departmental expenditure program or expenditure on various services, in close consultation with the Budget Division of the Department of Treasury, to reflect the changes as finally approved. The fact that the funds, originally sought through the Department budget estimates, were not approved will not be accepted as an excuse for overspending an appropriation.
26. Expenditure Decisions and Section 32 Officers
- 26.1 **Expenditure Decisions:** All expenditure decisions are taken by the **Section 32 officer** who is in charge of the particular area of work (Activity or Project) by approving requisitions of expenditure.
- 26.2 **Appointment of Section 32 Officers:** Section 32 officers are appointed only by Departmental Heads under Section 32 of the **Public Finances (Management) Act, 1995**. These appointments are to be published in the Government Gazette and a copy of gazettal notice submitted to the Department of Finance.

Section 32 appointments are made by positions and any change in the incumbency of the positions does not need alteration to the list.

**26.3 Limits of Authority of Section 32 Officers:** The following limits apply to the authority of a Section 32 Officer to make decisions:

- a) The authority should be used only in regard to services and items in the budget or votes to which he is administratively responsible. However, wider powers have been given to some Section 32 Officers (Departmental Secretaries, Provincial Treasurers and District Treasurers) for the sake of administrative convenience.
- b) Other than expenditure decisions for Provincial Treasury operations, Provincial Treasurers will not be permitted to exercise authority under Section 32 to make expenditure decisions for Provincial and Local -level Governments.
- c) Financial limits are also specified in the appointment and in the Government Gazette for each Section 32 Officer and for each of four purposes; departmental purposes, maintenance, capital purchases and capital works.

**26.4 Duties of Section 32 Officers:** At the time of approving requisitions for expenditure, Section 32 officers should:

- a) Keep in view the objectives and priorities of the implementing agency and program;
- b) Take into account the alternatives and ensure that the proposed expenditure is the best way of achieving the Program objectives and the tasks under the Activity/Project;
- c) Ensure that funds are available as per the Cash Fund Certificate held by the Financial Delegate;
- d) Observe due economy and avoidance of waste and extravagance;
- e) Ensure that the proposed expenditure is according to established plans and will not result in other planned expenditure being delayed or aborted through lack of funds;
- f) Ensure that proper procurement practices have been observed in accordance with Part 9 (Minor Procurement) or Part 10 (Major Procurement)
- g) Accord approval for expenditure on the prescribed requisition form (FF3).

**26.5 Expenditure Decisions Up to K500:** All Financial Delegates have been authorised to approve requisitions for expenditure up to K500 for departmental purposes. In such cases approval by Section 32 Officer is not necessary.

**27. Requisitioning of Expenditure**

Requisitions for expenditure should be raised by requisitioning officers. The requisitioning officers should be responsible officers (e.g. Section Heads) under the Activity to which the votes relate.

**28. Distinction between Section 32 Officer and Financial Delegate:**

**28.1 A Section 32 Officer** approves a requisition for expenditure and, therefore, makes the expenditure decision. It is the duty of the Financial Delegate to implement this decision by following the prescribed financial procedures.

**28.2 A Section 32 Officer** may be appointed as a Financial Delegate and if so appointed, he will take expenditure decisions as well as implement them. However, implementing agencies should avoid the tendency to make Section 32 Officer a Financial Delegate. Appointment of too many Financial Delegates is costly because of the commitment sub-system to be maintained and will negate rational use of staff resources, besides endangering the security requirements for accountable (ILPOC) forms.

**DIVISION 6 - FINANCIAL DELEGATES AND COMMITMENT CONTROL**

**29. Appointment of Financial Delegates:**

- (a) Departmental Heads shall appoint officers as Financial Delegates within their respective implementing agencies or in other agencies.
- (b) In the case of Provincial Governments for funds appropriated under Provincial and Local Level Government Grants, the Provincial Administrator as the deemed Departmental Head will issue Cash Fund Certificates.
- (c) Cash Fund Certificates issued to Local-level Governments must be made to Executive Officers of the Local-level Government as the Financial Delegates.

**30. Roles and Duties of a Financial Delegate:**

**30.1** A Financial Delegate's role is mainly to:

- control allocated funds so that over commitment does not take place;

- ensure observance of prescribed financial procedures in implementing expenditure decisions;
- review and monitor commitments and expenditure so that timely warnings are given on fund availability.

30.2 Upon receiving a requisition for expenditure, it is the Financial Delegate's responsibility to check the following:

- That it has been approved by the correct Section 32 Officer if over K500. If the estimated expenditure is K500 or less, he may approve it, after ensuring that proper Minor procurement procedures as outlined in Part 9 have been complied with.
- That funds are available on the expenditure vote.

30.3 In addition to the above, the Financial Delegate has the following duties:

- a) To ensure that proper commitment control procedures are enforced. (see paragraph 33 for details).
- b) To initiate necessary steps to comply with prescribed financial procedures e.g. tender procedures or special procedures set out under Financial Instructions.
- c) To constantly review commitment and expenditure trends against CFC allocation and:
  - (i) take steps to obtain additional funds before CFC limits are reached or to economise expenditure if additional funds are not likely to be forthcoming, and
  - (ii) identify savings in a timely manner and surrender them to the Departmental Heads for use elsewhere.
- d) To notify Section 32 Officer of expenditure votes that are likely to run out of funds in the near future.
- e) To notify the Departmental Head of any vote that is out of control or of any irregularities incurred on a specified vote.
- f) To provide regular and up to date status information on votes as required, and for the purposes of monthly and quarterly reviews.

## 31. Certifying Officers

31.1 **Appointment:** Departmental Heads of the Department responsible for administration of the Government paying offices and self accounting Departments may appoint officers generally at Clerk Class 6 level or

above as Certifying Officers. These officers should have undergone intensive training in Government financial procedures and are thus familiar with them.

- 31.2 **Duties:** Their duties include supervision of the claims examination system and certifying that the claims rendered are correct and can be paid.

## 32. Authorising Officers

- 32.1 **Section 33 of the Act** requires appointment of Authorising Officers for authorising payment of accounts. Officers in charge of Government paying offices and cash offices are appointed as Authorising Officers and they should ensure that the accounts are duly certified by Certifying Officers before payment.

- 32.2 To safeguard internal control procedures, the accounting functions exercised by the Certifying Officer and Authorising Officer must not be performed by the same individual.

## 33. Commitment Control:

- 33.1 Financial Delegates are responsible for commitment control.

- 33.2 The purpose of commitment control is to ensure that -

- *commitments and payments on a particular vote do not exceed the CFC authorisation.*
- *Funds are available to cover commitment and expenditure on a vote.*
- *Lack of funds are spotted early so that corrective action can be taken in time.*
- *An expenditure is committed to the correct activity or project vote and on items it pertains to.*

- 33.3 To achieve this objective, each Financial Delegate should have an organised commitment control system. It is prescribed that a Commitment Control Ledger (FF20) should be maintained for each vote, and the Ledger should indicate the following:

- CFC, as and when received.
- Commitments made (Finance Forms 3, 4 and 4-A).
- Payments made against commitments. Paying Officers should furnish (daily or at least weekly) copies of payment vouchers

(FF4, FF4-A) processed by them and listing them by vote for each Financial Delegate.

33.4 This procedure is necessary where appropriate computerised accounting systems such as (PGAS) are not in place.

33.5 Where the appropriate computerised accounting system is used (eg. PGAS) each CFC shall be entered into the system when received. Appendix 1 of Part 3 deals with the operations of the standard government accounting system.

### 33.6 Provincial Transactions

The Provincial Treasuries shall provide a commitment control service using the computerised accounting system (PGAS) to Financial Delegates of the National Government Departments whose programs and activities have not been transferred to the provinces. The heads of Provincial and or District Treasuries themselves shall be appointed as Financial Delegates by National Government Departments, Provincial Governments and Local Level Governments for their expenditure programs.

### 33.7 Over Commitment of Funds

Over commitment of funds should not take place as it constitutes an offence under the Public Finances (Management) Act, 1995. Even if it is anticipated that additional funds would be available some time in the future, over-commitment is not permitted.

If an expenditure is urgent or of high priority and there are no funds available then the correct procedure is to request transfer of funds from an underspent vote and after the funds are transferred under prescribed procedure, to make the commitment.

A person who without due care, overcommits funds under his control, is guilty of an offence.

## **DIVISION 7 - MONTHLY AND QUARTERLY REVIEWS**

### 34. Monthly And Quarterly Reviews:

There are two main types of financial review that should take place on a regular basis during the year. These are:

- Internal departmental reviews - that should take place monthly.
- Department of Treasury reviews - that should take place quarterly or as often as required.



## 35. Internal Monthly Reviews:

### 35.1 Purpose of Internal Monthly Reviews

- To compare the receipts, commitments and expenditures of the department as per the Department's records to the receipts, commitments, expenditures shown on the records (General Ledger) of the Department of Finance.
- To review the collection of receipts against targets and prorata budget, to review commitment and expenditure against warrants and CFC, and to take necessary corrective action.

### 35.2 Steps to Carry out Monthly Review

- (i) *Financial Delegates should prepare status reports each month and send them to the Department's central finance section.*
- (ii) *Department should consolidate monthly status reports from all Financial Delegates and prepare a summary of its financial status by vote.*
- (iii) *Departmental totals should be checked against Department of Finance monthly statements from the General Ledger. Reasons for differences must be identified and either the Department's own records corrected or the Department of Finance records corrected, if necessary.*
- (iv) *Departmental Head should review receipt and expenditure performance and take appropriate corrective action each month.*

### 35.3 Status Reports By Financial Delegates

- (a) Financial Delegates should prepare Status Reports as often as required by the Departmental Head or at least by the first week of every month for the preceding month and send them to the Departmental Head.
- (b) The Status Reports should contain the following information:

#### Examples

- |   |  |
|---|--|
| 1. Name and position of Financial Delegate and location | <ul style="list-style-type: none"> <li>- A. Roger</li> <li>- A/S Finance</li> <li>- Dept. of Trade and Industry</li> </ul> |
| 2. Month under report and exact date of status          | As of  |

information.	30/04/98
3. Vote Number	261-3903-1101-112
4. CFC authorisation brought forward from previous month report	K3,000.00
5. Add CFC's received in the month under report (Ref Numbers).	K1,000.00
6. Equals total of funds received for the vote through CFC's.	K4,000.00
7. Total commitments brought forward from previous month's report.	K2,500.00
8. Add Total commitments in the month under report.	K1,000.00
9. Equals total commitments to date.	K3,500.00
10. Unutilized funds (No.6 less No.9)	K 500,00
11. Total payments to date b/forward from previous month's report.	K2,000.00
12. Add payments made during the month.	K1,500.00
13. Equals total payments to date.	K3,500.00
14. Outstanding commitments (No.9 less No.13)	K - NIL

Remarks justifying the need for the unutilised balance.

- (c) Departmental Heads should ensure that Status Reports are received regularly from Financial Delegates and that a review of their fund requirements is carried out monthly so that Departmental allocations are put to optimum use before the close of the year. Status Reports also help in estimating the total funds committed but not yet paid and provide an important source of management information and the basis for quarterly budget reviews.
- (d) National Government Departments and Provincial and District Treasuries using the standard computerised government accounting system (PGAS) shall produce Expenditure Transaction Summary

Reports to the Departmental Head as an important source of management information for decision making.

### 35.4 Departmental Review

In addition to checking and verifying the Department of Finance General Ledger, the consolidated monthly status report should be used as the basis of reviewing the Departments overall financial situation. During this review the following should be attended to:

- (a) Financial Delegates who are likely to run out of funds should be identified and the reason for this ascertained.
- (b) Individual financial delegates who are not controlling their commitment and expenditure properly need to be identified and appropriate action taken. Failure to bring expenditure under control should result in the imposition of surcharge under **Section 102 of the Public Finances (Management) Act, 1995** or penalty for offence under **Section 112 of the Public Finances (Management) Act** or disciplinary action being taken under the **Public Services ( Management ) Act and General Orders**.
- (c) Reasons for under expenditure should be identified and appropriate action taken to ensure that work programs are properly implemented if this is the cause of the under expenditure. It is important to ensure that underspending is not used to cover up over expenditure elsewhere. Programs are included in the budget on the basis of Government priorities and it is the Departmental Heads responsibility to ensure that they are implemented in accordance with the plans.
- (d) Transfer of funds between Financial Delegates within Department's warrant authority should be made if considered justified.
- (e) Having dealt with the situation relating to expenditure within each item the overall position should be considered. If overall, one item needs more funds, and another item can either be cut back or already has savings, then transfers of funds between items should be considered under the prescribed procedures.

## 36. Quarterly Reviews:

### 36.1 Purpose of Quarterly Review

Quarterly budget reviews of the various Government Departments are carried out by Department of Treasury, Budget Division. The purpose of these reviews is to:

- (i) Review the progress and performance of Programs/Functions, and Activities/Projects thereunder*
- (ii) Consider requests for transfers of funds under **Section 4 of the Appropriation Act.***
- (iii) Consider requests for additional funds from the Secretary's Advance under **Section 3 of the Appropriation Act.***
- (iv) Identify votes where savings can be achieved in order to meet requests for additional funds or achieve absolute savings.*
- (v) Identify votes that are likely to be overcommitted and take corrective action.*
- (vi) Review Cash Flow forecasts.*

### 36.2 Steps to Take When Carrying Out the Quarterly Review

- (i) Departments complete standard review forms prescribed by Budget Division.*
- (ii) Forms submitted to Department of Treasury, Budget Division.*
- (iii) Review carried out in the discussions held by the Department of Treasury, Budget Division with representatives of each Department. Decisions taken in the review meeting should be communicated to the department.*
- (iv) Department of Treasury advise the National Planning Committee, National Executive Council and other interested agencies of actual performance compared to planned and budgeted performance.*
- (v) The Committee review this performance and authorise any corrective action they deem necessary in the form of budget adjustments and revised plans.*

## 37. Review of Commitment and Expenditure:

37.1 In addition to the Quarterly Reviews by the Budget Division, it is necessary to hold meetings with the line agencies and departments to focus on:

- (a) over commitments and over expenditures and
- (b) outstanding commitments by votes.

These meetings should be arranged by the Expenditure Control Branch of the Budget Division. Discussions should be held on each vote, and the over commitments and over expenditures on a vote should not be netted

against savings on other votes. The monthly statements in the General Ledger on over commitments, over expenditure, and outstanding commitments (TMS 650 and 715) are suitable basis for these review meetings. However, help of other statements in the General Ledger may also be sought in the review meetings.

37.2 These meetings should be held as and when required. More meetings will be necessary with departments where over commitments, over expenditures, and outstanding commitments are high.

37.3 The items showing over commitments, over expenditure, and outstanding commitments of each Department should be classified into 2 categories:

- (i) Personal Emoluments items processed by Department of Finance.
- (ii) Goods and Other services.

## **PART 8 - ACCOUNTABLE AND ACCOUNTING OFFICER**

### **DIVISION 1 - ACCOUNTABLE OFFICERS**

#### **CHIEF ACCOUNTABLE OFFICER**

##### **1. Definition**

- 1.1 The Chief Accountable Officer is a Departmental Head whose responsibilities are specified in Section 5 of Public Finances (Management) Act. He is responsible, at least in financial matters, for the work and organisation of his Department. Finance is an inseparable element in all policy questions, that financial responsibility has wider implications for efficient management, and consequently financial administrative responsibility is concentrated in the Departmental Head.
- 1.2 The Departmental Head is answerable to the Public Accounts Committee for the efficient and economical conduct of his department and for the formal regularity and propriety of all appropriations administered by him.

##### **2. Responsibilities**

- 2.1 His duties involve the safeguarding of public funds and propriety and regularity of expenditure from the funds appropriated by Parliament to his department. Within this context, the Departmental Head is liable under the doctrine of personal accountability to make good any sum which the Public Accounts Committee recommends should be 'disallowed'.
- 2.2 He must ensure that financial considerations are taken into account at all stages in framing and reaching policy decisions and in their execution, for the efficient and economical operation of the Department as a whole. He must acknowledge the importance of 'management' on which effective control of expenditure and value for money depend. This comprises the preparation of the material supporting decisions; the technical efficiency of administrative operations, the cost-consciousness of staff; and the selection and training of competent staff.
- 2.3 It is obvious that the Departmental Head cannot himself perform, or even closely supervise, the manifold financial duties set out in the broad statement of his responsibilities. It is therefore one of his chief responsibilities to make sure that his department is organized and staffed on sound lines, particularly in the finance and establishment branches, to facilitate proper delegation of duties.

- 2.4 The Public Accounts Committee expects the Departmental Head to satisfy it that the policy approved by the Government has been carried out with regard to economy and to explain any indication to the contrary to which the Auditor-General has drawn attention.
- 2.5 The Departmental Head is responsible for the "regularity and propriety of the expenditure". Thus expenditure must be within the ambit of appropriation, and within the total sum authorized to be spent on the vote to which it is charged. It must be for the purpose set out in a programme, function, activity and item of expenditure. It must be supported by proper documentation expressing the performance of service, detail of payee and the period of account in which the expenditure is charged.
3. The relationship of the Departmental Head with the Public Accounts Committee and his Minister.

The Departmental Head is responsible to his Minister because he acts on his Minister's behalf and his actions commit the Minister for those activities undertaken by the department.

4. Advice to the Minister by the Departmental Head
  - 4.1 A Departmental Head has a particular responsibility in connection with the requirements of efficiency, financial prudence and economical resource use in the conduct of his department, and he will from time to time need to advise his Minister from this standpoint. It is for the Departmental Head himself to decide how and in what terms to give his advice. He should express his opinion clearly in writing to his Minister for any disagreement with any aspects of a proposal which he considers improper for prudent and economical administration.
  - 4.2 Alternatively the matter of the Accountable Officer's disagreement, and his representation, may be one which involves his personal accountability on a question of safeguarding public funds or the formal regularity or propriety of expenditure. In that case he should action or implement the Minister's decision only on a written instruction from the Minister overruling the objection and copies of his written opinion on disagreements should be sent to the Auditor-General and Department of Finance.
  - 4.3 Provided that this procedure has been followed, the Public Accounts Committee may be expected to acquit the Accountable Officer of any personal responsibility for the transaction.

**ACCOUNTABLE OFFICER****5. Definition**

Section 6 of the Act defines Accountable Officer as an Officer or any person who authorizes the collection or payment of public moneys or accounts for stores.

**6. Responsibilities**

6.1 An Accountable Officer is an officer or person appointed by the Chief Accountable Officer for the purposes of the Act and to ensure that all procedures in relation to the collection and payment of public moneys, are strictly observed and to account for stores under his control.

6.2 An Accountable Officer has a dual role in both ensuring that public moneys are properly accounted for and the records and accounts are kept to facilitate preparation of monthly, quarterly and annual accounts for management and audit purposes.

**DIVISION 2 - ACCOUNTING OFFICER****THE ACCOUNTING OFFICER****7. Definition**

The Accounting Officer, who is also an accountable officer is a person appointed by the Chief Accountable officer to exercise prudent financial management in the expenditure decision making process and disbursement of funds in strict compliance with the Public Finances (Management) Act, 1995 and its Financial Instructions.

**8. Responsibilities**

8.1 It is the Accounting Officers responsibility to organise his Department, particularly in the Finance and establishment branches, to provide for proper delegation of his financial duties.

8.2 These responsibilities also include the establishment of properly organised Finance and Accounts Branch and provision of Internal Audit to ensure that public funds are properly disbursed and adequate internal controls exist to safeguard any mismanagement of funds.

8.3 The Establishment of these Units should be arranged in the following manner:



**Accounts Payable Branch:**

- 8.3.1 There will normally be a Accounts Payable Branch to which is delegated the duty of making day to day financial decisions or recommendations after critical examination of expenditure proposals.

The Accounts Payable Branch will be responsible for the formulation of Estimates and their justification to the central agencies responsible for budget preparation. It will also be responsible for the general oversight of the progress of expenditure in relation to the amounts specified in Estimates for particular programmes, functions, activities, projects and items of expenditure. A further duty of the branch will be to ensure that control and accounting mechanisms exist to safeguard public moneys and property relative to revenue collection and expenditure. In addition it will also be responsible for reviewing, coordinating and responding to the queries raised by the Auditor-General with the cooperation of the respective branches or divisions.

- 8.3.2 If any query from the Auditor General is subject to Public Accounts Committee scrutiny, it should be referred to the Departmental Head immediately for his assessment and appropriate action.

- 8.3.3 The Finance Branch should be under the control of a senior officer. The senior officer is responsible for the critical examination of all expenditure proposals, collection of revenues and obtaining goods and services for value of money.

**Accounts Branch:**

- 8.3.4 The Accounts Branch is an integral part of the Finance Branch, has some or all of the following responsibilities:

- (i) The maintenance of an adequate system of books and accounts forming the basis of annual Public Accounts, Trust Accounts, any monthly accounts and statements required to be rendered to the Department of Finance or for the use of other branches of the department.
- (ii) The calculation and payment of salaries, allowances and wages on the basis of rates and entitlements notified by the Personnel Branch; the making of day to day payments authorized by other branches, and the bringing to account of receipts. The payment function will extend to scrutinizing the financial regularity of items submitted for payment.
- (iii) The internal control mechanisms in relation to receipts and payments of public funds are in order to prevent fraudulent transactions or physical loss.

- (iv) To provide regular reports to Finance Branch on the progress of expenditure under each Activity.

8.3.5 Additionally, senior officers of Accounts Branches may be called upon to give advice in connection with the practical aspects of policy decisions affecting expenditure or the receipt of money, and to assist in the formulation of procedures for carrying them out.

**Safeguarding of Public Property:**

8.3.6 Safeguarding public property comprises the selection of suitable officers to carry out and record cash and store transactions; and the setting up of procedures and methods designed to protect the balances in the department's hands.

8.3.7 Surprise inspections of cash in the hands of officers at headquarters and at out-stations are essential. It is a specific duty of Accounting Officers to ensure that independent and effective checks are made without regard to personal considerations.

## **PART 9 - INTERNAL AUDIT AND AUDIT COMMITTEE**

### **DIVISION I – INTERNAL AUDIT**

1. It is desirable that control systems are established by Accounts Branch to ensure the propriety, security, completeness and accuracy of departmental activities and transactions.

The Departmental Head will establish an internal audit branch to obtain an independent view on the financial integrity and economic conduct of his department.

2. This extension of function is in keeping with the modern concept of internal audit as an independent appraisal activity within an organisation for the review of accounting, financial and other operations as a vital service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls. Its principal duties are to:

(a) provide assurance to management that:

- (i) there is an adequate system of internal control which is functioning properly in accordance with the requirements;
- (ii) the policies and procedures established by management are being complied with and are appropriate;
- (iii) to ensure that accounting records are in order for the production of annual public accounts;
- (iv) the reliability of financial data furnished to management in connection with decision making processes.

(b) draw the attention of management to:

- (i) deficiencies in the organisation or system of control;
- (ii) irregularities and variations against established norms and standards.

Internal audit should not be viewed as a sole management control system. As such, line managers must take responsibility to incorporate such control mechanisms as they consider necessary in their operations.

In addition, internal audit may sometimes undertake special reviews or assignments and, subject to limitations arising from the need for objectivity, may be regarded as a source of advice on systems of control and related matters.

3. To encourage objectivity and constructive comment, the internal audit branch must have independent status within the department. It follows that in general:
  - (a) the audit section should be independent from other branches; a separate entity, quite independent of accounts and policy branches;
  - (b) the chief internal auditor should be of sufficient rank to ensure that significant criticism or suggestions by audit receive adequate attention; he would be directly responsible to the head of the department;
  - (c) the audit section should have no executive or line management responsibilities, neither should they be responsible for the development or implementation of new control systems.

The programmes of the internal audit branch should be defined in writing, a schedule of programmes should be agreed by senior management and the Chief Internal Auditor and periodic progress reports should be made on the achievement against such programmes. Audit reviews should be wide-ranging and should encompass financial, accounting, management information and related activities throughout the department. In some cases it may be advantageous for an audit committee to be established so that interested parties can discuss audit plans and results.

4. The organisation structure of audit branches will vary according to the size and complexity of the audit task. In the case of having separate units responsible for the audit of different aspects of departmental activities and departmental locations must have a central unit for co-ordination, planning and reporting purposes.
5. The approach adopted by the internal audit branch is to be aimed at achieving both efficiency and efficacy. The approach should consist of ascertaining, assessing and testing control systems, considering the possible effects of any weakness discovered, and reporting the results of audit to management. This involves the use of internal control questionnaires, flow charts, audit programmes, sample testing and other audit techniques.
6. Internal audit programmes and reports of the Department will be helpful to the Auditor-General's Office for drawing up their audit plans. As such, internal audit programmes and reports must be submitted to the Auditor-General.

## PART 10 – REVENUE MANAGEMENT

### DIVISION 1 - ORGANIZATIONAL REQUIREMENTS

1. **Departmental Heads' responsibility:** According to **Section 5 of the Act**, it is the responsibility of Departmental Heads to ensure that Departmental revenues are collected promptly and to the fullest extent and to have the rates of fees, charges, and imposts reviewed annually. There should also be stringent arrangements within Departments to safeguard the collections and custody of public moneys received and for their proper accounting.
2. It is therefore essential that Departmental Heads detail adequate staff resources for revenue management and have the duties of the officers' responsible for revenue collection, monitoring, review and reporting properly defined.
3. **Reporting system:** In order to keep themselves fully informed of the progress in revenue generation and to initiate timely remedial action where shortfalls are expected, Departmental Heads should install a management reporting system and make sure that it operates satisfactorily.
4. Periodical Review of Charges, and Fees

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. Also, where the revenue is based on specific 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.

#### 5. Annual Estimates

- 5.1 While preparing annual budget estimates, Departmental Heads should first review revenue performance of the current and preceding years before paying attention to expenditure requirements. The review of revenue performance should cover all projects as well as recurrent activities. Where there have been significant shortfalls, their impact on future revenue estimates should be considered, taking into account remedial measures initiated.
- 5.2 In addition to the overall responsibilities of Departmental Heads concerning revenue generation and collection of arrears, the **Act imposes under Section 7** thereof, specific duties on public office-holders responsible for the collection of revenue to ensure prompt and full collection and banking into the Public Account.

## **DIVISION 2 – SAFE CUSTODY OF REVENUE**

### **6. Installation of Safes:**

Officer-In-Charge of Offices where moneys and negotiable instruments are kept should check and ensure that the safes or similar receptacles are kept properly installed. They should either be permanently bolted down or cemented into the main structure of the building where they are housed. If practical, the safes or receptacles must be placed in positions not readily visible or easily accessible to the public.

### **7. Custody of Safe Keys**

7.1 Officers having custody of safe keys should observe the following procedures strictly:

- In all cases, the Officers entrusted with the custody of keys to safes or similar receptacles will acknowledge this in writing in a permanent record.
- An Officer holding keys will not at any time permit such keys to leave his/her personal possession until he/she is relieved of this responsibility and the permanent records are amended accordingly.
- In cases when double lock safes are used, keys should be kept by two Officers, each being responsible for one lock, except where only one Officer is available.
- Duplicate keys of all safes or similar receptacles will be kept by the Director, National Intelligence Organization, who should be informed immediately when a key is lost, stolen or broken.

### **8. Safe Custody of Cash being Transferred**

8.1 The following precautions shall be taken when public moneys or negotiable instruments are to be transferred from one place to another:-

- The Officer-In-Charge of the cash or valuables will be accompanied by another Officer as witness and assistant under armed escort.
- If transport is required to move cash, it shall be by the fastest and most secure mode. Public transport will not be used.
- The Officers will embark as close to their starting point as possible and leave the vehicle as close to their destination as possible.

- Where Officers have regular trips to or from a bank with large sums of money, times or travel should be varied.
- Officers will proceed to their destination as expeditiously as possible.
- Cash and valuables are not to be left unattended at any time.

## **9. Safe Custody and Checking of Cash.**

- 9.1 All cash held as counter advance for change and petty cash should be locked in the office safe during lunchtime breaks and at night.
- 9.2 If the Officer responsible for cash advances does not hold the key to the office safe, the cash is to be locked in a strong box and the box locked in a safe.
- 9.3 Losses of cash through failure to adhere to this instruction will result in the Officer concerned being held responsible and the loss made good by him/her.
- 9.4 Attention of Officers is also drawn to the necessity for disclosing cash surpluses or deficiencies discovered during daily, fortnightly or monthly checks. Where a subsequent check discloses a similar deficiency or surplus, indicating a mistake in the original count, set-off will not be permitted unless the original discrepancy was declared.

## **DIVISION 3 - REVENUE COLLECTION**

### **10 Appointment of Officers for Revenue Collection:**

- 10.1 Collectors of Public Moneys will be appointed by the Department of Finance on request from Government Departments or Agencies who have sizeable revenue to collect. Collectors are accountable to specific Receivers of Public Moneys.
- 10.2 Receivers of Public Moneys are appointed by the Department of Finance and Headquarters of major National Government Departments and Provincial and District Treasuries.
- 10.3 Accountable Officers may be appointed to collect revenue by the Departmental Head, in consultation with Collectors of Public Moneys, to whom Accountable Officers are accountable.
- 10.4 Temporary appointment of Receivers and Collectors of Public Moneys for periods not exceeding 12 weeks at a time may be made by Expenditure and Cash Management Division (Cash Management

Branch) for National Government Departments, Provincial and District Treasuries.

11. **Accountable Officers:** Every officer and any person (even if he is not an officer) who authorises the collection of public moneys is an accountable officer as defined under Section 6 of the Act.
12. **Duties of Accountable Officers in relation to Revenue**
  - 12.1 No one other than a public office holder shall collect public moneys, unless the Secretary for Finance or his delegate has given approval.
  - 12.2 All Government revenue shall only be collected by public office holders specifically designated for the purpose.
  - 12.3 A member of the public service must not collect any non Government moneys in his official capacity unless prior permission exists either in general terms or specifically from the Department of Finance.
  - 12.4 It is the duty of the Accountable Officers to familiarise themselves with revenue collecting procedures outlined in this part of the Manual.
13. **Duties of Collector of Public Moneys:** A Collector of Public Moneys will compile a Collector's Statement (FF1) listing all collections made by him and forward the original copy of the Statement with the stamped copies of bank deposit slips and duplicate of the receipt to the appropriate Receiver of Public Moneys, daily or at intervals prescribed by his letter of appointment.
14. **Duties of Receiver of Public Moneys:** A Receiver of Public Moneys will compile a Receiver's Statement (FF2) for all collections received and made by him and banked and submit it to the Certifying Officer as set out in his letter of appointment. He is also responsible to supervise the collections made by the Collector of Public Moneys and other appointed accountable officers as already stated.
15. **Prompt Collections of Revenue**
  - 15.1 **CREDIT SALES PROHIBITED** - Selling of goods and services by Government Agencies on a credit basis to members of the public or private firms is not permissible. All charges or other forms of revenue must be collected promptly, in advance if possible, but in any case as soon as the services are provided or goods supplied or when the occasion for collection of revenue otherwise arises.

Raising of debit notes, providing unauthorised credit to members of public or private firms is not permissible. For instance, in the case of hospital charges the amounts due should be collected over the



counter by the designated staff as soon as the patient is due for discharge and not by raising a debit note.

15.2 Where there is failure to collect the sums due promptly or if unauthorised credit is provided, it will constitute an offence for the purpose of **Section 102 of the Act**.

16. **Raising of Demand Notices:-** Where raising of periodical demand notices is a pre-requisite for revenue collections, Departmental Heads should ensure that responsibilities of staff entrusted with this task are clearly defined. Where staff fail to raise the demand notices promptly and correctly without reasonable grounds, this failure will be regarded as an offence under **Section 102 of the Act**.

#### **DIVISION 4 - ISSUE OF RECEIPTS**

##### **17. Acknowledgment of Moneys**

17.1 A receipt in form FF132 should be used by every accountable officer for public moneys received by him except deposits to the Native Moneys Trust Account, collections from the Rural Development Bank and cash subscriptions to Papua New Guinea Government Loans.

17.2 A separate receipt will be issued to each individual payee. The original receipt is handed to the payee, duplicate forwarded with the Collector's Statement and the triplicate or book copy is retained at the point of collection.

18. **Cancellation of Receipts:-** Receipts will be issued consecutively and cancelled receipts will be marked "cancelled" on all three copies. The top two copies of "cancelled" receipts should be attached to the Collector's Statement.

19. **Duplicate Receipts:-** Duplicate receipts will not be issued without approval of the Secretary for Finance and should not be in the form FF132.

20. **Security and Custody of Receipts:-** Receipt books will, at all times be kept under lock and key. Only one receipt book should be used at any one time unless the Provincial Liaison Division or the Provincial and District Treasurer has issued special authority to use more than one.

21. **Control over the distribution of Official Receipt Books:-** All Government official receipt forms are accountable forms and their printing and distribution are to be controlled as follows:-

\* *All official receipt forms will be printed only by the Government Printer and bear serial numbers, and despatched to the Expenditure and Cash Management Division of Department of Finance.*

- \* *The forms will be sent to Provincial and District Treasury Offices on official requisitions, by the Provincial and District Financial Management. However, those authorised collectors of public monies at Departmental Headquarters in NCD should collect them at the Expenditure and Cash Management of Department of Finance.*
- \* *Receiver of Public Moneys in the above offices will take custody of receipt books and issue them to the Collectors, keeping a record in the FF50 form.*
- \* *Collectors will in turn issue them to Accountable Officers maintaining their own FF50's for controlling and accounting.*

## **DIVISION 5 - ACCEPTANCE OF MONEYS ON BEHALF OF OTHER BODIES**

22. **General:-** A receipt must be issued in all cases where moneys are accepted on behalf of other bodies for safe keeping or transfer. The receipt must clearly describe the transactions and the Trust Account to be credited pending transfer or payment.

## **DIVISION 6 - ACCEPTANCE OF CHEQUES**

23. **Procedures of Acceptance of Cheques:-** For instructions on acceptance of cheques, dishonoured cheques, stale cheques, please see Appendix of this Part.

## **DIVISION 7 - BANKING OF COLLECTIONS**

24. **Retention of Collections Prohibited:-** An accountable officer should not retain the whole or any part of public moneys collected.
25. **Procedures for Banking**
- 25.1 An accountable officer should daily, or at prescribed intervals, pay all collections into a Government Account with a bank approved for the purpose or to an accountable officer designated for the purpose.
- 25.2 Complete FF120 and attach a bank acknowledged copy to the Collector's Statement.
26. **Banking of Cheques:-** Accountable Officers should cross all cheques received "**Not Negotiable - Credit Papua New Guinea Government Account only**" and bank them daily unless specifically instructed in writing by the Secretary for Finance to deposit them less frequently.
27. **Approved Bank Accounts into which Collections are Paid**
- 27.1 Taxation and Customs collections will be paid directly into the Waigani Public Account where arrangements for this purpose exist.

- 27.2 Collectors and Receivers at Provincial level will pay their collections into the Receiver of Public Monies (RPM) Accounts operated by the respective Provincial Treasury Office.
- 27.3 Collectors and Receivers at District level will pay their collections into the Receiver of Public Monies (RPM) Accounts operated by the respective District Treasury Office or District Treasury Operating Accounts.

## **DIVISION 8 - RECEIPT OF CASH AND VALUE BY MAIL**

28. **Opening of Mail:-** All inward mail should be opened by one officer in the presence of another officer.
29. **Inward Remittance Register:-** The amount, nature of remittance and the date received be recorded in an "**Inward Remittance Register**". Each entry in the Inward Remittance Register should be initialled by both officers responsible for the opening of mail.
30. **Paying Inward Remittance:-** All inward remittance should be paid immediately to the Collector of Public Monies or to any other accountable officer designated for that purpose, who will acknowledge receipt in Form 132. The official receipt number should be indicated in the Inward Remittance Register.
31. **Security Measures:-** Maximum security measures must be taken at all times when dealing with remittances of cash and value. In addition, the two officers charged with the duty of opening mail must at all times be in each others presence till the cash and values received are paid to the designated officer and the receipt obtained.

## **DIVISION 9 - COLLECTIONS BY OUTSTATION CASH OFFICES**

32. **Cash Offices to Deposit Collections into Provincial and District Treasury RPM Accounts:-**

All outstation offices should bank intact all collections of National Government revenues into the Provincial and District Treasury Receiver of Public Monies Account at the nearest branch of Bank of South Pacific daily or at prescribed intervals.

Bail monies will however be deposited into the Operating Account and paid against the Operating Account. Once the bailee loses the bail, a cheque should be drawn against the Operating Account in favour of the RPM account and accordingly deposited to the RPM Account.

### **33. Banking Procedure**

33.1 Cash Offices should prepare an FF120 and obtain copies of FF120 duly acknowledged by the Bank.

33.2 Cash Offices will prepare a Receipts Schedule in the Form FF12 and forward it to the Provincial Treasury Office together with an acknowledged copy of FF120 and copies of official receipts, at prescribed intervals.

34. **District Treasury Offices to arrange collection of revenue from cash offices where banking facilities do not exist:** District Treasury Offices should make suitable arrangements to collect the revenue collected by cash offices in remote areas where there are no banking facilities or where access to banks is either risky or not possible.

### **DIVISION 10 - CHARGES, FEES, COMMISSIONS AND IMPOSTS**

35. **Departmental Fees and Charges:-** No department is to increase a fee or charge or impose a new fee or charge without prior reference to the Department of Finance.

### **DIVISION 11 - REFUNDS OF COLLECTION**

36. **Refund of Revenue:-** Amounts collected as revenue are not to be refunded except on the authority of Department of Finance in consultation with Departments responsible for collecting the particular revenue. In respect of taxation revenues, refunds are to be made as regulated in the appropriate statute.

### **DIVISION 12 – RECOVERY OF EXPENDITURE**

#### **USE OF SUNDRY DEBTORS SYSTEM**

37. Services rendered or goods supplied by Departments to private parties (including public servants in their personal capacity) should be on cash basis and credit sales are not to be allowed as already stated. Where the exact cost or charge to be recovered cannot be established at the time of providing the service or supplying the goods, recovery should be made immediately on establishment of the cost or charge. Where delay is expected in establishing it, the estimated cost or charge should be recovered subject to settlement or establishment of the actual cost or charge.

38. Issue of Debit Notes should be Restricted to the following Purposes:

- To recover the differential cost or charge under conditions stated in paragraph 16 above.

- To recover from public servants excess telephone charges, costs of personal telephone calls, and contribution for meals and amounts paid in excess of Public Service entitlements.
- To claim refunds from airline companies for unused airline tickets.
- To recover electricity and other charges where raising of Debit Notes is the only convenient procedure.

### 39. Procedure for Raising Debit Notes

39.1 Debit Notes are accountable forms and the procedure laid down in Part 27 should be strictly followed to ensure control over Debit Notes.

39.2 Debit Notes are to be raised by Departmental Accountants or senior officers designated by the Departmental Heads and should show the following details:

- (i) **Debtors' Names:** Enter given name (or Christian name) followed by surname.
- (ii) **Address:** This must be the debtor's own business or private address.
- (iii) **Particulars of Debit Charge:** Entry must be clear and precise giving the date of service and nature of service or charge.
- (iv) **Vote or Revenue Item:** Enter here the Vote or revenue head number to which the recovery should be credited. If the recovery relates to previous year(s), the recovery is to be credited to 106-1 Recoveries from Former year's appropriation.

### 40. Hospital Charges

All charges should be recovered by counter clerks at hospitals. In the case of hospitalisation/medication, should any private individual present himself to any hospital for medical attention and claims that this is a **Workers' Compensation** case, this must be validated by the production of proper documentation by the individual's employer; otherwise it must be treated as a personal debt. Medical superintendents must ensure that their staff are aware of proper procedures in handling personal ailments as opposed to injuries sustained under the **Worker's Compensation Act**.

#### 41. Credit Notes

- 41.1 Credit Notes are to be used only to cancel a charge or correct a charge raised by a Debit Note.
- 41.2 The "Particulars" column should give cross reference to the serial number of the Debit Note which is proposed to be cancelled or corrected and the reasons for the issue of Credit Notes.
- 41.3 Credit Notes should be approved by Departmental Heads.

#### **FREIGHT CHARGES ETC INCLUDED ON NON-VOCABULARY STORES**

- 42. The expenditure on wharfage, handling and freight charges (for on-forwarding to destinations) incurred by the Division of Supply for stores purchased by other Departments and Provincial and Local-level Governments must be recovered in full from them using the following procedure:

- (a) **Action by the Purchasing Departments**

All Government cargo will be cleared by the Division of Supply (DOS). The client Department will on receipt of advice from the DOS about receipt of the cargo, provide DOS with:

- Departmental documents necessary to effect clearance and
- An ILPOC committed for the estimated cost of clearance on forwarding if necessary, as ascertained from the DOS.

- (b) **Action by the DOS:**

The DOS will, on completion of clearance and delivery, complete the **Receiving Officer's Certificate** on the ILPOC on behalf of the client Department, attach supporting documents for delivery and costs (DOS 8, copies of manifest etc.). Send the original and duplicate ILPOC's with one copy of the attachments to the designated Paying Office.

- (c) **Action by Paying Offices**

Paying Offices will process the ILPOCs for payment and send the cheque to the DOS and the duplicate of the paid ILPOC to the Financial Delegate.

## ELECTRICITY CHARGES

43. Electricity charges are recoverable from consumers at category "C" centres at the following flat rates, if meters have not been installed at the premises (effective from 1 January 1984).

### Rate per month

Low Covenant	K13
High Covenant	K52
Commercial Premises	K52

44. In respect of electricity supplied for only part of the month, the above should be applied prorata per day.
45. The unit rate applicable, if meters are in use, is the same as laid down by the **PNG Electricity Commission** for consumers of electricity supplied by the Commission.
46. **Responsibility for recovering Electricity Charges**

It is the responsibility of Provincial Governments and Local-level Governments to collect the electricity charges regularly from consumers. A monthly return should be submitted by the seventh working day of the succeeding month by Provinces and Districts to the Provincial Treasury, providing the following information for each "C" Centre:

1. Report for the Month of
2. Name of "C" Centre
3. Number of Consumers
  - Low Covenant
  - High Covenant
  - Commercial
4. Revenue arrears for electricity charges as at the end of previous month
  - Low Covenant
  - High Covenant
  - Commercial
5. Amount due for the month under report
  - Low Covenant
  - High Covenant
  - Commercial

6. Amount collected during the month
  - Low Covenant
  - High Covenant
  - Commercial
7. Steps taken to recover the arrears
8. Annual estimate of revenue collection
9. Whether Annual Estimate will be met; if not, reasons for the expected shortfall.

### **GOVERNMENT SUBSIDISED FEES**

47. The messing fees ceased in 1990 budget decision and tenants are accommodated in self content units levied at a subsidised rent of K20.00. The National Housing Corporation now a statutory body is responsible for implementing the policy of new generation apartments on commercial line applying reasonable rates for rent at market price.

### **VILLAGE COURT FINES**

48. This instruction is issued to ensure that collections of village court fines are brought to account properly by Revenue Officers of the Provincial and Local-level Governments.
  - 48.1 Village Court Clerks should use Official Receipt Books for collection of Village Court fines.
  - 48.2 When a Village Court Clerk deposits fine money at a Cash Office he should hand the following to the Cash Office Clerk:
    - (a) Official Receipt Book with Village Court Stamp
    - (b) Village Court Fines Schedule Book
    - (c) Cash
  - 48.3 The Cash Office Clerk must take the following steps:
    - (a) Check that all receipts are correctly entered on the schedule
    - (b) Check that the addition is correct on the schedule
    - (c) Check that the cash on hand is the same as the total on the schedule
    - (d) Issue an official receipt for the cash crediting appropriate revenue head.



- (e) Complete the details at the bottom of the Schedule.
  - write the amount received
  - write the Official Receipt No.
  - write date of official receipt
  - print name, signature and designation
  - stamp with Cash Office stamp
- (f) The original of the official receipt and the original of the Schedule should be kept by the Cash Office Clerk. These will be collected regularly by the Village Courts Inspector.

48.4 **Section 24 of the Village Courts Act (Chapter 44)** relates to disposal of fines collected under the Act. All matters relating to the disposal of fines will be regulated by the Village Courts Secretariat.

48.5 **Provincial Treasury Offices:** A memorandum sub-ledger card should be maintained for **Village Court Fines** so as to facilitate extraction of details of fines collected.

## GRANTS TO NON-GOVERNMENT ORGANIZATIONS

- 49. The scheme for disbursement of grants to non-government organizations was established by NEC Decision No. 123/83 dated 27 July 1983.
- 50. The following are the guidelines for the administration of the scheme are set out below:
  - (a) All requests for grants should be forwarded to:  
The Chairman  
Budget Implementation Committee  
P O Box 710  
WAIGANI NCD
  - (b) Grants will be disbursed on the basis of the following priorities:
    - (i) Non-government organizations providing essential services to the community.
    - (ii) Non-government organizations providing supplementary services to those provided by the government.
    - (iii) Non-government organizations commencing new initiatives.
  - (c) All submissions for grants should include the following:

- (i) The purpose, functions, current programs and financial operations of the organization as well as audited financial statements of the previous three year's operations for the initial application. Subsequent requests should contain details of the previous year's audited financial statements and achievements.
  - (ii) Details of training programs, provided they are carried out in the community itself.
  - (iii) Details on improving the administrative capabilities of the organization through training of personnel or expertise to set up better, simple accounting systems and reporting systems.
  - (iv) Carrying out surveys which will assist in improving the delivery of services by the organization.
  - (v) New initiatives which will further improve the delivery of services.
51. On approval of a grant, the Department of Treasury (Budget Division) will arrange disbursement of funds to the organization.

### **DIVISION 13 - GENERAL INSTRUCTIONS**

52. **Records of Receipts:-** All collectors of public moneys and other accountable officers in possession of official receipt books should maintain a "**Consumption Register**", where the receipt and usage of official receipts are recorded.
53. **Shortage and Surpluses:-** All accountable officers should make good shortages or bring into account by writing an official receipt for any surplus as the case may be in collections made by them.
54. **Private moneys not to be held:-** Holding of private moneys along with the collection of public moneys **is strictly prohibited**.
55. **Internal checking of moneys in Hand:-** All Departmental Heads, Provincial and District Treasurers should make sure that a system of periodic internal checking of moneys held by accountable officers in their organisation is in operation and it is working satisfactorily.
56. **Security Procedures:-** Security procedures in relation to custody and safe keeping of collections of public moneys are dealt with in Division II of this Part.

## APPENDIX - CHEQUES

### 1. Acceptance of Cheques

Only bank cheques will be accepted for the payment of services rendered or as deposits on contracts or as guarantees, for the issue of licences or permits. For dishonoured cheques, please see paragraph 11 below.

2. Immediately a cheque is received by an Accountable Officer, it will be stamped **"NOT NEGOTIABLE - CREDIT PAPUA NEW GUINEA GOVERNMENT ACCOUNT ONLY"**. Such stamps are available from Provincial Treasury Offices. For ease of identification, all stamps should also include the location of receipt. The payee's name together with the Official Receipt Number will be clearly written on the reverse side of the each bank cheque accepted by an Accountable Officer.
3. Cheques before acceptance must be made out for the exact value of the services rendered and on no account will change be given.
4. Cheques will not be cashed by an Accountable Officer unless specifically approved by the Secretary for Finance in special circumstances such as cashing of cheques drawn on the Papua New Guinea Salaries drawing account, Education Salaries drawing account and certain Local-level Governments. A Register should be kept detailing the cheques cashed on each day, which should be initialled by the person authorising the encashment. Officers will be held personally responsible for cheques for which they give cash without approval to do so. (see paragraph 14 below)
5. When accepting a cheque, the Accountable Officer will write the official receipt number on the back of the cheque. The payer should be requested to print his name on the back of the cheque.
6. **Staled Cheques relating to Consolidated Revenue Fund and Trust Fund Receipts**

For cheques received and deposited into the following Bank accounts:-

- \* The Public Account
- \* Receiver of Public Moneys Account
- \* Government Drawing Account

if after 12 months a cheque has not been paid or cleared by the bank, the cheque shall be deemed stopped and Receipt Cash Book shall be endorsed as follows:-

Stale Cheque - invalid on \_\_\_\_\_ (date).

7. Concerning the Operating Account and the Receiver of Public Moneys Account.

- (a) on the date the cheque becomes stale a Journal Entry will be prepared debiting "recoveries from former year's appropriation" and crediting cash with the value of the cheque providing the cheque did not represent a receipt into the Trust Fund,
- (b) Should a cheque represent a receipt into the Trust Fund, the value of the cheque must be debited into the Trust Fund Account from which the receipt was originally credited,
- (c) Reference will be made to the Journal Entry clearing the stale cheque on the Receipt Cash Book.

#### **8. Acceptance of Cheques - Errors in Drawing**

**No cheque will be accepted containing errors in drawing: such errors may include:-**

- (a) Post dated cheques - i.e. dated after the day of presentation.
- (b) Cheques where words differ from figures, and
- (c) Cheques where any correction has not been signed by the drawer.

No cause for complaint shall be held against an Accountable Officer who declines to accept a cheque which is in his opinion is unlikely to be paid on presentation to the Bank on which it is drawn.

#### **9. Foreign Cheques**

Cheques drawn on Banks outside Papua New Guinea will not be accepted.

#### **10. Returned Cheques**

Cheques returned as not delivered will be redirected as soon as the current address has been ascertained.

#### **11. Dishonoured Cheques**

- 11.1 Should cheques be dishonoured, the dishonoured cheque will be returned to the collecting officer. When the cheque is for a license or permit, these will be cancelled by a letter in writing to the holder. If the person drawing the cheques offers cash in lieu, the letter cancelling the licence or permit may be withdrawn from the date cash is received.
- 11.2 When dishonoured cheques are received at Cash Offices, the Accountable Officer will immediately write a receipt for the amount of the cheque in favour of the Paying Officer, crediting advances and state on the receipt "Dishonoured Cheque. Drawer.... Number....

Date....". The original of the receipt will be forwarded to the Provincial Treasury Office.

- 11.3 The cheque will be placed in the safe and counted where applicable, as part of the Station cash on hand.
- 11.4 The Accountable Officer will endeavour to obtain cash in lieu from the drawer when the cheque may be returned but no further receipt will be issued.
- 11.5 If the cheque is dishonoured for technical reasons only (post dated, errors in figures or words), a new cheque may be accepted and the dishonoured one returned. No further receipt will be issued, nor will any accounting entries be made.
- 11.6 If a cheque is dishonoured for lack of funds and the drawer can satisfy the Accountable Officer that funds are later available, the cheque may be resubmitted to the Provincial Treasury Office with a suitable note requesting resubmission to the Bank.
- 11.7 Departments will report all outstanding dishonoured cheques monthly to the Department of Finance (Expenditure and Cash Management) as follows:-
  - (a) Drawer's Name
  - (b) Bank and Branch
  - (c) Amount of Cheque
  - (d) Date of Cheque
  - (e) Date of Cheque received by Department
  - (f) Action taken to clear

## 12. Banking of Collections

Accountable Officers will bank cheques received daily unless specifically instructed in writing by the Secretary for Finance to pay them in less frequently. Where no banks are situated in the locality, cheques will be forwarded to the appropriate Provincial Treasury Office as the case may be, by daily registered air mail unless specific authority is granted to forward them less frequently. The Provincial Treasurer and all other officers receiving cheques will bank them by the next day before close of business.

## 13. Encashment of Cheques

**No personal cheques will be encashed under any circumstance**

The following cheques only are allowed to be encashed:

- (a) Cheques forwarded as "Cash" salary as a charge to the **Government Salaries Drawing Accounts.**

- (b) Cheques forwarded as salary to members of the **National Teaching Service**. These cheques are drawn on the Papua New Guinea **Education Drawing Account** with the Bank of Papua New Guinea, Port Moresby.
- (c) Cheques drawn for deferred wages payment to Government Agreement Workers who have completed their contracts. These cheques may be drawn on any Government Public Moneys account and will show the agreement number and worker's name.
- (d) In approved cases, certain Local Level Government Councils and may obtain cash by presenting a government cheque to an Accountable Officer. It is emphasised that specific approval must be held in such cases, and approved limits will not be exceeded.

#### 14. **Stale Cheques – (Previously issued in Payment)**

Concerning the Drawing Account or Operating Account.

- (a) on the date the cheque becomes stale a Journal Entry will be prepared debiting cash and crediting revenue item "appropriation of former years" with the value of the cheque providing the cheque did not represent a payment from the Trust Fund,
- (b) should a cheque represent a payment from the Trust Fund the value of cheque must be credited to the Trust Account from which payment was made,
- (c) Reference will be made to the Journal Entry clearing the stale cheque on the Paying Officer's cash book and voucher,
- (d) If a claim for payment is received in respect of a stale cheque, which has been cleared as above the voucher authorizing a fresh payment will bear the number and date of the original (stale) cheque and details of the Journal Entry, the value of such a payment will be debited to

"Unforeseen Expenditure" or to the appropriate "Trust Account" if a Trust Fund item,

No item may however be charged to "Unforeseen Expenditure" if the Department concerned does not have budget allocation to cover the charge. In such circumstances, the Department concerned should obtain prior approval from the Department of Finance before making such a payment.

## **PART 11 – PROCUREMENT – FRAMEWORK AND PRINCIPLES**

### **DIVISION 1 - FUNDAMENTAL PRINCIPLES**

1. The five fundamental principles in the GoPNG procurement system are:

- a. “Value for money”,
- b. Transparency,
- c. Effective competition,
- d. Fair and ethical dealing, and
- e. Efficiency and Effectiveness.

These principles are explained below.

2. **“Value for Money”**

“Value for money” involves obtaining goods and services that best meet the government’s need at the lowest total cost.

The main objective of GoPNG procurement is to obtain “value for money” in the acquisition of goods and services using ethical, transparent processes whilst promoting open and effective competition.

All decision makers in the procurement process must satisfy themselves that a proposed contract will make effective use of taxpayers or donor agency funds.

3. **Transparency:**

Transparency involves the clear and public documentation of procurement processes and decisions. All processes used and decisions made should be able to withstand independent review and scrutiny.

It is the responsibility of all GoPNG staff involved in procurements to act in a transparent manner.

4. **Effective Competition:**

Effective competition is a key operating principle that must be applied if “value for money” is to be achieved.

Competition that is effective will see a number of *independent* companies bidding to provide goods and services to the GoPNG, through the procurement process. Creating effective competition involves publicly requesting tenders and quotes from suppliers, providing timely and adequate information to suppliers, and ensuring that new entrants and small suppliers are able to participate.

## 5. Fair and Ethical Dealing:

The GoPNG in spending taxpayers and donor agency money has a special responsibility to avoid waste, act honestly and impartially, and be accountable for procurement actions.

The central principles underpinning fair and ethical dealing include:

- a. Treating potential and existing suppliers with equality and fairness
- b. Not seeking personal or family gain
- c. Treating suppliers and potential suppliers information with respect and confidentiality;
- d. Where conflict of interest occurs, it must be declared

It is important not only that all staff involved in major procurements follow these principles; but also that they be seen at all times to follow these principles. Failure to do so undermines the credibility of the whole GoPNG procurement process.

## 6. Efficient and Effective Operation:

The principle of efficient and effective procurement requires procurement staff to use procurement processes that are commensurate with the amount of monies being spent. For example, it would not be efficient or effective to run a public tender for expenditure of K5,000. The overhead cost of running a public tender is substantial, and such a small purchase would not be able to justify the expense of the procurement process. Appropriate processes for different levels of expenditure are laid down in Part 11, Division 2 of these instructions.

## DIVISION 2 – PROCUREMENT DEFINITION and PROCESSES

7. Procurement is defined as a process undertaken by the Government in order to obtain goods, works or services. As such, procurement includes all minor purchases, major purchases, hire purchases, rentals and leases.
8. The procurement processes to be used are determined by the value (in kina), of the procurement. The categories of expenditure by value are:
  - a. Minor Procurements – less than K100,000, and
  - b. Major Procurements – greater than or equal to K100,000.

This is summarised in the table below.



<b>Procurement Value</b>	<b>Classification</b>	<b>Process</b>	<b>Detailed Reference</b>
< K100,000	Minor	Quotes	Part 12
>= K100,000	Major	Public Tender	Part 13

9. When considering whether a procurement is "major" or "minor", the total amount of monies to be paid to a supplier over the life of the contract must be established.
10. Major procurements generally occur through a public tender process – Part 13 provides specific details of processes available for major procurements.
11. Minor procurements occur by obtaining quotes – Part 12 provides specific detail of these procurement processes.
12. The fundamental principles of procurement are to be adhered to, irrespective of whether the procurement is major or minor.
13. Procurement processes result in the formation of a contract between the GoPNG and a Contractor. A contract is an exchange of a conditional agreement between GoPNG and a Contractor, which once executed is a legally enforceable agreement in law.
14. For clarity, contractors, suppliers and consultants are simply referred to in Parts 11, 12, 13, 14, 15 as 'Contractors'.
15. No express or implied contract can be entered into or purchase order raised without following the prescribed financial procedures for purchase of goods and services, or capital works or for disposal of Government assets; as outlined in Parts 11, 12, 13, 14 and 15 of this Manual.
16. For the following expenditures, the additional special procedures (Part 13 of this Manual) will apply:
  - a. Official overseas travel
  - b. Air Charters (including helicopter charters)
  - c. Engaging of consultants
  - d. Official Entertainment Expenses

Approval by a special committee does not dispense with the need to use the appropriate procurement (major or minor) process, based upon the amount of the expenditure.

### **DIVISION 3 – LINKAGE BETWEEN FINANCIAL MANAGEMENT PROCESSES AND PROCUREMENT PROCESSES**

17. Procurement activities are governed by the Public Finance Management Act, Regulations, and Financial Instructions. Procurement processes necessarily interlace with financial management processes such as budgeting, commitment of funds, and management of expenditure.
18. The specific linkages between the Financial Management System, and Procurement processes are detailed for Major Procurements in Part 13, and for Minor Procurements in Part 12.

### **DIVISION 4 – OTHER REQUIREMENTS**

19. **Splitting Contracts:** No attempt must be made to circumvent or by-pass the limits on the powers given under the Public Finance Management Act or other limits laid down in this Manual by splitting contracts, requisitions or purchase orders.
20. **Existing Contracts:** Responsible Officers must satisfy themselves before purchasing, that no current contract exists for the particular item they require.
21. **Forward Planning:** Purchases of goods and services (including Works) must be planned well in advance especially where purchases require a long lead-time. Since Parliamentary appropriations are annual, contracts should be planned in a timely manner, and orders for purchases raised in time so that payments are made as far as possible before the close of the year.
22. **Contracts Spanning Fiscal Years:** Departments must ensure that, where contracts span more than 1 fiscal year, appropriations are made for each fiscal year. This requirement is fully outlined in Part 13, Attachment 1.
23. **Mandated Government Suppliers:** For printing or mapping needs, the appropriate specialist Government agency such as Government Printing Office, or National Mapping Bureau must be used.
24. **Purchase from other Government Agencies:** All purchases where the goods, services or works are to be provided by one government agency to another, are exempt from tender procedures under Section 40 (3) and (4) of the Act.
25. **Commitment Control:**
  - a. The procedure for obtaining the Section 32 officer's approval and maintaining control over funds allocated through Cash Fund Certificates is outlined in Part 7 of this Manual.

- b. All purchase orders must be pre-committed using the appropriate accounting system (PGAS) and raised under the authorised Financial Delegate's signature. The Departmental Head who appoints the Financial Delegate can sign the purchase orders or other Finance Forms in the place of Financial Delegates notwithstanding the issue of Cash Fund Certificates, after following the prescribed commitment procedure.
- c. All major procurements must be pre-committed using the process outlined in Part 13, Attachment 1.

## **PART 12 – MINOR PROCUREMENT**

### **DIVISION 1 – DIRECT PROCUREMENT PROCESS**

1. Procurements with a value up to K100,000 and for which no “Whole of Government” contracts exist, are undertaken within the Department, in accordance with the Public Finances (Management) Act, Regulations, and this Financial Instructions.
2. The Central Supply and Tender Board (CSTB) publish a list of “Whole of Government”(WOG) contracts every six months. Where such contracts are established, and supply is available within the province, procurement must be upon the basis established within the “Whole of Government” contract. Detailed information in relation to “Whole of Government” contracts will be promulgated separately to Departments.
3. The fundamental principles of procurement outlined in Part 11, Division 1 also apply to minor procurements.
4. Departmental officers are to ensure that requisitions, purchase orders, and contracts are not split as per Division 3 of Part 11.
5. Authorised Departmental Officers are responsible for obtaining quotations on material and / or services that are valued up to K100,000 in accordance with the Table below:

<b>Value</b>	<b>Process</b>	<b>Detailed Reference</b>
Less than K5,000	Verbal Quotation	Part 12, Division 2.
K5,000 up to K100,000	Written Quotation	Part 12, Division 3.

### **DIVISION 2 – VERBAL QUOTATIONS (for Purchases less than K5,000)**

6. Three verbal quotations will be obtained for purchases valued at less than K5000.
7. Quotations are to be recorded in a Quotations Register, that includes the following (minimum) information:
  - a. Date of quotation
  - b. Brief Description of the Goods, Services or Works required
  - c. Price Quoted
  - d. Name of each Company providing quote

- e. Name of each Company's representative from whom the quotation is obtained.
- f. Name of Departmental Officer obtaining the quotation.
- g. Company selected to supply the goods, works or services
- h. Reason for selection of the successful Company
- i. General Comments – relating to the quotation.

Each minor purchase is to be ruled off, so that anyone inspecting the Quotations Register can easily determine which quotations relate to a particular purchase.

- 8. The Quotations Register is to be legible and is to be made available for auditing purposes.
- 9. Where 3 suppliers are unable to provide a quote, for example when proprietary brand items are required and there is only one supplier, the reason for this is to be recorded in the "General Comments" section of the Quotations Register.
- 10. The Departmental officer should provide answers to technical questions from suppliers arising during the quotation period. All potential suppliers should be provided with the same information.
- 11. The Departmental officer is to ensure that the goods or services proposed by potential suppliers will meet any relevant technical, delivery and other legitimate requirements of the Department.
- 12. The contract is to be awarded to the company that:
  - a. Meets the relevant technical, delivery and other legitimate requirements of the Department, and
  - b. Provides the lowest cost arrangement.
- 13. Once a supplier is selected, requisitions are to be placed using the process outlined in Division 5 and 6 of Part 5 of this Part of the Manual.

### **DIVISION 3 – WRITTEN QUOTATIONS (for Purchases valued from K5,000 and less than K100,000)**

- 14. Three written quotations will be obtained for purchases valued between K5000 and under K100,000.
- 15. Quotations are to be requested from potential suppliers in writing. The Department is to provide the potential suppliers a complete "Description of Requirement", including, but not limited to, quantity, description, delivery requirement, timings, specifications, standards, drawings, and special conditions etc.

16. Prices are to be recorded on a Quotations Register, that includes the following (minimum) information:
- a. Date of quotation
  - b. Brief Description of the Goods, Services or Works required
  - c. Price Quoted
  - d. Name of each Company providing quote
  - e. Name of each Company's representative from whom the quotation is obtained.
  - f. Name of Departmental officer obtaining the quotation.
  - g. Company selected to supply the goods, works or services
  - h. Reason for selection of the successful Company
  - i. General Comments – relating to the quotation.
  - j. All 3 written quotations received, and the detailed "Description of Requirement" are to be attached to the relevant page in the Quotation Register.

Each major purchase is to be ruled off, so that anyone inspecting the Quotations Register can easily determine which quotations relate to a particular purchase.

17. The Quotations Register is to be legible and is to be made available for auditing purposes.
18. Where 3 suppliers are unable to provide a quote, for example when proprietary brand items are required and there is only one supplier, the reason for this is to be recorded in the "General Comments" section of the Quotations Register.
19. The Departmental officer should provide answers to technical questions arising during the quotation period. All potential suppliers should be provided with the same information.
20. The Departmental officer is to ensure that the goods or services proposed by potential suppliers will meet any relevant technical, delivery and other legitimate requirements of the Department.
21. The contract is to be awarded to that Company that:
- a. Meets the relevant technical, delivery and other legitimate requirements of the Department, and
  - b. Provides the lowest cost arrangement.
22. Once a supplier is selected, requisitions are to be placed using the process outlined in Division 5 and 6 of Part 5 of this Manual.

## DIVISION 4 – OTHER CLASSES OF EXPENDITURE

### AIRLINE TICKETS

#### 23. Issue of ILPOCS

- 23.1 ILPOC's for inland or overseas air travel by all Public Servants are to be raised in favour of Air Niugini except in the case of contract officers proceeding on Recreation Leave and Repatriation who can have the ILPOC's raised to travel agents of their choice.
- 23.2 Similarly, for air travel by those not in Public Service but whose travel cost is to be borne by the Government (e.g, consultants, official guests etc), ILPOC's should be made out to Air Niugini.
- 23.3 Contract officers proceeding on Recreation Leave will have to bear the excess over the approved cost themselves if they do not take the approved class or route or intend to travel to a destination other than the one specified on their ILPOC's, but no prior approval from the Financial Delegate is necessary.
- 23.4 All ILPOC's raised for airline travel must show specifically the nature of air travel, such as:

Duty Travel - Domestic

Duty Travel - International

Reunion fares

Repatriation fares

Transfer of Patients

and must bear the following message:

**"Tickets non-convertible and refundable only to PNG Government".**

- 23.5 Recreation Leave fares is entitlements of individual officers who partly contribute to the total cost of the airfares. ILPOCS for air travels should be made out to either Air Niugini or any other Travel agency and is convertible to MCO only.
- 23.6 Any alteration to the name of the supplier by a travel agent will invalidate the ILPOC.

#### 24. Unused Airline Tickets

- 24.1 Under **agreement**, all refunds on unused airline tickets will be made by Air Niugini only to the Department of Finance or the Department

of Defence (for Defence ILPOC's only). All Departments other than Defence should therefore forward the unused tickets to the Expenditure and Cash Management, Department of Finance for actioning refunds.

24.2 When an ILPOC is raised for an approved travel, the Financial Delegate must ascertain whether the ticket was availed of and take the following action for unused tickets (other than in the case of Recreation Leave Travel):

- Any unused coupons may be used for other official duty travel within the same financial year with prior approval of the authorised delegate (S.32 Officer). Any tickets that cannot be used must be returned for full refund.

24.3 While Financial Delegates are required to review the use of airline tickets, those holding them are personally responsible for returning unused tickets to Financial Delegates promptly.

## 25. Re-Routing

25.1 If travel is extended to beyond the already-ticketed itinerary, further ILPOC's are to be raised (for difference in monetary value) and submitted to Air Niugini together with the ticket(s) so that a new itinerary, booking and ticket(s) may be issued.

25.2 If the travel itinerary is changed to different destination(s), but is not affected monetarily, a letter from the Financial Delegate to Air Niugini must be issued authorising the change of destination(s) but not the name of the passenger.

25.3 For an itinerary which is being reduced or shortened and no change of name has taken place, the residual value of travel must be submitted for refund or re-use.

25.4 Should another officer be requested or appointed to go in lieu of the first named one, a written authority from the Financial Delegate naming the replacement officer must be submitted to Air Niugini to re-issue a new ticket.

## 26. Alteration on ILPOCS

All alterations on ILPOC's should be endorsed under the Financial Delegate's full signature; otherwise the ILPOC is invalid.

## 27. Routes not Serviced by Air Niugini

Air Niugini's agency service should be used for purchasing airline tickets even on routes serviced by other airline companies.

## 28. Crediting of Revenue from Airline Refunds



28.1 Tickets submitted to the Department of Finance for processing must bear the expenditure Vote shown on the original ILPOC. This only applies to tickets which were paid for, and claimed for refund, during the same fiscal year. Only then will the refund be credited to an expenditure vote.

28.2 All other tickets which fall outside the current fiscal year, will be credited to 106 - 1 Revenue Vote " Recoveries from Former Year's Appropriation"; thus, it is to the individual Financial Delegate's advantage to submit all tickets as soon as travel is completed or when it is established that travel will not take place.

## **HOUSING MAINTENANCE AND RENTAL**

### **29. Categories of Houses**

- (a) Reserved houses are those houses occupied by Ministers, Governors, Heads of Departments and Provincial Administration with the exception of contract officers. Contract officers are accommodated in units least from private real estate companies.
- (b) Institutional buildings and associated housing are those buildings and houses which are clearly identified as part of a national institution.
- (c) All other houses are pool houses.

### **30. Responsibility for Maintenance and Management**

- 30.1 The National Housing Corporation is responsible for management and maintenance of pool housing. Housing maintenance is limited to emergency maintenance on electrical, water, and sewerage supplies only and no replacement furniture or any other maintenance is to be carried out.
- 30.2 The Department of Transport and Works is responsible for maintenance of reserved and institutional housing. Reserved housing in the Provinces is the responsibility of Provincial Governments.
- 30.3 The National Housing Corporation or its agent is responsible for the allocation of all reserved housing, to raise the necessary tenancy variation advice and to have them actioned through staff sections of the respective departments.
- 30.4 The controlling department will be responsible for the management of institutional buildings and associated housing.

### **31. Finance for Maintenance and Accounting Procedure**

- 31.1 Cost codes for payroll rental deduction:-

### Rent deducted from the pay

of officers occupying	Cost Code on PVA
• Pool houses	RG
• Reserved houses	RR
• Institutional houses	RO

#### 31.2 Institutional Houses

Rent deducted and cost coded under RO - Institutional housing must be credited to revenue head of each Department.

#### 31.3 Rental recovery for Pool Houses

- (i) The National Housing Corporation processes the tenancy variation advice and forwards it to the respective staff sections for the production of PVA's for action by the Management Information Systems (MIS) (Cost Code RG under the payroll system).
- (ii) 65% of the recoveries made under the payroll system will be paid over to the National Housing Corporation fortnightly by the Department of Finance (Payroll Section) through the Accounts Section.
- (iii) 35% of recoveries made under the payroll system will be credited to the revenue sub-head of the Department of Finance

#### 31.4 Reserved Houses

Rent deducted under cost code RR is credited to the revenue sub-head of the Department of Finance.

32. If Contract Officers and Volunteers occupy reserved or institutional houses, economic rent estimated under head of each activity of a Department (Rent of houses occupied by Contract Officers and Volunteers) is to be debited to the expenditure item and credited to revenue head by Journal Entry. The Journal Entry will be originated by the contract officers/volunteers' Department and submitted to the Accounting Frameworks and Standards Division of the Department of Finance for inclusion in monthly financial statements.

#### 33. Maintenance Responsibility for Reserved Houses

##### 33.1 Reserved houses are divided into two sub-categories, viz

- Reserved (Executive) - allocated and occupied by Ministers, Ministerial staff, Departmental Heads and those officers accorded Departmental Head status.

- Reserved (permissive occupancy) - allocated to, and occupied by, officers other than those included under the Reserved (Executive) category.
- 33.2 All Reserved (permissive occupancy) houses are maintained by the Department of Transport and Works at pool housing standards as set out from time to time (This procedure relates to NEC Decision No. 21/82).
- 33.3 Reserved (Executive) houses will continue to be maintained at standards set by the National Housing Corporation.
34. Houses sold under Sale or Mortgage Scheme to Public Servants
- 34.1 These houses are not eligible for maintenance at Government cost and the National Housing Corporation should ensure that they have been deleted from maintenance schedules.
- 34.2 Recovery of instalments under Sale or Mortgage schemes through the payroll system should be cost-coded (HO, HM, or HS) on PVA's. The responsibility for raising the necessary advice for commencing or ceasing deductions would be that of the National Housing Corporation. Where the full purchase price has been paid by a public servant, the National Housing Corporation will initiate action, on advice from the State Solicitor to cease further deduction from his salary.
- 34.3 The recoveries under this scheme (cost code HO, HM, or HS) are to be credited to the relevant Revenue Sub-Head of the Department of Finance (Salary Section) through the monthly Journal Entries.
- 34.4 Where, for any reason, over-recovery has been made, the National Housing Corporation will advise the staff section concerned to authorise refund by raising TVA's (and NOT PVA's)
35. Maintenance and Payment of Rent for Lease-Back Houses
- 35.1 Houses leased back come under the control of the National Housing Corporation. The Department will advise the Department of the officer occupying the lease-back house of the economic rental to be paid and the Department will pay the rent from the relevant expenditure vote.
- 35.2 Maintenance of the above houses or replacement of furniture is the responsibility of the intending buyer and not of the Government. In cases where maintenance work has to be carried out in order to facilitate immediate occupation, the National Housing Corporation will request the Department of Transport and Works to carry out the maintenance work under written advice to the intending buyer and recover fully from the economic rent payable to him. In case of any

difficulty the matter **should be referred to the State Solicitor for advice.**

35.3 The cost of maintenance will be recovered by debiting the appropriate Departmental Vote and crediting the relevant revenue sub-head by the Department of Finance through Journal Entry to be initiated by the National Housing Corporation. The National Housing Corporation will withhold payment of economic rent to the intending buyer until the cost of maintenance is fully recovered.

### 36. Transfer of Maintenance Funds

36.1 Maintenance funds have been transferred with maintenance responsibility to the following Departments to enable them to exercise total control over their own maintenance requirements:- Education, Health, Correctional Services, Police, Provincial and Local-Government Affairs and Office of Civil Aviation.

#### 36.2 General Guidelines

The Departments will be responsible for:

##### (a) Building Architectural Maintenance

This vote covers the maintenance of all buildings within the department including offices, workshops, stores, kitchens etc., and embraces all architectural items including plumbing, drainage, electrical reticulation and all items which are an integral part of the fabric of the building. Funds allocated are to be apportioned to allow for routine maintenance as well as cyclical maintenance including painting.

##### (b) Maintenance of Institutional Housing

Institutional housing is housing located on allotments for which the Department holds the Certificate of Occupancy and includes all accommodation located within the grounds of Departmental institutions. It also includes, according to NEC Decision NG21/82, houses occupied by officers employed by the National Government for duties within Provincial Governments and living on provincial institutions grounds.

**Example:-** Teachers employed to work at Provincial High Schools and occupying houses located within the grounds of the school. The same principle applies in the case of other departments. The maintenance of housing includes the maintenance of all architectural components including all plumbing, drainage and electrical reticulation and fittings, including the clearing of drains and the emptying of septic tanks.

All other items associated with houses are also to be maintained inclusive of water pumps, water heaters and domestic fittings provided by the State but excluding those items provided by individual occupants for example air conditioning units and fans.

The maintenance of housing expressly excludes any structural alterations and extensions and the provision of additional security fittings, fencing and gates for which a Minor New Works application must be submitted by each Department.

(c) Furniture Replacement

Funds provided under replacement are for the replacement of unserviceable items of furniture and equipment including cookers and fridges but excluding the provision of new items of furniture.

(d) Maintenance by Private Contractors

Work by private contractors requires the client Department to follow the prescribed tender procedures under the **Public Finances (Management) Act and financial instructions and execution of formal contracts**.

Both pre-tender and post-tender responsibilities must be performed by the respective Departments who are to administer the contract. Project specifications and tender documents are to be prepared prior to requesting the Tender Board to call tenders for a particular contract.

When a tender has closed, it is evaluated and this evaluation is to be carried out by the Department responsible for maintenance works.

**Draft Letter of Acceptance** is to be prepared and recommendation made to the Tenders Board. It must be pointed out here that the Tenders Board is NOT responsible for pre and post tender preparation of a project.

36.3 When maintenance Jobs are undertaken, it is necessary to:

- (a) estimate the quantum and scope of maintenance to be carried out; and
- (b) certify on completion that the job has been completed satisfactorily and the account to be paid is correct.

It is stressed that the above points including evaluation of tenders require a high degree of professional and technical competence and if the Department does not have suitably qualified personnel, it will

have to rely on the Department of Transport and Works personnel to provide the requisite assistance. In all cases, the onus is on the department to ensure that the responsibilities for maintenance are handled under the guidance of competent technical personnel.

37. Control of Expenditure on Housing Maintenance

When repair or maintenance works (including minor new works) must be carried out, the scope of the work and its cost should be pre-determined. When the job is completed using day labour or contractor as the case may be, a completion certificate should be obtained from the occupier of the house and no payment should be made to a contractor except on the basis of satisfactory completion certificate signed by the occupier countersigned by the work supervisor. Only in exceptional circumstances (such as works done in vacant houses), the work supervisor shall waive the occupier's signature on the completion certificate.

**DIVISION 5 – CONTRACT EXECUTION**

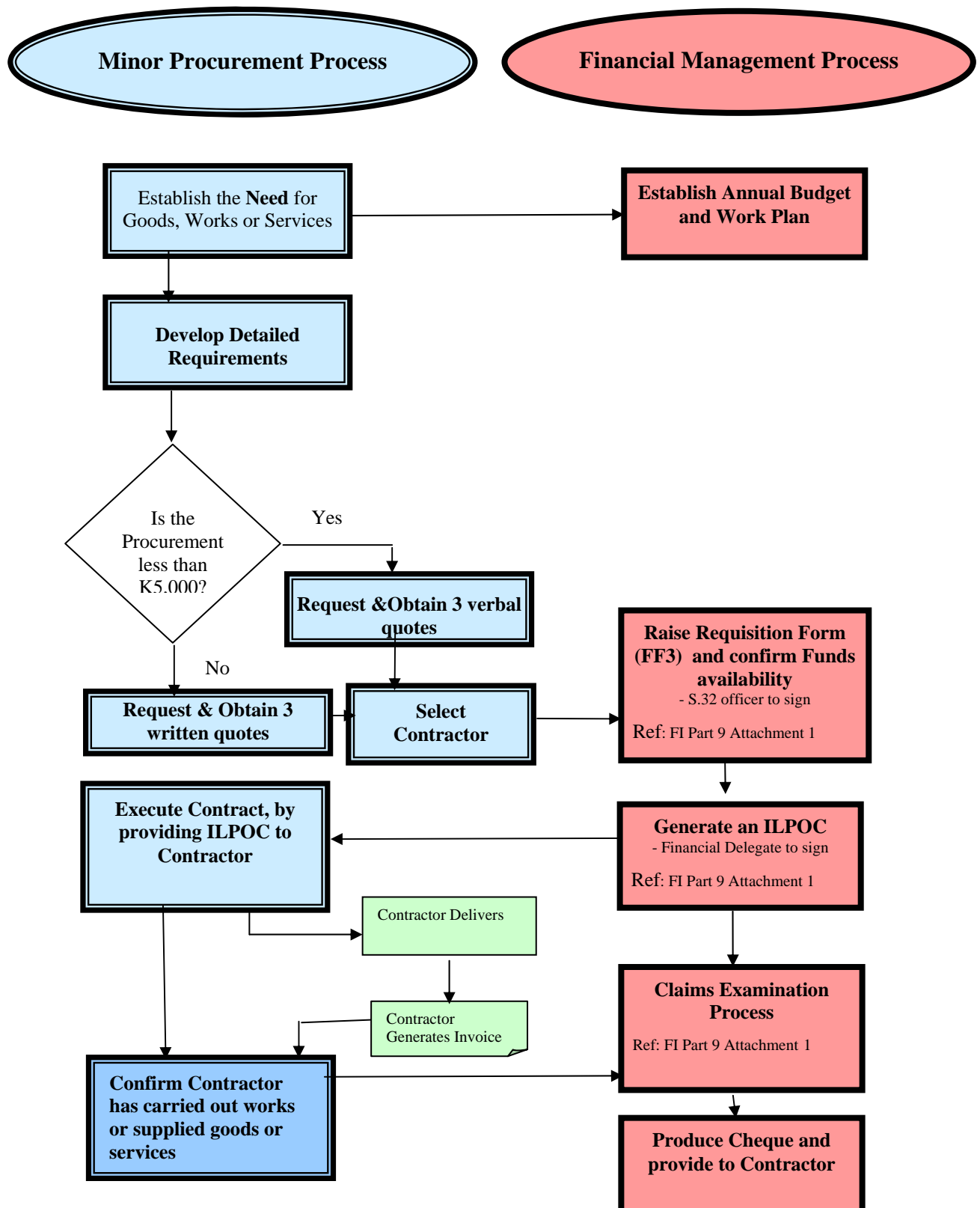
38. A minor contract is executed (and becomes legally binding) on all parties once the ILPOC has been provided to the Supplier and accepted.

**DIVISION 6 – GENERAL CONDITIONS OF CONTRACT**

39. Approved "General Terms and Conditions of Contract" are to provide the contractual basis of all minor procurement.
40. Copies of the General Terms and Conditions are available from the Central Supply and Tenders Board.

## DIVISION 7 – INTERACTION BETWEEN THE MINOR PROCUREMENT PROCESS AND FINANCIAL MANAGEMENT SYSTEM

41. The minor procurement process parallels the financial management process throughout the procurement cycle. This interaction is outlined in the Diagram below.



**ATTACHMENT 1 TO PART 12 – PROCESS FOR RAISING OF PURCHASE ORDERS****ILPOC****1. Use of Integrated Local Purchase Order and Claim Form (ILPOC) - FF4 A:**

Orders are placed, using this form, for purchase of goods and services including hotel accommodation, airline tickets, excess baggage, freight, and air charters. In all transactions, orders must be issued before receiving goods or services and NOT after their receipt.

Purchasing Officers must encourage suppliers to deal with the National Government through utilizing normal commercial trading arrangements in the procurement of goods and services. Orders should be issued to suppliers for goods and services including hotel accommodation, airline tickets, excess baggage and air charters and Purchasing Officers should also maintain close contact with suppliers to ensure their accounts are settled promptly and on commercial terms (normally 30 days after delivery of goods and services).

**2. Suppliers refusing to accept ILPOCS:**

There are some suppliers who require that they be paid first before they will deliver any goods or services. It is known that some Departments and provinces submit to these requirements and arrange for payment to the supplier prior to the goods or services being provided (claims from such suppliers or pro forma invoices cannot give rise to arrears, as no goods or services have been provided). The claims are generally processed using a General Expense form (FF4). This is an improper use of General Expense form. Payments in advance of receiving goods and services continue to be not allowed under the Financial Instructions. Departments (or provinces) and suppliers who enter into these arrangements should appreciate that even though there has been an exchange of price for goods and services delivered at a later time, the provisions of section 47C and 47D provide that these suppliers will not have an enforceable contract should a dispute later arise.

3. If a supplier refuses to accept an ILPOC, they must be told that the Government will no longer deal with them i.e. they must take their business elsewhere.
4. No cheques may be raised against pro-forma invoices from the date of this Instruction - only PGAS ILPOCs.
5. Other claims for payment cannot be accepted:
6. It should be emphasised that in all other circumstances, if suppliers or contractors lodge claims or invoices with any Department or province (for goods or services already supplied) without an ILPOC (form 4A) or APC, those claims or invoices will be returned to the supplier or contractor without any



further enquiries being made. Under the new provisions, these alleged suppliers and alleged contractors do not have an enforceable contract with the Government.

The Departments of Finance and Treasury will not consider or pay any claims that do not comply with these instructions. Under no circumstances should departments or provinces attempt to forward these claims or invoices to Department of Finance or Department of Treasury. It is the responsibility of each Head of Department or Provincial Administrator to discipline any of their own staff who may have arranged for supplies or services without first obtaining proper authority in the form of an ILPOC (Form 4A) or APC.

## 7. **Accountable Form:**

The ILPOC form is an accountable form and is produced as continuous stationery for computer applications.

The continuous stationery will be numbered (eight digits including three digit Division Number prefix) by the computer while raising the form. It should be given security consideration.

## 8. **How to raise an ILPOC Form:**

### **APPENDIX A to ATTACHMENT 1 – DETAILED FINANCIAL STEPS – MINOR PROCUREMENT**

#### **MAIN STEPS**

#### **i. BY REQUISITIONING OFFICER**

- |    |   |   |
|----|---|---|
| 1. | Obtain Quotations and enter in Register | Less than K5,000<br>3 verbal quotations                     |
|    |   | K5,000 to K100,000<br>3 written quotations                  |
| 2. | Prepare a Requisition.                  | For goods or<br>services, travel and<br>accommodation, etc. |
| 3. | Get Requisition approved                | By authorised<br>requisitioning Officer.                    |

**MAIN STEPS**

- |    |  |  |
|----|--|--|
| 4. | Send Requisition to Financial Delegate | For pre-committal of funds and approval. |
| 5. | Send FF3 to Section 32 Officer         | For approval and signature.              |

**ii. ACTION BY FINANCIAL DELEGATE - COMMITMENT CLERK**

- |    |   |   |
|----|---|---|
| 6. | If insufficient funds, REJECT requisition.  |   |
| 7. | If funds are available, enter commitment against vote.                            | IMPORTANT<br>Compare new progressive total with fund allocation |
| 8. | Enter CFC No. and Commitment No. (Line No.) on Requisition, and sign Requisition. |   |
| 9. | Have ILPOC form raised  | without delay.  |

**ACTIONS BY FINANCIAL DELEGATE AND OFFICER RAISING ILPOC FORM**

- |     |   |   |
|-----|---|---|
| 10. | Ensure Requisition is signed by:-<br><br>(a) Approving Officer: and<br><br>(b) Commitment Clerk and that it shows -<br><br>(i) CFC No.<br><br>(ii) Commitment No. |   |
| 11. | Raise ILPOC form  | Be sure to show Vote, CFC No., Commitment No., and reason for travel, freight or accommodation. Only a Financial Delegate can sign. |

### **MAIN STEPS**

12. Enter ILPOC No. on Requisition.
13. Hand ILPOC form and Requisition to Financial Delegate for signature
14. Financial Delegate must ensure:-
  - (a) that the expenditure is within his vote.
  - (b) that the purchase is warranted in accordance with procurement procedures are as described in the **Public Finances (Management) Act and Financial Instructions**.
  - (c) that funds are available and pre-committal action has been taken.
  - (d) that the amount is within his power to approve under **Section 32 of the Public Finances (Management) Act** or, if not, that the approval of a competent Section 32 Officer has been obtained.
  - (e) that in respect of special classes of expenditure (e.g. Overseas travel engaging of consultants etc.), the prescribed requirements have been fulfilled.
15. Financial Delegate signs ILPOC form. He or alternate delegate must sign.
16. Send four (4) copies to purchasing Officer Without delay.
17. File Requisition Retain book-fast copy.

### **iii. ACTION BY PURCHASING OFFICER**

Upon receipt of goods:-

18. Sign as Receiving Officer on all 4 copies of ILPOC form.

**MAIN STEPS**

19. (a) Hand original, duplicate and quadruplicate copies to supplier with one set of invoices Retain triplicate  
NOT to Department
- (b) Inform supplier to forward original and duplicate with invoices direct to paying officer for payment.
20. Hand triplicate copy with one set of invoices to Commitment Clerk. IMPORTANT
21. Deliver goods, if any, to requisitioning officer.

**iv. ACTION BY SUPPLIER**

22. Supplier forwards original and duplicate copies of ILPOC form with one set of invoices to the Paying Office shown on the form.

**v. ACTION AT PAYING OFFICE**

23. **Registration Clerk:**
- (a) Register ILPOC form as usual. Enter Registration No. on ILPOC form.
24. **At the end of each day**
- (a) Complete payment particulars against the registered claims in the Registration Book by reference to payments processed during the day.

## **MAIN STEPS**

### **At the end of the Month**

- (b) Prepare listing of all claims outstanding for:
  - (i) Less than 30 days from date of registration
  - (ii) More than 30 days from date of registration but less than 60 days.
  - (iii) More than 60 days but less than 90 days
  - (iv) More than 90 days.

### **vi. EXAMINER**

- 25. Ensure:-
  - (a) Both original and duplicate ILPOC form received.
  - (b) Claims bear:-
    - (i) Registration No. and date of registration.
    - (ii) Initial as "Not Previously Paid".
- 26. Compare signature of Financial Delegate with specimen on file. THIS IS MOST IMPORTANT. Accept only the signature/s of Financial Delegate/s using the CFC quoted. If unlike enquire.
- 27. Examine all other details, as usual If in order, initial claim as examined
- 28. Pass claim to Certifying Officer.

## **MAIN STEPS**

### **vii. DATA ENTRY OPERATOR**

29. Process claim as usual. In addition: Stamp Consecutive No. on duplicate as well as original of ILPOC form.
30. Detach duplicate and file it until end of weekly period.
31. At end of the week and end of month, total ILPOC forms and FF'4s and check details of each ILPOC issued to the month end report.
32. Send ILPOC list and attachments to appropriate Financial Delegate.

### **viii. ACTION BY FINANCIAL DELEGATE/COMMITMENT CLERK**

Upon receipt of triplicate copy from Receiving Officer:-

33. If amount is different from amount committed, make adjustment to Commitment Ledger.
34. **File Triplicate**

#### **At the end of Weekly Period:-**

Upon receipt from Paying Office of duplicates of ILPOC forms, FF4 s, JE's and credit details.

36. Enter details of payments and other debit and credit details "Payments" Section on Commitment Ledger. Make adjustments to ledger where necessary.

### **MAIN STEPS**

37. Draw attention of Financial Delegate:
- (a) To possible shortage or surplus of funds and other undesirable features.
  - (b) Examine carefully any discrepancies noticed between the duplicates and data in the Commitment Ledger and if a fraud or any other irregularity is suspected draw Financial Delegate's attention immediately and carry out a thorough investigation.
38. Financial Delegate advises Paying Office on rejected charges against his votes. IMMEDIATELY. This is to enable corrective action to be taken without delay.

### **At the end of the month**

39. Compare Commitment Ledger entries with postings on PGAS for each Vote at the Paying Office.
40. Tally all payments for the year to end of month as recorded in Commitment Ledger.
41. List all outstanding commitments to the end of the month.
42. Reconcile record of payments in Commitment Ledger with PGAS Expenditure Vote Summary Report at Treasury Office. IMPORTANT
43. Financial Delegate satisfies himself that reconciliation is correct, signs and files reconciliation.
44. Financial Delegate examines Commitment Ledger for:-
- (a) Correctness
  - (b) State of Funds. If in danger of over-or under commitment, take necessary action.

### **MAIN STEPS**

45. Financial Delegate initials against the last entry for the month for each vote.
46. Financial Delegate instructs Commitment Clerk, as necessary.
47. Financial Delegate prepares and forwards reports to Departmental Headquarters showing state of funds for each Vote, as follows:-
  - (a) Total funds allocated
  - (b) Total payments
  - (c) Total outstanding commitments
  - (d) Balance of funds available
  - (e) Reason for variation (between total commitment and pro rata allocation) and action taken.

#### **9. Distribution of ILPOC Copies:**

The distribution will be as follows:

- a. First Three Copies - To Supplier
- b. On completion of supply, the supplier will send the first three copies to the Receiving Officer (i.e. one who received the goods or services ordered) with two sets of his invoices.
- c. The Receiving Officer after satisfying himself that the details are true and accurate, will complete the forms and sign the appropriate certificate and return:

*Third Copy (with one set of invoices) - to Financial Delegate*

*First and Second copies, with the second set of invoices) - to Supplier.*

- d. Supplier will present First and Second Copies to the Paying Office and the Paying Office will forward the Second Copy of both ILPOC and invoice to the Financial Delegate who will compare the second and third copy of the ILPOC form to confirm that goods and services ordered were actually received.

When a claim or an account subject to discount is received in a paying office, an "**URGENT**" tag should be attached so that it is processed without



delay. Any statement of terms on the supplier's account should be marked clearly to draw the attention of other officers to it, in order to avoid loss of discount by delay in payment.

**10. Alterations on the ILPOC Form:**

The form should be completed with care because corrections and alterations are liable to invalidate the claim and hold up payment unless authenticated by the Financial Delegate's signature.

**11. Quantities Actually Supplied by the Supplier Being Less Than Those Ordered:**

- a. If the Supplier requires payment for part supply, he may submit the forms for processing for payment, in which case he would need a fresh ILPOC form to supply the remaining quantity. Otherwise, he should wait till he supplies the entire quantity ordered.
- b. The Receiving Officer should specify the actual quantities received and the appropriate amount on the form itself before signing the certificate. He must also then amend suitably the break-up by Vote to agree with the amount payable, under his signature, and on occasions this might require a reference to the Financial Delegate and when it is so required, it should be done as quickly as possible.

**12. Use of General Expenses Form - FF 4:**

This form is to be used for payment of:-

Utilities or other charges for which suppliers may, by standing arrangement, render accounts or bills after the close of each month or periodically, for example electricity charges and consultant's fees, arising from contracts and personal payments like mileage allowance, advances, and compensation payments.

**PART 13 - MAJOR PROCUREMENTS – (COSTING K100,000 AND ABOVE)****DIVISION 1 – PROCUREMENT THROUGH SUPPLY AND TENDERS BOARDS**

1. All procurements of K100,000 or more are to be conducted through the relevant Supply and Tenders Board. A list of these Boards, their purpose, membership, and powers is provided in Part 14.

**DIVISION 2 – AVAILABLE PROCUREMENT PROCESSES****2. Public Tenders to be Used:**

Section 40 of the Public Finances (Management) Act prescribes that goods, works and services with a value greater than K100,000 are to be purchased through a public tender process as the public tender process provides government with the best chance of obtaining a “value for money” outcome.

3. Public tenders involve the widespread advertising of opportunities to supply the government with the goods or services required. They promote competition. This differentiates them from selective tenders, expressions of interest and other procurement mechanisms.
4. Selective tenders are NOT allowed as they restrict the level of competition.
  - a. Expressions of Interest (EoI's) may be used to provide market research, but are not an acceptable procurement process in themselves, and must be followed up with one of the available procurement processes (eg public tender). Contractors cannot be short listed through the use of EoI's.
5. The processes available for procurement must also be used for the disposal of items no longer required by government.
6. In circumstances where a Supply and Tenders Board issues a “Certificate of Inexpediency”, the public tendering process will not apply. A “Certificate of Inexpediency” may only be issued in exceptional circumstances as outlined in Division 4 of Part 13.

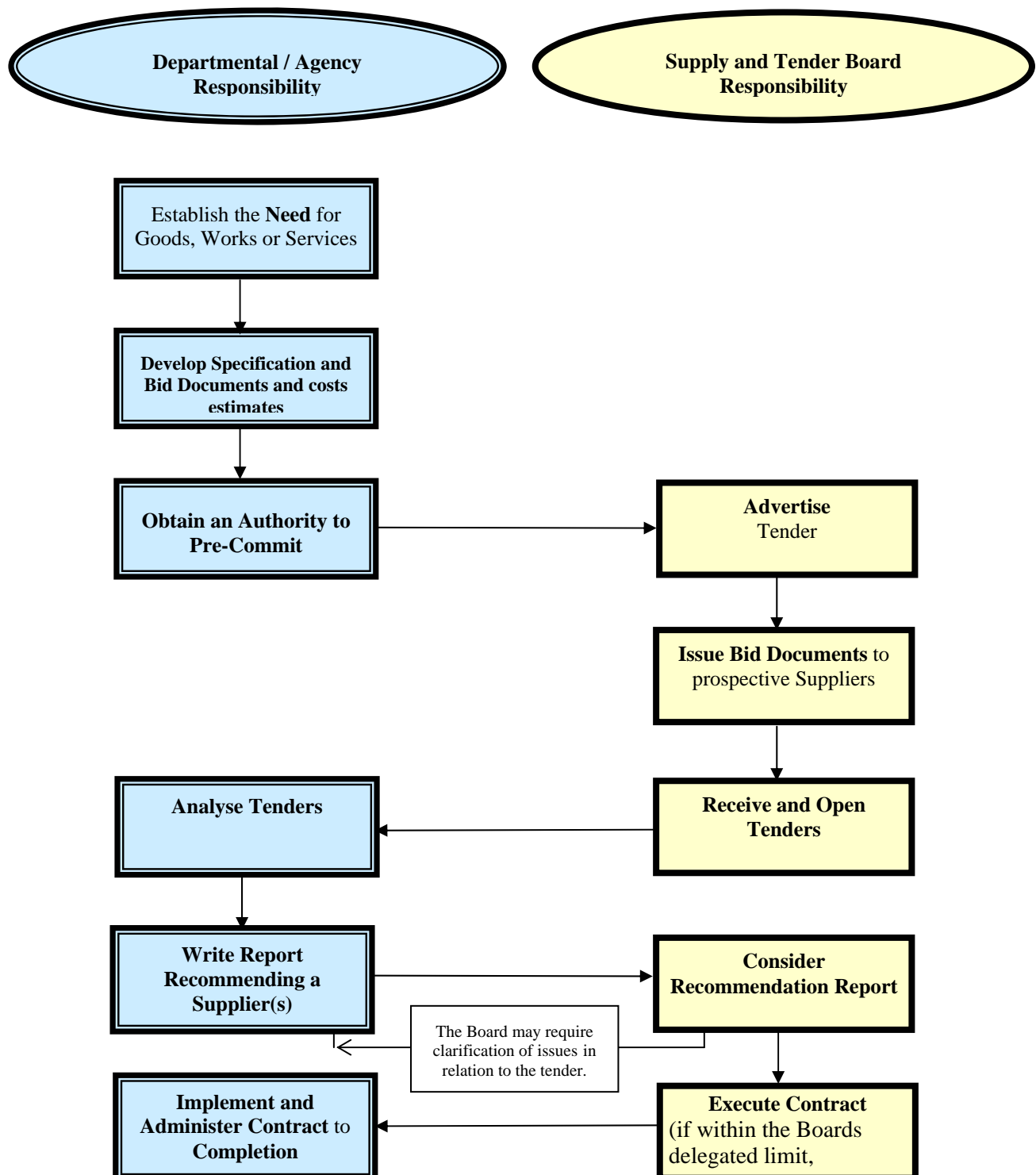
**7. International Financing Arrangements:**

In circumstances where the terms of an agreement with an international organisation under which the Government of PNG is to receive monies, make specific provision for the manner in which tenders will be invited for contracts performed as a result of the agreement, other procurement processes may be used. However, in order to maximise the extent to which “value for money” is obtained, all efforts should be made to ensure that the public tendering process is specified as the appropriate procurement process when drafting such international agreements.

### DIVISION 3 – PUBLIC TENDERING PROCESS

8. The key responsibilities in the public tendering process are outlined in the diagram below:

#### Key Responsibilities in the Public Tendering Process



The diagram above has been provided to assist Supply and Tenders Boards, and purchasing Departments and agencies to:

- Understand the tender process used for major procurements, and
  - Separate the responsibilities and accountabilities within the procurement process in accordance with the Public Finances (Management) Act and good procurement practice.
9. These key steps should be followed by all agencies and Supply and Tenders Boards involved in a public tender. Each step is briefly outlined below:

a. Establish the Need for Goods, Works and Services.

Departments / agencies should consider carefully why they require the goods, works or services that are proposed to be purchased. The purchase should be prioritised (in importance) in accordance with approved plans. An estimated cost must also be established and approved in the annual budget.

b. Develop a Specification and Bid Documents

The bid documents should consist of:

- 1) **Conditions of tendering** – the rules of tendering
- 2) **Specification** – a clear description of the goods or services that the Department wishes to buy
- 3) **Draft Conditions of Contract** – a draft contract that will form the basis of the final contract agreed between the Government of PNG and the successful supplier
- 4) **Standard Tenderer Response Sheets** – standard forms that will enable the Tenderer to clearly define their offer, and the Department to easily evaluate and compare each tenderer's offer
- 5) **Selection criteria** – publication of Selection criteria is required, to assist in establishing a transparent tendering process.
- 6) **Pre-tender cost estimates**

Wherever possible, standard template bid documents (issued by the Central Supply and Tenders Board) are to be used. It is however, the **responsibility of the Department or agency to produce high quality bid documents**. The Department should generally use the people it wishes to have evaluate the tender, to also develop the bid documents; including the selection criteria.

c. Obtain an "Authority to Pre-commit" (APC) Expenditure and other requirements.

The process for obtaining an Authority to Pre-Commit Expenditure (APC) is clearly documented in Attachment 1 to Part 13 of this manual. An APC confirms that funds will be made available to the supplier once a contract has been executed and fulfilled. **A Supply and Tenders Board must not invite a tender without an APC** having been issued.

d. Advertising the Tender.

Tender advertisement is designed to inform suppliers of opportunities, promote transparency and equal opportunity, and create a competitive environment.

For ***goods and services***; where the tender is valued at:

- Greater than K100,000 and less than K10.0m it must be advertised in a national newspaper with large circulation (eg "The National" or the "Post-Courier")
- Greater than K10.0m it must be advertised in at least two national newspapers and relevant international media.

For ***capital works and construction***; where the tender is valued at:

- Greater than K100,000 and less than K10.0m it must be advertised in a national newspaper with large circulation (eg "The National" or the "Post-Courier")
- Greater than K10.0m it must be advertised in at least two national newspapers and relevant international media.

e. Issue Bid Documents.

Bid documents must be issued to all prospective tenderers that have paid the required fee. The fee is to recover the cost of reproduction of the bid documents. Documents are issued by the Supply and Tenders Board, which must also retain a list of all individuals and companies receiving the bid documents along with their contact details.

f. Receiving and Opening Tenders.

The Supply and Tenders Board will arrange for tenders to be opened on the day that the tender closes. All tenders will be opened "publicly". Departmental/ agency representatives should be encouraged to attend the public opening, along with representatives of the companies that have submitted bids.

The Supply and Tenders Board representative at the opening will read out the following information in relation to each bid:

- Company Name, and
- Price
- Submitted Bid Securities (if applicable)

Where more than one bid is received from a company, the detail of each offer submitted must be read out. The Supply and Tenders Board representative then formally registers all copies of offers. The Supply and Tenders Board will hold one copy of each tender, whilst all subsequent copies will be given to the Department for evaluation.

The only exception to this will be when the Conditions of Tendering require a "two envelope" offer, where companies are required to submit details of their price in a separate envelope to qualitative aspects of their offer.

In this case initially only the Company Name will be read out publicly. Once the Department has completed its qualitative (non financial) analysis, a second public opening will be held where prices will be read out.

g. Analysing Tenders.

Upon advice from the Supply and Tenders Board, Departments are to nominate suitably qualified staff or consultants to undertake the tender evaluation. These staff will be known as the "Technical Evaluation Committee" (TEC). The Supply and Tenders Board may reject one or more of the nominations, in which case the Department is to offer a substitute.

The TEC is a small team of specialists from the Department(s), which under the direction of the Supply and Tenders Board, evaluate the tenders. The role of the TEC is to carry out the tender evaluation in accordance with the Public Finances (Management) Act, Regulations and Financial Instructions, using the processes outlined in the "Good Procurement Manual". In a practical sense this requires the TEC to evaluate tenders according to the requirements of the bid documents, and previously defined selection criteria.

The TEC must follow the steps outlined below when analysing tenders:

- STEP 1.       **Read ALL** of the Offers
- STEP 2.       **Clarify** - Write to any tenderer to clarify aspects of their tender that are unclear. Be sure that you do not create a "counter-offer" in doing this – consult people with a good understanding of contract law if in any doubt. The Central Supply and Tenders Board Secretariat can also advise you in relation to such matters.
- STEP 3.       **Rate the Qualitative (Non-Cost) aspects** (Technical, Capacity, Experience, Past Performance, Integrity, Financial status, Contractual, Financial, Other) of each tenderers offer against the selection criteria previously established.
- STEP 4.       **Identify the Price** of each Tenderer and adjust it for all or any of the following:

- a) Arithmetic mistakes made by the Tenderer
- b) Significant "whole of life" costs that vary across the different offers
- c) Any price variation or foreign exchange exposures borne by the GoPNG

**The adjusted price can now be used to rank tenderers in relation to Cost.**

**STEP 5. Make a transparent and supportable judgment,** based upon the Qualitative ranking of each tenderer and Adjusted Price, as to which offer represents best "value for money" for the GoPNG.

Where doubts exist within the TEC as to how an evaluation should be conducted the TEC may seek guidance from the Supply and Tenders Board to which it reports.

**h. Write the Recommendation Report.**

The TEC must ensure that the evaluation and Recommendation Report is undertaken promptly, and within the validity period specified in the Conditions of Tender.

The TEC must write a recommendation report designed to:

- 1) Describe the procurement process used to arrive at the recommended tenderer, so that the Supply and Tenders Board is able to certify that the procurement has taken place in accordance with the Public Finances Management Act, and
- 2) Outline why the recommended tenderer represents "value for money".

A valid, approved APC must be included with the Recommendation Report.

- 3) All bidders ranked must be included in the recommendation to the Board.

The "Recommendation Report" **MUST** be signed by each of the people in the TEC, as well as the Departmental / Agency Head.

**i. Consideration of the Recommendation Report.**

Supply and Tenders Boards **MUST** satisfy themselves that:

- 1) The tender has been conducted in accordance with the Public Finances Management Act, Regulations and Financial Instructions, and
- 2) The recommended offer represents "value for money".

In carrying out this role, Supply and Tenders Boards should ask inquiring questions of purchasing Departments and agencies where information presented is deficient. Recommendations must not be approved until the Board is confident that the abovementioned conditions have been met.

The Supply and Tenders Board is not obliged to accept the recommendation of the TEC. However, when the Board disagrees with the TEC's recommendation, in the first instance the Board is to discuss the matter with the TEC. If required, the TEC is then required to consider additional information provided by the Board. If deemed appropriate the TEC is to prepare a revised evaluation report.

In the event that the Board disagrees with the initial and subsequent evaluations, the Board may disregard the TEC's recommendation and award the contract, based on the Board's sole recommendation. In this event the Board must prepare its own evaluation report with clear and comprehensive justifications in accordance with the law, for the recommended award. The Board must also attach to their evaluation report the TEC's evaluation report(s) and all relevant correspondence in regards to the disagreement of the recommendation.

Where an organization disagrees with a Boards decision, a formal complaint may be pursued under Division 6 of Part 14.

j. Contract Execution.

The Supply and Tenders Board Chairman may execute a contract within the Boards delegated authority, once the Supply and Tenders Board has approved the recommended tenderer.

Where the contract consideration exceeds the Boards delegated limit, the Chairman of the Board will refer the Board's recommendation with supporting documents to the National Executive Council through the Minister responsible for the Department.

Contracts should be executed by the signing of a single contract agreement by all of the parties to the agreement. *Letters of Acceptance must not be used for contract execution.*

The State Solicitor must sight all contracts before they are executed, **unless** a template contract that has previously been given blanket approval by the State Solicitor is used. In this circumstance, a copy of the signed contract must be lodged with the State Solicitor for information.

The Supply and Tenders Board is also responsible for completing the relevant section of the APC form (FF5A), by inserting details of the successful supplier, its file number, and stamping the form. The "Blue" copy of the APC is to be sent to the Department of Finance, whilst the original and "Green" copy are to be sent to the contract officer nominated by the Department on the APC.



The Supply and Tenders Board must retain a photocopy of the approved APC on their file. The APC process is fully detailed in Part 10, Attachment 1.

Section 47 (3) of the Public Finances (Management Act) requires every Minister whose portfolio establishes a contract greater than K5.0m to provide a copy of that contract to Parliament at the first sitting of Parliament after the execution of the contract.

k. Implement Contract and Administer to Completion.

Once a contract is executed, the purchasing Department / agency is responsible for the effective administration of the contract in accordance with the Public Finance Management Act, Financial Instructions and good accounting practice.

For assistance in relation to contract implementation, refer to Division 7 - "Contract Implementation" in this part.

**DIVISION 4 – CERTIFICATE OF INEXPEDIENCY**

10. Section 40, (3), (b) of the Public Finances Management Act provides Supply and Tenders Boards with the powers to “certify that the inviting of tenders is impracticable or inexpedient”.

11. A Supply and Tenders Board must ensure that there is a valid approved APC for the procurement before approving a Certificate of Inexpediency.

12. A “Certificate of Inexpediency” must clearly identify the:

- a. Supplier, and
- b. Department / agency requesting the certificate, and
- c. Name and signature of the Departmental / agency head requesting the certificate, and
- d. Goods, works or services being procured, and
- e. Value of the procurement, and
- f. Reason for the certificate to be issued, and
- g. Date on which the Certificate is awarded, and
- h. Name of those Board members issuing the Certificate, and
- i. Name and signature of the Chairman of the Supply and Tenders Board issuing the certificate.

13. A “Certificate of Inexpediency” cannot be issued to retrospectively cover a contract already executed.

14. Certificates of Inexpediency will only be issued in situations where a declared:

- a. Natural Disaster, or
- b. Defence Emergency, or
- c. Health Emergency, or
- d. Situation of Civil Unrest

exists, **and** procurement processes must be undertaken urgently, to remedy the situation.

Supply and Tenders Boards must be prepared to hold extraordinary meeting(s) where these declared situations have arisen, in order to expedite procurements.

15. In the past, "Certificate of Inexpediency" have enabled Departments and agencies to avoid the public tendering process. Certificates have generally been issued on the basis that:

- a. There is only one suitable supplier, or
- b. The Department has "run out of time" to conduct a proper tendering process

Closer examination of the former justification generally means that the specification for the goods or services is biased in some way. The second justification (lack of forward planning by departments) is no longer acceptable. Departments must now be planning their major procurements in a timely manner.

16. Contract Execution (refer to processes under Public Tendering)

## **DIVISION 5 – CONFIDENTIALITY**

17. Section 46 of the Public Finances Management Act requires members of Supply and Tenders Boards, Secretariat staff, technical evaluation staff and other public servants NOT to discuss (or communicate with by non verbal means) the contents of a tender except when:
- a. Recording details of the tender in the Tender Register
  - b. Preparing a notice of acceptance of late tender
  - c. Giving advice to the Board on the tender
  - d. Considering the tender at a Board meeting
  - e. Making a recommendation that involves reference to the tender
  - f. Causing notice of the tender to be sent to other tenderers
18. Under no circumstances are Supply and Tenders Board members, Secretariat staff, technical evaluation staff or other public servants to communicate the details of a tenderers offer to another tenderer or potential tenderer, or their agent or affiliate except where details of successful tenderers are published in the Boards Annual Report, or other general publicly available reports.

## **DIVISION 6 – CONFLICT OF INTEREST**

### **19. "Avoidance of Conflict of Interest"**

The private interest of a GoPNG employee, Supply and Tenders Board member, appointee or representative, must under no circumstances be allowed to conflict with the duties of the person as a member of a Supply and Tenders Board, Secretariat staff to a Supply and Tenders Board, evaluation committee / team, or as a Head of Department, or other relevant position, whilst involved in a major procurement.

A conflict of interest situation may arise from the following:

- A conflict exists, or
- A conflict might reasonably be thought to exist, or
- There is the potential of a conflict.

### **20. Action When a Conflict of Interest Situation Arises:**

A GoPNG employee, Supply and Tenders Board member, appointee or representative in a "Conflict of Interest" situation in relation to a:

- Major Contract, or
- Proposed Major Contract

**MUST** disclose the nature of their interest to the Board, and

**MUST NOT** take part in any evaluation or deliberations with respect to the contract, *and*

**MUST NOT** take part in any recommendation with respect to the contract, *and*

**MUST NOT** be involved in the Administration with respect to the contract, *and*

**MUST NOT** attempt to influence others involved in such tasks.

The Secretary to the Supply and Tenders Board must record the disclosure of conflict of interest situations in the Board minutes, and related contract files.

## DIVISION 7 – CONTRACT IMPLEMENTATION

21. This division explains the relationship between key contract participants including their usual roles and obligations. Important contract administration issues are outlined in order to assist Contract Managers to fulfil their role.

### 22. Contract Parties and Relationships:

There are two principal parties to a contract; the GoPNG and the Contractor. The contract is established on behalf of the GoPNG by an Executing Authority (either Chairman of the Supply and Tenders Board or the Governor General).

### 23. Contract Manager:

The Contract Manager manages the implementation of the contract on behalf of the GoPNG. This person may be either a Public Servant or a Consultant appointed for the purpose (if the contract is either large or complex). 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.

### 24. Principles of Delivery and Performance:

A number of key principles are embodied in good contract implementation. These are detailed below:

#### a. 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.

#### b. 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.

#### c. 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.**

d. 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.

**25. Contractual Obligations:**

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

a. Government of Papua New Guinea

- 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.

b. 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.

c. 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 Papua New Guinea 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.

## 26. Contract Administration:

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

### a. 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.

### b. Variations

Variations where necessary, are to be implemented in accordance with Division 8 of Part 13 of this Manual.

### c. Quality Control

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

### d. 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, Regulations and Financial Instructions.

### e. 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, in accordance with Division 8 of Part 13 of this Manual.

f. **Project Completion**

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

**27. Suspension of Contract:**

If allowed for in the Contract Agreement, the Contract Manager can suspend the contract if either the Contractor or the Government of Papua New Guinea substantially fails to perform their obligations. Refer to the Contract Administration Manual for detailed information on the process of contract suspension.

**28. Termination of Contract:**

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. Only the Chairman of a Supply and Tenders Board, or Head of State can terminate a contract in accordance with their powers to execute contracts.

## DIVISION 8 – CONTRACT VARIATION AND TERMINATION

### 29. Contract Variation:

Section 32 (2) of the Public Finances Management Act enables designated officers to approve variations to contract as regards time, price, or other conditions within such limits as are specified in the Financial Instructions.

30. For major procurements (costing more than K100,000) the following will apply:

Nature of Change	Limits	Designated Approval Officer	Form of Approval	Additional Requirements
<b><u>Price Changes</u></b>	Where the price change is <b>less than a 10 % increase</b> from the originally approved price **	Departmental Head	In writing, with justification attached	Once approved such changes must be reported to the relevant Supply and Tenders Board within 5 days of the approval.
	Where the price change is <b>greater than a 10 % increase</b> from the originally approved price **	Original Contracting Authority (normally the relevant Supply Tender Board, or Head of State)	Written approval, with justification attached	
<b><u>Changes to Scope or Specification or timing</u></b>	Where the changes <b>do not materially effect the goods, works or services</b> provided	Departmental Head	In writing, with justification attached	Changes to scope or specification must be filed with the contract file and be available for independent audit.

	Where the changes <b>materially effect the goods, works or services</b> provided	Original Contracting Authority (normally the relevant Supply Tender Board, or Head of State)	Written approval, with justification attached	
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**\*\* 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.

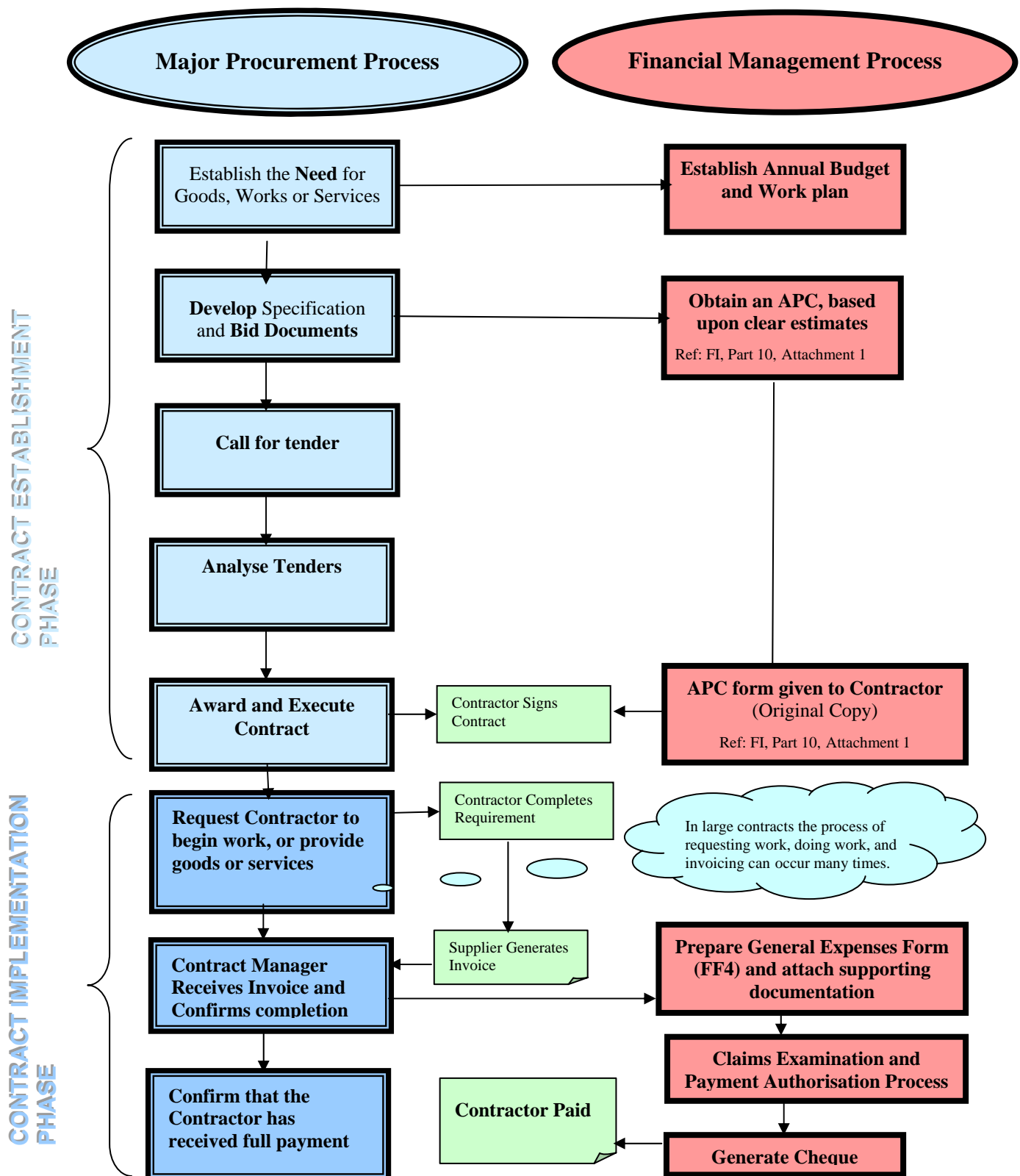
### 31. Contract Termination:

From time to time it may be necessary to terminate a contract before it reaches its natural conclusion. The following rules apply in relation to contract terminations:

- a. Contracts can only be terminated by the authority that executed the contract. (For major contracts this will normally be the relevant Chairman of the Supply and Tenders Board or the Head of State.)
- b. Written legal opinion from the State Solicitor **MUST** be sought prior to terminating a contract.
- c. Prior to the Chairman of a Supply and Tenders Board terminating a contract, the Supply and Tenders Board must meet and decide to terminate the contract.
- d. 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 Supply and Tenders Board and State Solicitor.
- e. The authority terminating the contract must immediately notify the Department of Finance, Expenditure and Cash Management Division, APC Secretariat in writing of the termination.

## DIVISION 9 – PROCUREMENT PROCESS AND THE FINANCIAL MANAGEMENT PROCESS

32. The major procurement process parallels the financial management process. This interaction is outlined in the diagram below.



**DIVISION 10 – AUTHORITY TO PRE-COMMIT PROCESS****33. Introduction:**

The Authority to Pre-Commit (APC) process has been introduced to bring under control the problem of 'arrears.' The legislation within the PFMA relating to the APC process is contained within Sections 47B, 47C, and 47D. The amendments aim to achieve this by limiting the validity of contracts with the government to:

34. Those that are authorised by a PGAS generated Integrated Local Purchase Order Claim (ILPOC) (Form 4A) [The national Department of Works shall continue using its ORACLE based computer generated ILPOC], i.e. where funds are available in the current year, or,
35. Where there is a need to commit expenditure in advance of funds becoming available, those that are authorised by the Secretary for Finance as evidenced by his signature on an Authority to Pre Commit (Finance Form 5A).

The amendments provided that unless contracts with government are supported by one of these two forms of authority, those contracts will be null and void and will not be enforceable against the Government.

**36. Purpose:**

The purpose of the APC process is to ensure proper accounting, management and reporting on the Pre-Commitment of Expenditure is maintained in all levels of the National, Provincial and Local-Level Governments.

**37. Application:**

37.1 Those agencies and Commercial Statutory Authorities that are classed as trading enterprises are exempted from these amendments and this Financial Instruction (unless their Act specifically binds them to the PFMA). Though any agency that requires Section 61 approval under the PFMA will need to comply with the amendments and first obtain an APC. Should this say "binds" or "exempts"?

37.2 This APC process is effective from 1st March 2003, the same date that the amendments to the PFMA and Claims By and Against the State Act became effective.

**38. Relationship between the APC process and other Financial instructions dealing with procurement:**

38.1 The APC process is additional to other procurement requirements, and Supply and Tender Board requirements contained within the Financial Management Manual.

38.2 Departments, Provincial and Local Level Governments are reminded that the use of manual ILPOCs is illegal i.e. not allowed. Any Department or level of Government without a computer capable of producing PGAS generated ILPOCs will need to proceed to their nearest PGAS site to do this.

38.3 In situations where National Departments in the provinces do not have access through the PGAS system, they should contact their Departmental Heads to send their CFCs (ex-warrant) to the nearest Provincial Treasury Office to be down loaded into the PGAS system in order that PGAS generated ILPOCs and cheques can be raised.

**39. Arrears:**

In recent years some Departments and provinces have increasingly turned to the Finance and Treasury Departments to pay claims or invoices from suppliers because those Departments do not have sufficient funds to meet these claims.

40. These new provisions in the PFMA will make it clear that suppliers who provide goods or services without proper authority from the Government, i.e. without a purchase order (ILPOC) or contract (backed by an APC), will have no valid contract or claim against the Government.

**41. Responsibility of Departmental Heads:**

Departmental Heads are responsible for ensuring compliance with the new changes to the PFMA and these Financial Instructions. Failure to comply with these amendments could result in penalties and charges being imposed on Departmental Heads.

42 The Head of each spending Department or province must ensure that all pre commitments made by their own Department or province are included in the annual bids or estimates in the following year (and any subsequent years).

**43 Purchases, claims and contracts under K100,000:**

43.1 The Secretary for Finance will not approve an APC for amounts less than K100,000 (even though the amendments to the PFMA does make allowance for this). If there are insufficient funds available in a vote to make the purchase using an ILPOC in the current year, the relevant Department should make use of available capacity, or seek to have the purchase funded through Estimates for the following year. The relevant Department or province should not enter into a contract with a supplier if there are insufficient funds available. The relevant Department cannot anticipate that funds will be available in the following year (without an APC).

43.2 These are the cases that sections 47B, 47C and 47D are intended to eliminate, i.e. unauthorised officers ordering goods or services without an ILPOC when there are no funds or insufficient funds available. An ILPOC (Form 4A) is the only legitimate evidence that funds are immediately available in the current year. An APC (for amounts over K100,000) is the only legitimate evidence that funds will be made available later in the current year or in a following year. Officers who deal with suppliers and contractors without an ILPOC (Form 4A) or an APC are not acting on behalf of their Department or the Government. Suppliers and contractors cannot seek to be paid for any goods or services they have provided, where they did not first obtain an ILPOC (Form 4A) or an APC.

43.3 Departments are reminded that normal procurement procedures apply for amounts under K100,000. This includes obtaining three written quotes and the issuance of ILPOCs.

43.4 The only exemption to the above will be the use of an FF4 for purchases in genuine emergency situations up to a maximum amount of K300. Examples could include purchase of food for a large and unexpected police cell intake in a remote area. Fixing a dripping tap, purchase of stationery and other such examples cannot and do not constitute an emergency. This provision may not be used to substitute for poor planning and preparation by a Department.

## **42. APCs for contracts K100,000 and above:**

Where a Department wishes to enter into contracts for amounts of K100,000 or above, and there will be funds available to meet the schedule of payments under the contract (either in the current or subsequent financial years), that Department will be able to apply to the Secretary for Finance for an APC. It will be the Head of that Department's responsibility to ensure that funds are secured in subsequent years' estimates and appropriations through their budget negotiations with the Department of National Planning and Monitoring and with the Department of Treasury.

43. An application for an APC (see application form attached) should be completed by officials of the relevant Department, and signed by the Head of that Department. All relevant parts of the application form should be completed.
44. The APC must be applied for and obtained by the relevant spending Departments prior to inviting any tender including applying for any Certificate of Inexpediency (CoI). All other requirements of any relevant Supply and Tenders Board must be complied with after an APC has been obtained. An APC is not required for utility payments.
45. The application should be delivered to the First Assistant Secretary, Expenditure and Cash Management Division of Finance Department (marked for the attention of the Assistant Secretary, Expenditure), where it

will be registered. If the application form is not complete, the application will not be registered or accepted and will be returned to the relevant Department if such omissions are subsequently discovered.

46. The First Assistant Secretary, Expenditure and Cash Management Division will evaluate the application according to the criteria set out below. The results of this evaluation will then be considered at the weekly APC Committee meeting (chairman of which will be the First Assistant Secretary, Public Accounts). The committee will include heads of the relevant divisions of the Treasury Department and the Department of National Planning and Monitoring in order to jointly ascertain the merits of the APC request and the likelihood of funds becoming available to fund payments under the contract.
47. The First Assistant Secretary Expenditure and Cash Management Division (in his capacity as Chairman of the APC Committee) will then make recommendation to the Secretary for Finance as to whether an APC should be approved, together with a recommended maximum amount of pre commitment.
48. If approved by the Secretary, the First Assistant Secretary Expenditure and Cash Management Division will allocate an APC number, and the APC details will be entered into the register accordingly (see below). The APC will be in triplicate – white (original for the supplier / contractor); blue - Department of Finance copy and green - implementing department's copy.
49. For all APCs the Department of Finance will make and retain a photocopy of the APC form (the supplier / contractor has not been filled in at this stage). The entire APC form is then passed on to the nominated contact officer of the implementing Department. This officer will then make a photocopy of the form and forward the entire APC form, together with any requisition (FF3), to the relevant Supply and Tenders Board. The relevant Supply and Tenders Board will not proceed to tender or grant a COI unless an APC has first been obtained from and approved by the Secretary for Finance.
50. The relevant Supply and Tenders Board will write their file number on the original of the APC, and place their stamp and date over the top of that file number.
51. When a Notice of Successful Tender or COI has been issued by a Supply and Tenders Board, the relevant Supply and Tenders Board will fill in the contractor / supplier to whom the contract has been awarded. The relevant Supply and Tenders board will make and retain a photocopy of the APC and return the blue copy to the Department of Finance, and the original (white) and implementing Department copy (green) to the nominated contact officer on the APC. The nominated contact officer will then forward the original APC to the selected supplier or contractor.
52. Any remaining contractual documentation may then be finalised with the supplier or contractor. It is the supplier's or contractor's responsibility to



retain the original of the APC. Without the original, the supplier or contractor will not be able to demonstrate that they have a valid enforceable contract with GoPNG should any disputes subsequently arise.

53. Neither the First Assistant Secretary (PAD) nor his officers will discuss any aspect of applications or approvals or progress with suppliers or contractors. Only the relevant Head of Department or the contact officer nominated on the application may contact the First Assistant Secretary to discuss the progress of applications.
54. For all proposed contracts requiring an APC, the APC is not valid unless it has an APC Number that matches the APC number entered in the Register held by the Department of Finance. The APC is also not valid unless it has a relevant Supply and Tenders Board file number, stamped by the relevant Supply and Tenders Board, and matching the file number for that contract held by that Supply and Tenders Board.
55. An APC does not need to be obtained in respect of expenditure or contracts that are 100% donor funded. An APC will however be required for any contract that will involve Government counterpart contributions and that would normally require tender procedures to be undertaken. The APC would be issued for the full amount but the separation between Government contribution (cash) and donor funds (non-cash) will need to be made clear on the new revised APC form (copy attached).
56. An APC is not required for cash transfers from one level of Government to another e.g. Grant transfers to Provincial Governments, Department of Education school subsidies, Department of Health transfers to NGOs and so forth. An APC is also not required for principal and interest payments for debt.
57. **Criteria used by Secretary in approving APCs:**
  - 59.1 In order to authorise a pre commitment the Secretary for Finance needs to be satisfied that the provisions of the PFMA have been complied with, and that funds will become available at a later time. The criteria used by the Secretary for Finance (and the APC Committee) in deciding whether to approve (endorse) an application for an APC will include:
  - 59.2 The likelihood of the contract being funded from warrants issued later in the current year or in a subsequent year's estimates and appropriations. In this respect, the Secretary will consult with Treasury Department, Department of National Planning and Monitoring and may consult any other agency.
  - 59.3 Whether all provisions of Part VII of the PFMA have been complied with in respect of the proposed contract.

- 59.4 Whether the application for the APC has been completed fully and correctly, and whether any required attachments are attached (this includes the covering letter from the Head of Department and the PGAS printout showing the current appropriation, warrants, commitments and expenditure).
- 59.5 Whether the Secretary believes that the Head of the Department or province applying for the APC is fully aware of the nature of the purchase or contract, and of the amounts that the Departmental Head is committing their Department or province and the Government to in future years.
- 59.6 Whether the Department / Division has commitments already in place that are not fully funded in the Department's / Division's Budget for the year, the APC request can be rejected and the relevant agency told to transfer funds to the underfunded vote e.g. a Department has an appropriation of K0.5 million for the purchase of cars and submits an APC request for their purchase. The Department however also has an ongoing road project that requires K0.8 million in this year but it has only K0.6 million in the Budget for the road project.
- 59.7 This request for an APC for the cars and any further APC requests would be rejected and the Department concerned told to shift K0.2 million to the road project appropriation. It may transfer the appropriation from the cars appropriation or from elsewhere in its Budget. Only once this has been done will the Department be allowed to resubmit its request for an APC for the vehicles and for other purposes. In summary: no new commitments will be allowed unless existing commitments are fully funded.

## **58. Period contracts and standing contracts:**

### **60.1 New period contracts and standing contracts**

- 60.1.1 From 1 March 2003, as various Departments seek to enter into new period contracts or standing contracts, e.g. for mess supplies, rations, pharmaceuticals, security services, property leases etc, the new provisions, in section 47B, 47C and 47D will need to be complied with, and the procedures set out above will need to be followed.

### **60.2 Validating existing period or supply contracts**

- 60.2.1 Section 47B is effective for contracts entered into or purported to have been entered into by or on behalf of the State on or after 1 March 2003. At that time there will be numerous existing period or supply contracts entered into on earlier dates that will require ongoing payment as services are supplied or goods are delivered. These include:

- Rental contracts or property leases
- Electricity supply contracts
- Telephone service contracts
- Water supply contracts
- Pharmaceutical supply contracts
- Mess supplies, rations etc

60.3 For ease of administration and consistent application of the new sections 47B, 47C and 47D to claims for payments from suppliers after 1 March 2003, the Secretary for Finance may issue APCs for contracts entered into prior to 1 March 2003. This will allow claims under valid pre commitment from 1 March 2003 contracts to be distinguished from other claims lodged by suppliers whose contracts were entered into after 1 March 2003, but who have no ILPOC and no APC. These latter claims will be rejected by government (see below).

60.4 Departments are required to provide a list of ongoing (i.e. that commenced prior to 1 March 2003) contractual commitments that exceed K100,000 to the Department of Finance / Provincial Treasury by 30 May 2003.

## **59. Register of APCs:**

61.1 The First Assistant Secretary, Expenditure and Cash Management Division of the Department of Finance and the Provincial Treasurer will maintain a register of applications for and approvals of APCs. The First Assistant Secretary will arrange for relevant parts of that register to be available in hard copy or electronic format to relevant line agencies and other central agencies. This will facilitate preparation of budget estimates by spending agencies and by central planning and budgeting agencies.

61.2 All Departments that are in receipt of APCs will be required to keep a register of the APCs applied for, awarded and expenditures made against these APCs.

61.3 In the event that the project or contract is to be completed in a short period and within the same year, all expenditures must be committed within the appropriation for that same financial year.

61.4 If the project or contract is ongoing, the relevant Departmental Head or Provincial Administrator must ensure that the contract must have its limitation and if it continues to the next financial year, the estimates for the project or contract must be appropriated for in the next financial year's budget.

61.5 The register will also enable Departments and provinces to check on the validity and authenticity of APCs attached to claims or invoices, prior to processing those claims or invoices.

61.6 Manual Registers will be maintained parallel to the spread sheets both in the Finance Department and Provincial Treasuries.

## **60. Provincial Government and LLG purchases and contracts:**

62.1 The Secretary for Finance will delegate the authority to approve APCs to Provincial Administrators. The Provincial Treasurer will perform the role of the Chairman of the APC Committee. Provincial Administrators will apply the same criteria as the Secretary for Finance in deciding whether to approve applications for APCs.

62.2 The Provincial Authority to Pre Commit Committee (PAPCC) that meets weekly (or when APCs are lodged) will consider APC requests that have been evaluated and endorsed by the Expenditure Accountant (who would have checked on funds availability and that the requested precommitment is, in the Budget for the Province). If the APC Committee approves, it will then make recommendations to the Administrator for his final approval and signature.

62.3 The Provincial Authority to Pre Commit Committee (PAPCC) will comprise of the following:-

- Provincial Treasurer            - Chairman
- D/Administrator Economics- D/Chairman
- Provincial Legal Officer       - Member
- Provincial Budget Officer    - Member
- Provincial Planner            - Member

62.4 If an APC request comes through that is not in the Budget for the current year it will need the support of the Joint District Planning and Budgetary Committee (JDPBC). Appropriation will also have to be transferred to the new vote prior to endorsement from the Provincial Treasurer.

62.5 Provincial Governments will be limited to issuing APC commitments for future years up to a maximum level of 10 per cent of their current non-salaries and wages Budget (this includes National Government grants, internally generated revenue and VAT flows to the provinces). E.g. Current total Budget for the Province (excluding salaries and wages) is K20.0 million. In this example, APC commitments running into the following year can only be issued up to a maximum level of K2.0 million. Any levels above this limit will need to be endorsed by the national APC Committee and approved by the Secretary for Finance.

- 62.6 In addition to the above, the limit for endorsement at the Provincial level for APCs is K3.0 million - the same as that currently set for tenders. Any single APC request that exceeds K3.0 million will need to be submitted to the National Department of Finance for its consideration.
- 62.7 Where there are National and Provincial contributions to a project, these will need to be separated out clearly on the revised APC form. Any project that has both Provincial and National funding contributions will need to be submitted to the National Department of Finance for approval (and not the Provincial Government).
- 62.8 The amendments to the law and these Financial Instructions cover all expenditures and commitments of the Provincial Government and LLG - whether the funds used are sourced in the Province, LLG or from grants from the National Government.
- 62.9 Provincial Treasurers will maintain a similar register to that maintained by the First Assistant Secretary (PAD) for national departmental contracts, and will use the same APC form.

## **61. Reporting**

- 63.1 All Departments / Divisions that have been granted APCs must provide quarterly reports to the Department of Finance (FAS Public Accounts) / Provincial Treasury by the 11th of the month following the end of each quarter.
- 63.2 Failure to produce these reports will result in a cessation of approvals for APCs in the future (until any outstanding reports have been submitted).
- 63.3 The Provincial Treasurers must furnish their reports to Expenditure and Cash Management Division on Provincial APCs by the 22nd of the month following the end of every quarter.
- 63.4 The format for reporting is attached to this Financial Instruction.

## **62. Forms**

- 64.1 Departments or provinces seeking an APC on behalf of suppliers and contractors are required to complete the application form supplied by the Department of Finance. This is an approved Finance Form 5A that is required for all contracts and purchases over K100,000. Amongst other details this application form will require:
- Name of Department
  - Name of contact officer and contact details

- Name of the supplier or contractor, and the business address of the supplier or contractor (entered by the relevant Supply and Tenders Board after the tender has been awarded)
- Total value of contract, amount funded in current year, and amount to be pre committed against the following year(s) appropriation
- An accurate description of the goods or services to be supplied under the contract
- The vote number against which the department anticipates that funds will be made available at some future time
- Signature of Head of Department (or Acting Head of Department) and the date signed.

**Authority to Pre Commit (APC)**

Finance Form 5A

Name of Department / Division*:		APC ONLY FOR AMOUNTS OVER K100,000		Serial no:	
Vote number:.....		Name of Department contact officer: .....			
		Designation: .....			
Description of the goods or services:.....		Contact Phone number:.....			
		Contact Fax number:.....			
		Contact e-mail address:.....			
	CASH			NON-CASH	TOTAL
	National Government	Provincial Government	Local level Gov't	Donor / loan	
Current (revised) appropriation	K	K	K	K	K
1. Estimated pre commitments in current year	K				
2. Estimated pre commitments in current year +1	K				
3. Estimated pre commitments in current year +2	K				
4. Estimated pre commitments in other years	K				
<b>Total contract value</b> (sum of 1 to 4):	K				
I certify that all of the provisions of Part VII of the Public Finance Management Act have been complied with in respect of this proposed purchase or supply. I also certify that my Department will include the amount of this precommitment in its estimates for future years					
Signed by the Head of Department / Division*.....Print name.....on ...../...../..... (date)					

**Section below only to be filled out by Department of Finance / Provincial Treasury**

1. Request entered into register in Department of Finance / Provincial Treasury on ...../...../..... by (print name) .....(signature).....	2. Request endorsed by Chairman APC Committee / Provincial Treasurer on ...../...../..... (signature).....
3. Approved by Secretary for Finance / Provincial Administrator (signature).....on ...../...../.....	<b>Maximum precommitment authorised K</b>
<b>APC No Allocated:</b>	

**Section below only to be filled out by the relevant Supply and Tenders Board**

Name of supplier:.....	Supply and tender board file number.....
Business address of supplier (not Box number):.....	
Approved by the Chairman of the relevant Supply and Tenders Board on ...../...../.....	
Signature.....	Print name.....
Tenders board stamp:	

\* Department is at the National level, Division at the Provincial Government level

- Note:
1. This Authority to Pre Commit form does not become active until it has been registered and the APC No. has been allocated by the Dept of Finance / Provincial Treasury
  2. This Authority to Pre Commit is not valid until a Supply & Tenders Board file number is allocated
  3. All APC applications must be accompanied by a current PGAS printout and a covering letter providing reasons for and justifying the granting of an APC
  4. Suppliers should keep the original of this document in a safe place as proof of the validity of their contract with the Government

Distribution: White (original) - supplier; Green - implementing Department; Blue - Dept of Finance / Provincial Treasury; Bookfast - implementing Department.

## **PART 14 – SUPPLY AND TENDERS BOARDS – OPERATION AND ACCOUNTABILITY**

### **DIVISION 1 – ROLE AND RESPONSIBILITIES**

1. The Central Supply and Tenders Board and Provincial Supply and Tenders Boards are established by Parliament under the Public Finances (Management) Act in Sections 39 and 39B respectively. The Minister of Finance may also establish Specialised National Supply and Tenders Boards under Section 39A of the Public Finances Management Act.

2. **Role:**

The role of each Supply and Tenders Board is to ensure that major procurements conducted under its authority:

- a. Have been carried out in accordance with the Public Finances Management Act, Regulations, and Financial Instructions, and
  - b. Represent “value for money” for the Government of Papua New Guinea
3. In carrying out this role Supply and Tenders Boards must adhere to the principles of transparency, effective competition, fair and ethical dealing and efficient and effective operation as outlined in Part 11 of this Manual.
4. In addition, the Central Supply and Tenders Board has an additional role to “control and regulate” procurement in relation to “minor procurements”, major procurements and Provincial Supply and Tenders Boards, in accordance with Section 39 of the Public Finances Management Act. This role does NOT extend to Specialised National Supply and Tenders Boards.

5. **Key Responsibilities:**

The Chairman of the Supply and Tenders Board is ultimately responsible and accountable for the overall operation of the Supply and Tenders Board, in accordance with the Boards delegated authority.

6. It is the responsibility of all Supply and Tenders Board members and Board staff to have a full understanding of the Public Finances Management Act, Regulations, and Financial Instructions as they pertain to procurement.

### **DIVISION 2 – BOARDS ESTABLISHED AND DELEGATED AUTHORITY**

7. The following Boards have been established under Section 39 of the Public Finances Management Act, or by Notice in the National Gazette under the Public Finances Management Act:
  - a. Central Supply and Tenders Board
  - b. Pharmaceutical Supply and Tenders Board



- c. Gazelle Restoration Authority Supply and Tenders Board
  - d. A Provincial Supply and Tenders Board (by Notice) for each Province.
8. The jurisdiction, delegated authority and membership of each Board is outlined in the table below:

Board	Jurisdiction and Delegated Authority	Membership	Quorum	Decision Making Process
<b>Central Supply and Tenders Board</b>	<ol style="list-style-type: none"> <li>The Board may invite tenders for the purchase or disposal of goods, works or services up to an unlimited value.</li> <li>The Board may execute contracts up to a value of K10.0m for the purchase or disposal of goods, works or services.</li> </ol>	<p><b>Chairman: (Appointed by Cabinet)</b></p> <p><b>Members:</b>  <b>Ex-Officio</b>  <b>Secretary of Finance</b>  <i>Alternate: Deputy Secretary of Finance</i>  <b>Secretary of Works</b>  <i>Alternate: Deputy Secretary of Works</i>  <b>Secretary of Trade and Industry</b>  <i>Alternate: Deputy Secretary of Trade and Industry - Policy</i>  <b>State Solicitor</b>  <i>Alternate: Deputy State Solicitor</i>  <b>Other Members</b>  <b>University Nominee</b>  <i>Alternate: University Nominee</i>  <b>PNG Chamber of Commerce and Industry Nominee</b>  <i>Alternate: PNG Chamber of Commerce and Industry Nominee</i></p>	<p>4 members. At least 1 person MUST be a non-public office holder. No greater than 2 alternates can be included in the quorum.</p>	<ol style="list-style-type: none"> <li>All Board members and the Chairman (present at a properly constituted meeting) have an equal vote.  Chairman has a casting vote if for and against votes are in equal numbers.</li> <li>The Board will form a decision once a majority of the members agree in relation to the matter under consideration.</li> </ol>
<b>Pharmaceutical Supply and Tenders Board</b>	<ol style="list-style-type: none"> <li>The Board may invite tenders and execute contracts for the purchase or disposal of medical supplies and equipment up to a value of K1.0m.</li> </ol>	<p><b>Chairman: Secretary for Health</b></p> <p><b>Members:</b>  <b>Ex-Officio</b>  <b>FAS (Public Accounts)</b>  <i>Alternate: AS (Accounting)</i>  <b>State Solicitor</b>  <i>Alternate: Deputy State Solicitor</i></p>	<p>3 persons of whom no more than one shall be an alternate</p>	
<b>Gazelle Restoration Authority Supply and Tenders Board</b>	<ol style="list-style-type: none"> <li>The Board may invite tenders and execute contracts for and on behalf of the Gazelle Restoration up to a value of</li> </ol>	<p><b>Chairman:</b>  Project Manager  Project Implementation Unit  <b>Deputy (Alternate) Chairman:</b>  Provincial Works Manager  Department of Transport &amp; Works</p>	<p>3  (No more than one of the 3 can be a</p>	<ol style="list-style-type: none"> <li>All Board members and the Chairman (present at a properly constituted meeting) have an equal vote.</li> </ol>

Board	Jurisdiction and Delegated Authority	Membership	Quorum	Decision Making Process
	K1,000,000.	<b>Members:</b> a. Senior Project Engineer, Gazelle Restoration Authority - <i>Alternate - Project Engineer, Gazelle Restoration Authority</i> b. Provincial Legal Officer, Department of East New Britain c. First Assistant Secretary, Economic Services Division, Department of East New Britain - <i>Alternate - Assistant Secretary Economic Services Division Department of East New Britain</i>	Alternate)	2. The Board will form a decision once a majority of the members agree in relation to the matter under consideration.

Board	Jurisdiction and Delegated Authority	Membership	Quorum	Decision Making Process
<b>Provincial Supply and Tenders Boards</b>	<ol style="list-style-type: none"> <li>The Board may invite Provincial and Local Level Government tenders and execute Provincial and Local Level Government contracts for the purchase or disposal of goods, works or services up to a value of K3.0m.</li> <li>A Provincial Board may only invite tenders and execute contracts: <ol style="list-style-type: none"> <li>for the province in which it resides, and</li> <li>where funding for the contract is provided from Provincial or Local Level Government within the province.</li> </ol> </li> </ol>	<p><b>Chairman: Provincial Administrator</b>  <i>Alternate: Deputy Provincial Administrator</i></p> <p><b>Members:</b>  <b>Ex-Officio</b>  <b>Provincial Works Manager</b>  <i>Alternate: Advisor Technical Services</i>  <b>Advisor Planning and Budgeting</b>  <i>Alternate: Deputy Advisor Planning and Budgeting</i>  <b>Provincial Treasurer</b>  <i>Alternate: Provincial Expenditure Accountant</i></p> <p><b>Other Members</b>  <b>Provincial Chamber of Commerce Nominee</b>  <i>Alternate: Provincial Chamber of Commerce Nominee</i></p> <p><b>Where no Provincial Chamber of Commerce exists, the PNG Business Council is to nominate a member.</b></p>	3 persons of whom no more than one shall be an alternate	<ol style="list-style-type: none"> <li>All Board members and the Chairman (present at a properly constituted meeting) have an equal vote.  Chairman has a casting vote if for and against votes are in equal numbers.</li> <li>The Board will form a decision once a majority of the members agree in relation to the matter under consideration.</li> </ol>

9. Where a tenders value is greater than the delegated authority of a Supply and Tenders Board, or outside the jurisdiction of a Supply and Tenders Board, then it **MUST** be referred to the Central Supply and Tenders Board **for tendering and contract execution**.
10. Where a tender to be decided, is beyond the delegated authority of the Central Supply and Tenders Board, it must be referred to the Minister responsible, with a recommendation as to the preferred tenderer. The Board's recommendation must have attached the:
  - a. Reasons for forming the recommendation, and
  - b. Tender advertisement, and
  - c. Conditions of tender, and
  - d. Contract Agreement, and
  - e. State Solicitors clearance.

The Minister responsible will present the recommendation and attachments to the National Executive Council for a decision as to the successful tenderer to be made. Once the National Executive Council has made a decision in relation to the preferred tenderer the contract is to be executed by the Head of State.

11. Copies of the NEC decision and executed contract must be returned to the Central Supply and Tenders Board and the Department / Agency administering the contract.

### **DIVISION 3 – CONTROL AND REGULATION OF PROCUREMENT**

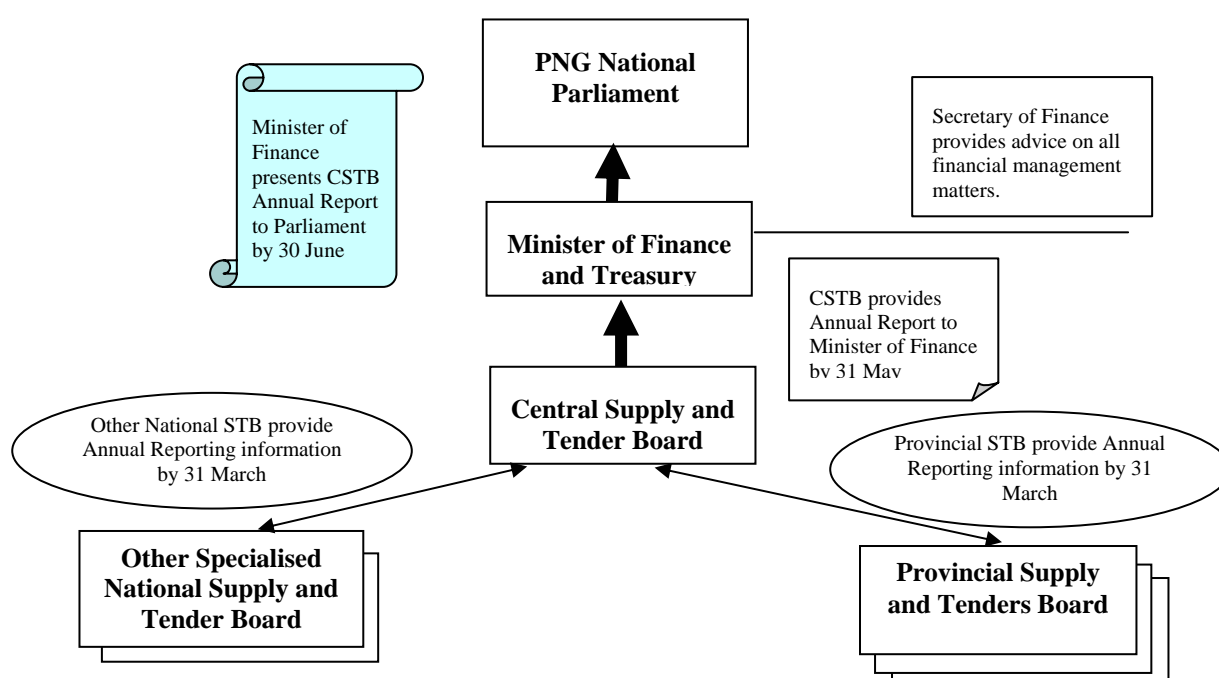
12. Section 39 of the Public Finances Management Act establishes the Central Supply and Tenders Board, and provides it with the power to "control and regulate" procurement.
13. In exercising this power the Central Supply and Tenders Board shall:
  - a. Conduct all major procurements that fall outside of the authority of Provincial and Specialised Supply and Tenders Boards; including those where the contract executing authority is the Head of State.
  - b. Require Provincial Supply and Tenders Boards to provide periodic reports in relation to their activities, for publication in the Central Supply and Tenders Board Annual Report.
  - c. Require Departments to report upon their procurements, both major and minor.
  - d. Request Specialised Supply and Tenders Boards to provide periodic reports in relation to their activities.

- e. Monitor and analyse trends in procurement (major and minor) within departments and provinces.
- f. Conduct procurement audits and inspections in conjunction with other empowered authorities.
- g. Recommend to the Minister of Finance and Treasury, through the Department of Finance changes necessary to the Public Finances (Management) Act, Regulations, and Financial Instructions for the effective control and management of procurement.
- h. Recommend to the Minister of Finance and Treasury, through the Department of Finance changes necessary to the delegated jurisdiction and authority of Provincial and Specialised Supply and Tenders Boards.

#### **DIVISION 4 – ACCOUNTABILITY AND REPORTING ARRANGEMENTS**

14. The accountability and reporting arrangements have been structured to support the principles of transparency and accountability.

15. The diagram below summarises the Annual Reporting arrangements.



#### **16. Central Supply and Tenders Board:**

The Central Supply and Tenders Board is responsible and accountable to the Minister of Finance and Treasury.

17. The Chairman of the Central Supply and Tenders Board is to provide the Minister with an "Annual Report" detailing the Boards activities during the

previous calendar year, by 31st May of the current year. At a minimum this report must include:

- a. Chairman's Summary
  - b. Board Structure
  - c. Board "Mission" and Level of Delegated Authority
  - d. Description of Board Operations for the Year including:
    - 1) Departments using the Boards Services, and
    - 2) Number of Meetings Held during the Year
    - 3) The Value and number of contracts awarded by the Board in summary form
    - 4) A list of contracts awarded by the Board including a brief description of the work, company awarded, and value of the contract
    - 5) A list of contracts awarded by the Board during the year by Certificate of Inexpediency, including a brief description of the work, company awarded, and value of the contract
    - 6) A list of contracts awarded by the Board during the year where the application of the Economic Development Surcharge has altered the outcome (selected tenderer) of the tender.
  - e. A summary of the operations of Supply and Tenders Boards that are supervised by the Central Supply and Tenders Board including:
    - 1) A list of the Supply and Tenders Boards supervised
    - 2) A list of contracts awarded by each supervised Board including a brief description of the work, company awarded, and value of the contract
    - 3) A list of contracts awarded by the each supervised Board during the year by Certificate of Inexpediency, including a brief description of the work, company awarded, and value of the contract
  - f. A summary of any contract audit and training activities conducted by the Board during the year
  - g. Future Directions for GoPNG procurement
18. The Minister will present the Annual Report to Parliament by 30th June of the year subsequent to which the report refers.

**19. Provincial Supply and Tenders Boards:**

Provincial Supply and Tenders Boards are required to provide the Central Supply and Tenders Board with details of their operations for publication in the Annual Report.

20. Each Supply and Tenders Board is required to submit to the Central Supply and Tenders Board by 31st March of the current year the following information in relation to the previous calendar year:

- a. The jurisdiction and delegated authority of the Board
- b. A list of contracts awarded by the Board including a brief description of the work, company awarded, and value of the contract
- c. A list of contracts awarded by the Board during the year by Certificate of Inexpediency, including a brief description of the work, company awarded, and value of the contract
- d. Details of any matters which are inhibiting the Boards ability to:
  - 1) Achieve "value for money" in major procurements, or
  - 2) Apply the law or good practice in relation to procurement.
- e. Any other information reasonably required by the Central Supply and Tenders Board.

21. The Central Supply and Tenders Board may (independently, or in conjunction with other legislatively empowered officers (eg Auditor Generals Office)), require Provincial Supply and Tenders Boards to provide details of:

- a. Contracts executed, and
  - b. Board minutes, and
  - c. Conflict of Interest Register,
- for independent scrutiny.

**22. Other Specialised Supply and Tenders Boards:**

Other Specialised Supply and Tenders Boards are requested to provide the Central Supply and Tenders Board with details of their operations for publication in the Annual Report.

23. Each Supply and Tenders Board is requested to submit to the Central Supply and Tenders Board by 31st March of the current year the following information in relation to the previous calendar year:

- a. The jurisdiction and delegated authority of the Board



- b. A list of contracts awarded by the Board including a brief description of the work, company awarded, and value of the contract
  - c. A list of contracts awarded by the Board during the year by Certificate of Inexpediency, including a brief description of the work, company awarded, and value of the contract
  - d. Details of any matters which are inhibiting the Boards ability to:
    - 1) Achieve "value for money" in major procurements, or
    - 2) Apply the law or good practice in relation to procurement.
  - e. Any other information reasonably required by the Central Supply and Tenders Board.
24. The Central Supply and Tenders Board may (independently, or in conjunction with other legislatively empowered officers (eg Auditor Generals Office)), request Other National Supply and Tenders Boards to provide details of:
- a. Contracts executed, and
  - b. Board minutes, and
  - c. Conflict of Interest Register,
- for independent scrutiny.
25. **General:**
- The Minister of Finance and Treasury may remove (by notice in the National Gazette), the delegated authority of any Provincial or Specialised National Supply and Tenders Board not complying with the requirements specified in Division 3 or Division 4, Part 14 of the Financial Instructions.

## **DIVISION 5 – SUPPLY AND TENDERS BOARD PROCEDURES**

26. All Supply and Tenders Boards are to maintain written procedures, which comply with the Public Finances Management Act, Regulations, and Financial Instructions.
27. A template copy of Supply and Tenders Board Procedures is available from the Central Supply and Tenders Board.
28. These procedures are to be adhered to; failure to do so, will constitute an offence under the Public Finance Management Act.
29. The Central Supply and Tenders Board is able to provide Supply and Tenders Boards with template bid documents consisting of:

- a. Conditions of Tender
  - b. Specification and Scope
  - c. Conditions of Contract
  - d. Tenderer Response Sheets
- on request.

30. The templates cover:

- a. Works
- b. Goods and Services, and
- c. Major Consultancies

## **DIVISION 6 – COMPLAINT HANDLING**

31. All Supply and Tenders Boards must have written complaint-handling procedures.
32. Organisations directly involved in a major procurement may lodge complaints in relation to Supply and Tenders Board decisions to award tenders, or Certificates of Inexpediency, where the complainant organization has been directly involved in the procurement process. (eg tenderers, departments using the contract, genuine potential suppliers that may have been excluded from the procurement process)
33. Complaints should be resolved at the lowest possible level – preferably by the complainant and the Supply and Tenders Board.
34. If a complaint in relation to a Supply and Tenders Board decision is unable to be resolved with the Supply and Tenders Board, then the Complainant may request the Ombudsman Commission to review the process that led to the decision.

## **DIVISION 7 – RECORD KEEPING**

35. In order to ensure efficient administration is in place, and a proper audit trail of all major procurements is kept, Supply and Tenders Boards must maintain the following minimum level of records:
- a. Meeting Agenda for all Supply and Tenders Board meetings
  - b. Meeting Minutes Signed by all of the Supply and Tenders Board members present at the meeting in question
  - c. A contract file for each contract entered into

- d. Contract Register
- e. Conflict of Interest Register

These records must be maintained for a period of 6 years after the completion of the contract. Please note, the maintenance of the above records is a minimum requirement; good practice may require the keeping of additional records.

36. The contract file must contain as a minimum:

- a. A copy of the bid documents issued to tenderers (where the contract was formed through a tender process)
- b. A copy of the Tender advertisement (where the contract was formed through a tender process)
- c. A copy of each tenderers offer (where the contract was formed through a tender process)
- d. A copy of the report recommending the Preferred Supplier to the Board
- e. An extract from the Board minutes detailing the Board's Selected Supplier
- f. A copy of the signed contract agreement
- g. Documentation verifying that the contract has been completed (once the contract has been completed)

37. The Contract Register must contain the following minimum information:

- a. Description of Goods or services to be supplied
- b. Description of the Procurement Process used to award the contract (generally Public Tender or Certificate of Inexpediency)
- c. Company Awarded the Contract
- d. VAT Number of the Company Awarded the Contract
- e. Value of the Contract
- f. Date the Contract was awarded
- g. Date on which the Contract was Completed or terminated

38. The Conflict of Interest Register must retain the following minimum information:

- a. Name of the Board member declaring a "Conflict of Interest" situation,

- b. Description of the procurement in relation to which the conflict of interest was declared,
- c. Action taken by the Board member as a result of the conflict of interest situation, and
- d. Date on which the conflict of interest was declared.

## **PART 15 – SPECIAL PROCEDURES FOR CERTAIN CLASSES OF EXPENDITURE**

1. These Special Procedures are in addition to the other procurement procedures outlined within the Financial Instructions.

### **DIVISION 1 - OFFICIAL OVERSEAS TRAVEL**

#### **2. Overseas Travel Committee (OTC):**

Each Departmental Head will form his Departmental Overseas Travel Committee from among his most senior officers with himself as the Chairman, to approve his officers' travel within the allocations given to the Department and in accordance with the overall policy directives from the Principal Committee.

#### **3. Request for Official Overseas Travel:**

- a. Individual trip proposals will be handled by the Departmental OTC.
- b. Training travel will be approved by the Head of the Department responsible. The standard form "Overseas Training Evaluation and Recommendation Sheet" shall be forwarded to the Staff Development and Training Unit of the Department.
- c. In respect of travel by officials in a team led by a Minister, approval should be sought by the organiser as part of the approval process for the Minister's tour programme, from the Prime Minister or delegated authority.
- d. Travel requests should continue to have the endorsement of the Minister of the Department before travel.

#### **4. Travel by Departmental Heads:**

- a. Overseas travel for Departmental Heads must be approved by the Minister responsible.
- b. Departmental Officers seeking approval for overseas travel will apply to the Department Head and Internal Overseas Travel Committee (OTC).

#### **5. Travel Financed by External Aid Agencies:**

- a. A nomination form and prescribed reports must be completed by the applicant and submitted with the request in the prescribed form (available from the Budget Division, Department of Finance) to the OTC.
- b. Donor financed overseas travel, after consideration by the Departmental OTC will continue to be referred to the Department of Finance for approval.

A copy of approval from the Department of Finance must be enclosed with the request for processing claims for overseas travel.

## **6. Budget Provision:**

- a. Travel costs are to be charged to the relevant vote - recurrent or projects.
- b. Where the tour is financed by External Aid Agencies, cash received from them should be credited to the revenue head and tour expenditure charged to the appropriate vote, unless the aid agencies provide assistance in kind (such as providing airline tickets).
- c. It must be ensured before submitting requests that funds are available.

## **7. Advice of Decisions:**

In the case of donor financed travel, OTC approval is referred to the Department of National Planning for fund consideration, decision and advice.

## **8. Control Of Funds:**

Overseas Travel allocations are appropriated under each Department and administered by Departmental Heads through issuance of Cash Fund Certificates, based on Warrant authority for the purpose.

## **9. Ticketing:**

- a. When travel costs are met by the Government, ILPOCs for air tickets and travel allowances will be processed by Administrative Support Services within the Department.
- b. Departments should use the standard form (OTC-1) for processing proposals. A copy of the approval form should be sent to Administrative Support Services within the Department for action to be taken.

## **10. Increase in Departmental Allocations:**

Prior recommendation of the OTC should be obtained before requesting the Department of Finance to provide additional funds or transfer of funds to the Departmental overseas travel vote. This will be done only in exceptional circumstances.

## **11. Reports:**

- a. Except in the case of Departmental Heads, a report must be lodged by the travelling officer (in the case of group travel, by one officer on behalf of the group) within 2 weeks of return to the Departmental Head or Supervisor. It is the responsibility of Departments to ensure that travellers are aware of this requirement. A copy of such a report should be forwarded to the OTC.

- b. For purposes of monitoring Departmental Overseas travel, a return should be submitted to the Secretariat of the Principal OTC on form OTC-2 within 2 weeks following the month to which the return relates. A monthly "NIL" return should be submitted if travel has not taken place.

#### **12. Expatriate Staff Travel:**

- a. In exceptional cases, approval may be given for an expatriate officer to travel overseas on duty. In such cases, it is expected that a national officer will also travel as an understudy. The submission must fully justify expatriate staff travel.

### **DIVISION 2 - AIR CHARTERS (INCLUDING HELICOPTER CHARTERS)**

#### **13. Approval by Departmental Head:**

- a. Notwithstanding the delegations given under Section 32 of the Public Finances (Management) Act, any request for engaging air charters should receive the personal approval of the Departmental Head on requisition form FF3.

#### **14. The following guidelines should be taken into account before engaging air charters:**

- a. Scheduled air services are to be utilised unless the charter is economically advantageous.
- b. Maximum utility in the use of air charters must be obtained by co-ordinating with other likely users and arranging back-loading wherever possible.
- c. As far as possible official tours should be based on the flight schedules of scheduled air services (unless the air charter is more economical).

#### **15. Provincial Governments:**

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.

#### **16. National Departments:**

Cost of air charters in relation to National functions should be charged to the Departmental votes.

#### **17. Sharing of Cost – Patient Referrals:**

In respect of cost of air charters for patient referrals from rural aid posts to Provincial hospitals or Base hospitals and the repatriation of patients, the

charter costs will be borne by the National and Provincial Governments as follows :

a. National Government

The Department of Health will pay from their Vote for the cost of transferring patients from Aid Posts and Health Centres to the Provincial Hospital or from a Provincial Hospital to a Base Hospital. All patient referrals must have the approval of the Provincial Health Officer who will authorise the necessary commercial or charter flight.

b. Provincial Government:

The Provincial Division of Health from their Air Charter allocations will pay for the cost of repatriating patients from the Provincial Hospital back to the Aid Post or Health Centre from which the patient came. All patients repatriated must have the approval of the Provincial Administrator for their return travel.

**18. Unused Space:**

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.

**DIVISION 3 - ENGAGING OF CONSULTANCY SERVICES**

19. agency Votes, shall be the responsibility of the Departmental Head. If the amount exceeds K100,000., Agencies should submit their requisitions (with an APC), with the Departmental Head's recommendation to the appropriate Tenders Board.

**20. Terms and Conditions of Engagement:**

While the terms and conditions will be governed by the agreement with the consultants, the following points should be borne in mind:

- a. Fees: These vary considerably depending on the type of consultant being engaged but they should be shown clearly in the terms and conditions of employment.
- b. Fares: Fares should not exceed economy class and while estimating the cost, fares from and to place of engagement and internal travel should be taken into account.



- c. **Accomm:** If fees do not include cost of accommodation, daily allowance at an agreed rate may be paid to cover it. The daily allowance rate should be so fixed as to cover reasonable average cost of boarding and lodging at hotels (other than expensive tourist hotels) and exclude liquor charges and trunk calls.

**Note:** *ILPOCs may be issued for purchase of airline tickets.*

- d. **Incidentals:** Incidental allowance of K4.00 per day may be allowed (if included in the agreement) to cover such items as phone calls, laundry etc.

It is stressed that with the exception of travel arrangements, all expenses incurred in relation to consultants are to be paid in cash.

## **DIVISION 4 - OFFICIAL ENTERTAINMENT EXPENSES**

### **21. General Principles:**

Expenditure on hospitality to visitors or entertainment may be incurred officially by senior officers or Departmental Heads if such expenditure is justified for public purposes. The expenditure may be incurred out of the entertainment allowance payable to them, in accordance with the terms, conditions and entitlements available in their employment contracts.

### **22. Expenditure from outside the Allowance:**

- a. 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.
- b. Requisitions for approval for such entertainment should be submitted to the Paying Office with the following information at least 48 hours in advance except when the functions are held at short notice:
- Place of entertainment
  - Guest list
  - Estimated cost
- c. Officers are to refer to the Department of Personnel Management to determine the allowable rates per head.

### **23. Entertainment Allowance for Overseas Travel:**

Departmental Heads or other Departmental Officers travelling overseas and wishing to take an entertainment allowance should note that the lead time required to provide an advance is 48 hours.

24. Where there is more than one person going overseas on official duty, an entertainment allowance will only be given to the Head of Mission.
25. Departments are to ensure that their officers taking an entertainment advance on overseas tours, acquit the advance with relevant supporting documents immediately on their return.
26. The current rates for Overseas Travel Entertainment Allowance should be ascertained from the Department of Personnel Management.

## PART 16 – TRUST FUND AND TRUST ACCOUNTS

### 1. Trust Fund

- 1.1 **The Trust Fund** is part of the Public Account according to **Section 10 of the Act**. All public moneys are payable into either the **Trust Fund** or the **Consolidated Revenue Fund** depending on the nature of the receipt.
- 1.2 **The Trust Fund** consists of a number of trust accounts established under **Section 15 of the Act**. The aggregate of the balances in the individual trust accounts constitutes the **Trust Fund** balance. Public moneys are payable into the Trust Fund only if such payments are within the specific scope of any individual trust account; otherwise such moneys must be paid into the **Consolidated Revenue Fund**.

### 2. Categories of Trust Accounts

- 2.1 Trust Accounts have been established to account for the following types of transactions or funds:
- (i) *Moneys held in trust for third parties.*
  - (ii) *Revolving or working capital funds provided for certain Government, commercial or trading operations.*
  - (iii) *Suspense or other transitory transactions which are to be held in special accounts until they are transferred to the final accounts.*
- 2.2 The Trust Accounts have been divided into the following categories in the Trust Funds Account Code for accounting purposes. (for example, See Appendix 1)
- Category (a): Finance Operating Trust Accounts
  - Category (b): General Trust Accounts
    - (i) *with bank account*
    - (ii) *without bank account*
  - Category (c): Investment Trust Accounts
  - Category (d): Project Trust Accounts

The balances standing to the credit of the Category (c) trust accounts must be invested, whereas investment is discretionary in the case of Category (b).

## 2.3 Finance Operating Trust Accounts:

These are asset or clearance accounts and are of 2 types:

- (i) *With separate Bank accounts - the Waigani Public Account (WPA), Operating Accounts of Provinces, Drawing Accounts of self-accounting national departments are examples;*
- (ii) *Non-bank Accounts - Examples are the Permanent Advances, Other Advances, Bank Transfer to WPA, Cash in Transit, and Salaries Clearance Account. Assets represented by balances in these trust accounts are represented by a corresponding liability reflected in balances in the Consolidated Revenue Fund and the General Trust Fund Account.*

## 2.4 General Trust Accounts:

General Trust Fund Accounts may be categorised into 2 types: (i) those with separate bank accounts (Trust Accounts of Public Curator, Registrar of National Court, Public Solicitors, General Hospital Welfare, World Bank, ADB, Correctional Services, Stabex Entitlement, Police Messing, POM General Hospital Fees are examples of these trust accounts ), and (ii) those without separate bank accounts and which operate through Waigani Public Account ( Plant & Transport Trust, Vocabulary Stores Trust, Trust Account for each Provincial Government, Trust Account for Hospital Fees are examples of this type of trust ).

The liability for balances in the first category (General Trust Fund Accounts with bank accounts) is represented by moneys held in separate bank accounts for these trust accounts. Similarly the liability for trust account balances in the second category (General Trust Fund Accounts operating through the Waigani Public Account) is represented by a corresponding balance held in the WPA.

## 2.5 Investment Trust Accounts:

Amounts paid into trust accounts such as Motor Vehicle Dealer's Deposits, Mineral Resource Stabilisation Fund, National Emergency Fund must be invested. The liability represented by account balances in these trust fund accounts is represented by cash balances held in the bank accounts under the category "Trust Investment Accounts".

## 3. Basis of Trust Accounts

- 3.1 Trust Accounts (other than Finance Operating Trust Accounts) are created either by trust instruments signed by the Minister for Finance and Treasury or specific provision in a law.

- 3.2 Where a trust account is created under a trust instrument, the terms of the trust will govern receipts, payments, investments and income from investments, in relation to that trust account.

#### **4. Establishment of Trust Accounts**

- 4.1 Section 15 of the Public Finances (Management) Act 1995 provides that Trust Accounts may be established as directed by the Minister or prescribed by any other law -

- \* to receive moneys held by the State as trustee
- \* to receive the proceeds of commercial or trading activities carried on by any arm, agent or instrumentality of the State.
- \* for such other purpose as may be approved by the Minister.

- 4.2 According to Section 19 (2), & (3), Departmental Head responsible for a Trust Account shall ensure the proper management and operation of that Account. The Departmental Head before the commencement of each fiscal year submit to Secretary for Finance, in the prescribed form an estimate of receipts & payments expected to be made into and withdrawn from the Account.

- 4.3 As a general rule, Departments will not be allowed to open trust accounts where the normal appropriation and revenue accounts under the Consolidated Revenue Fund (with suitable memorandum records, where necessary) would suffice.

- 4.4 Where the need for opening a trust account is specifically felt, the implementing agency will address the Department of Finance giving the following details:

- (a) Special advantage in opening the trust account
- (b) Purposes for which the trust account will be used
- (c) Sources of revenue
- (d) Specific objects on which moneys from the Account will be spent
- (e) Persons (name and designation) authorised to operate the account.

- 4.5 If the Department of Finance is satisfied, a trust instrument will be drawn up in consultation with the originating Department and the State Solicitor and submitted to the Minister for Finance and Treasury for consideration and approval.

- 4.6 Departmental Head responsible for a particular Trust Account will submit within seven (7) days after the end of each month, details of transactions of the Trust Account.

## **5. Banking Arrangements and maintenance of Account**

- 5.1 Normally trust accounts, being part of the Public Accounts, will not be allowed special banking arrangements. Instead, receipts and payments will be accounted for by Provincial and District Treasuries or Department of Finance in Port Moresby.
- 5.2 However, in special cases (such as projects substantially financed by contributions from foreign countries or agencies and where the contributors require such a facility or where projects are likely to be converted into statutory authorities after a period), there is no objection to allowing a special banking facility.
- 5.3 Where a special bank account is to be opened for a trust account, the following requirements should be kept in view:
  - (a) A bank account may be opened at the Bank of Papua New Guinea or any commercial bank, but no account should be opened without specific prior approval from the Department of Finance.
  - (b) Implementing agencies should ensure that a statement of cash account is submitted to the Public Account of the Department of Finance for each month not later than seven days after the end of the month, unless a different period is allowed under the trust instrument. The receipts and payments during the period and the closing balance should be accompanied by bank reconciliation statements. This is necessary for incorporation of the trust transactions in the monthly and quarterly Statement of Public Accounts compiled by the Department of Finance.

## **6. Payment into Trust Accounts**

The following moneys will be paid into a trust account:

- (a) Moneys appropriated for the purpose of the trust account.
- (b) Sale proceeds of assets purchased from the trust account and other receipts which are allowed by the trust instrument to be credited to the trust account.
- (c) All moneys paid by any person for the purpose of the trust account specifically provided for in the trust instrument.

## **7. Payments out of Trust Account**

Moneys may be paid out of the trust account only:

- (a) for the purposes of the trust account or as authorised by a law
- (b) if there is sufficient credit balance in the account, and
- (c) in accordance with the estimate of receipts and payments submitted by the departmental head for each fiscal year to the Secretary, Finance and as approved by the latter.

## **8. Trust Accounts Reconciliation**

- 8.1 It is the responsibility of Departmental Heads to ensure that all Trust Accounts under their control are reconciled on a monthly basis with copies sent to Accounting Frameworks and Standard Division, Department of Finance no later than 14 days of the close of each month.
- 8.2 Failure to comply with the provisions of the Act and the conditions of the Trust Instrument may result in actions being taken as stated below.

## **9. Moneys at Credit of Trust Account not to Lapse**

Moneys standing to the credit of a Trust Account at the end of a fiscal year shall not lapse at the end of that fiscal year and will be carried forward to the next year.

## **10. Management of Trust Accounts**

As a general rule, where a trust account has been established to meet the specific needs of a Department, the Head of that Department is responsible to ensure proper management and operation of that account in accordance with **Section 19 of the Act**.

## **11. Suspension of Trust Accounts**

The Secretary for Finance at his discretion 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.

## 12. Transfer to Consolidated Revenue Fund

The Secretary for Finance in consultation with the Departmental Head responsible for the Trust Account may authorise the transfer of any surplus in that Trust Account to the Consolidated Revenue Fund.

## 13. Control of Trust Expenditure

### 13.1 Section 19 of the Public Finances (Management) Act, 1995

prescribes that before the commencement of each fiscal year, the Head of the respective implementing agency with the management of Trust Account shall submit to the Secretary, Finance an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year. These estimates should be submitted in the form prescribed by the Secretary, Finance.

### 13.2 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.

These requirements relate to purchase of goods and services and stores procedures. To comply with this provision and requirements, the head of the implementing agency responsible for the management of each Trust Account should make suitable purchasing arrangements.

### 13.3 Heads of implementing agencies responsible for Trust Accounts should appoint agency officers to take decisions on expenditure from Trust Accounts and lay down the financial limits up to which requisitions for expenditure from trust accounts can be approved by agency officials. The financial limits will vary according to the purposes viz. capital purchase, capital works, maintenance and other expenditure activities. Where the amount of an individual transaction exceed the authorise limit of the agency official it should referred appropriate Section 32 officer for approval.

### 13.4 Financial Delegates entrusted with commitment control and other duties, and authorised to make payments and implement expenditure decisions taken by **Section 32 officers** in respect of expenditure from the **Consolidated Revenue Fund** may be entrusted with same or similar responsibilities in respect of expenditure from the Trust Account. Heads of agencies responsible for Trust Accounts should take a decision in this respect or make suitable alternative arrangements.

### 13.5 Section 19(4) of the Public Finance (Management) Act, 1995 prescribes that the Head of an implementing agency responsible for a Trust Account shall maintain such records pertaining to the Account as are prescribed, and submit them at the end of each fiscal year to the



Secretary for Finance. Heads of implementing agencies may delegate this responsibility and designate officers who shall maintain the prescribed records. However, the responsibility to submit records at the end of each fiscal year to Secretary, Finance cannot be delegated and the prescribed records should be submitted no later than 2 months after the expiry of each fiscal year.

#### **14. Use of Finance Forms**

14.1 Expenditure of moneys from Trust Accounts is to be processed on the prescribed Finance Forms such as Requisitions for Expenditure, ILPOC, and General Expenses (FF3, FF4, FF4A) and related forms, with the following modifications:

- a) The name of the Trust Account and Code should be indicated in place of the Vote Number.
- b) The column for Cash Fund Certificate Number will be left blank.
- c) The officer or officers authorised to draw money from a trust account in terms of a trust instrument or appropriate law (or an officer approved for the purpose by the Department of Finance, in other cases) will sign in the place meant for the Financial Delegate's signature.

14.2 Official receipts (FF132) are to be issued for moneys received to the credit of a trust account.

#### **15. Paying Office Procedure**

A Paying Office, before authorising a payment from a Trust Account, should satisfy itself that there is sufficient credit in the relevant trust account. Where a Trust Account ledger is maintained solely in a Paying Office, the Paying Office should refer to the ledger balance before authorising payment. If transactions relating to a Trust Account take place in more than one Paying Office, authorising officers should ascertain the balance in the Trust Account from the Trust Section of the Department of Finance by telephone or other expeditious means.

#### **16. Investments**

16.1 Investments are made from Trust Accounts by the Department of Finance if the terms of the trust provide for investment and in other cases, if there is surplus cash balance. Such investments are part of the **Trust Fund**.

16.2 Income from the investments will be credited to the appropriate Trust Account if so required under any law or a trust instrument. Otherwise, it will be paid into the **Consolidated Revenue Fund**.

## **17. Unclaimed Trust Fund Moneys**

In accordance with **Section 20 of the Act**, all moneys standing to the credit of the **Trust Fund** that have remained unclaimed for not less than six years after they have become payable shall be paid to the **Consolidated Revenue Fund**. Generally, unclaimed moneys are held under the Unclaimed Moneys Fund Trust Account in terms of the **Unclaimed Moneys Act (Chapter 326)** and this trust account should be reviewed quarterly and action taken to transfer the unclaimed moneys to revenue.

## **18. Closing of Trust Accounts**

18.1 Trust Accounts should be reviewed periodically and where they are not required for the purposes for which they were established, a report should be made to the Minister for Finance and Treasury under **Section 21 (1) of the Act**.

18.2 After obtaining the Minister's approval for closing of a Trust Account, the Department responsible for the Trust Account should take steps to meet all the liabilities as expeditiously as possible. The balance left in the account should be dealt with according to any direction in the trust instrument and if there is no direction, the balance should be proposed for transfer to Consolidated Revenue Fund.

## **19. Special Procedure for certain Trust Accounts**

The procedure to be followed for the Customs Officers Overtime Trust Account is outlined in Appendix I.

**APPENDIX I - CUSTOMS OFFICERS OVERTIME TRUST ACCOUNT (COOTA)**

1. Overtime charges and 10 per cent administration fees collected from the airline companies or other customers should be paid into the nearest paying office to the credit of the above trust account (302-06).
2. Where a full-time driver is employed his overtime should also be included in the claim to the customers.

**3. Approval of Overtime:**

Collectors are authorised to approve overtime for Customs Officers who are required to work outside normal duty hours. The approval should be granted prior to overtime engagement, in writing in the form appended, and this form will be completed in duplicate.

**4. Overtime Claim:**

Overtime claims of Customs Officers with the Certificate of Hours worked should be submitted to the Paying Offices controlling the Customs Office with:

- a) the original overtime approval
- b) reference to official receipt number of payment received from customer

**5. Incidental Expenses:**

If there are expenses incidental to overtime, approval for meeting such expenses from COOTA should be obtained from the Commissioner of Customs.

The Commissioner will approve such expenses on FF4 forwarding the original to the controlling Paying Office.

**6. Paying Offices:**

- 6.1 Paying Offices should maintain subsidiary trust receipts and payments ledger and ensure that they are reconciled by the Collectors periodically.
- 6.2 They should forward copies of certified reconciliation statements monthly to the Expenditure and Cash Management Division of the Department of Finance.
- 6.3 If the claims are received after the close of the relevant year, payments should be made by Paying Offices only after obtaining prior approval from the Expenditure and Cash Management Division referred to above.

6.4 Payments shall be made by charging 460-05.

**7. Surplus:**

The Commissioner will arrange transfer of surplus in the trust account at the end of each year to 167-4 (Customs - Sundry Receipts) by a journal entry submitted to the Accounting Frameworks and Standards of the Department of Finance.

## **PART 17 – PLANT AND TRANSPORT HIRE AND GOVERNMENT PRINTING CHARGES**

### **DIVISION 1 - PLANT AND TRANSPORT HIRE**

1. The Plant and Transport Branch of Department of Transport and Works is responsible for the management of all transport units, including light mobile vehicles and the VIP fleet.
2. All requests for hire of vehicles should be addressed to PTB in accordance with the procedure prescribed by them.

Departments should keep PTB informed of any increase or decrease in the size of the existing fleet, approved by the Department of Finance as part of the annual budget for the succeeding year, as soon as approval is obtained. This is necessary for PTB to organize in advance its maintenance facility.

3. Departments should identify at the beginning of each year the transport funds required by headquarters and their Financial Delegates in Provinces and keep the Financial Delegates informed by issue of Cash Fund Certificates in accordance with the procedure prescribed in Part 5 of the Manual.
4. The following procedure is to be observed for effecting financial settlement of hire charges:

#### **4.1 Vehicles Permanently Allocated to Departments:**

##### **(a) Hire Charges and Fuel Cost.**

**Hire Charges:** Departments will issue ILPOC's at the end of each quarter for the scheduled quarterly hire charges of the ensuing quarter, after making adjustments as explained below. One ILPOC can be used for more than one vehicle but all the vehicles covered should be clearly listed on the ILPOC indicating their respective hire charges and adjustments made, for facility of examination by PTB. ILPOC should be signed by the designated Financial Delegate or Transport Officer in the Department as the Receiving Officer.

- (b) Fuel Cost :**ILPOCS may be raised as above at the end of each quarter for the estimated fuel costs of the succeeding quarter after adjustments (this is explained below).

##### **(c) Quarterly Adjustments:**

**Hire Charges:** If there are credits accruing to a Department because of non-use of the vehicles during a quarter or other reasons, suitable adjustments should be made while raising

the succeeding quarter ILPOC Form, recording such adjustments distinctly.

**Fuel:** The difference between the estimated and actual consumption during a quarter will similarly call for adjustment while raising the ILPOC form for the succeeding quarter. If the actual consumption far exceeds the estimate, PTB may demand an additional ILPOC even in the middle of a quarter.

- (d) The above adjustments should be carried out on the basis of advice from PTB and copies of such advice should be attached to the ILPOC form. If there is a delay in getting advice of credits of additional charges, payments should continue to be made on estimate and adjustments carried out in the next quarterly payment due to PTB.

## 4.2 Private Hire of Vehicles

Hire of Vehicles from hire car companies, individuals or other private agencies is not allowed except in the following cases:

- (a) To provide a vehicle to a very important foreign dignitary, when no government vehicle is available.
- (b) To provide a vehicle to an officer whose contract with the Government stipulates that a vehicle should be provided or who is entitled otherwise to a Government car, but no Government vehicle is at the time available.
- (c) For use when required by Ministers.
- (d) For use by officers who are authorised to travel to another Province on official duty away from their home station.

## 4.3 How to Hire

- (a) Where PTB is not in a position to provide Government vehicles, it will be the responsibility of travelling officers to arrange private hire.
- (b) Where PTB is not in a position to provide Government vehicles, Departments will be permitted to issue ILPOCs to private agencies directly.
- (c) ILPOCs will be issued by Departments after taking commitment action for the estimated cost of the vehicle hire. On termination of the hire agreement, PTB (or the private hirer) will complete the ILPOC as to the exact hire period, the actual hire charge ascertained from the company, and the Receiving Officer's Certificate on behalf of the user.

After endorsement, the triplicate ILPOC will be forwarded to the Financial Delegate with one copy of the hire company's invoice; original, duplicate and quadruplicate will be sent to the hire company (who will obtain payment from the paying office indicated on the form).

Note: The name of the actual user and designation should be clearly shown on the ILPOC and requisition to prevent misuse of the private hire facility. Any unauthorised endorsement on ILPOC or variations or corrections to them will render the ILPOCs invalid and result in denial of payment.

- (d) If private hire is anticipated to extend for two weeks, or more, approval must first be obtained from the Department of Finance before hiring a private vehicle.

## **5. Maintenance and Other Services to Departmentally Owned Fleet**

ILPOC forms are to be used by Departments for obtaining such services from Plant and Transport Branch Workshops.

## **6. Vehicles Used by more than One Department**

In order to make rational use of the vehicles, Provincial Transport should be co-ordinated between Departments. If a vehicle is thus utilised by more than one Department during a trip, the predominant user should bear the costs in order to avoid complicated financial adjustments.

## **7. Payment Procedure**

### **7.1 Provincial Offices:**

Where transport funds have been allocated by National Government Departments to their Financial Delegates in the Provinces, ILPOCs are to be made payable at the respective Provincial Treasury Offices. Plant and Transport Office and Private Hire companies will forward duly completed ILPOCs (original and duplicate) to the respective Provincial Treasury Office. Similarly, claims relating to Provincial Governments should also be forwarded to the respective Provincial Treasury Offices.

### **7.2 Headquarters of National Government Departments:**

Where National Government Departments have raised ILPOCs against transport funds retained in respective Headquarters (Port Moresby), they should be made payable at their respective paying offices.

### 7.3 Forwarding of Claims:

- (a) ILPOC's received by the Provincial PTB Offices will be forwarded by them as follows:

TO                                      IN RESPECT OF

Provincial Treasury (i)      Provincial Government

(ii)      Financial Delegates of National Government  
            Departments holding funds in the Provinces.

PTB Headquarters      All other claims.

- (b) PTB Headquarters and Private Hire companies will submit the claims in batches (with schedules) to the respective Self Accounting Departments having their own drawing accounts or National Parliament, and Judiciary, as the case may be.

- 7.4 **Payment:** Payments on ILPOC's lodged by PTB and Private Hire companies will be made by cheque.

## DIVISION 2 - GOVERNMENT PRINTING CHARGES

8. Requests for printing on behalf of the Government and requests for Government forms, Gazettes, Accountable forms and other forms should be addressed to the Government Printing Office (GPO).
9. Except for the forms stated in 8, all other printing requirements may be obtained on competitive bidding from private printing firms.

### 10. Funds Control

In respect of all printing jobs, the Departments should as far as possible retain the funds in the headquarters (sending memorandum advices to Financial Delegates, where required) in order to facilitate quick financial settlement.

### 11. Publication in the National Gazettes

- 11.1 All Departments (including Provincial and Local-level Governments) will submit their gazettal notices to the Government Printing Office for publication after obtaining necessary endorsement from appropriate authorities.
- 11.2 All costs in respect of National Gazettes are to be borne by the respective Departments and Provincial and Local-level Governments.



## 12. Finance Forms

12.1 The GPO should maintain an adequate stock of forms to meet the requirements of Departments. In respect of all accountable forms, the Department of Finance bears the cost of printing and distribution. In respect of other finance forms, the user departments are to bear the cost as determined by GPO.

### 12.2 Distribution

All Departments will obtain their requirements for Finance Forms as stated below:

#### A. ACCOUNTABLE

FORM SUPPLIER	DEPARTMENTS
Government Printing Office	Accounting Frameworks and Standards Division Department of Finance
Accounting Frameworks and Standard Division	All National Government Departments in Port Moresby
Provincial and District Financial Management Division	All Provincial Treasury Offices in Provinces

#### B. OTHER FINANCE FORMS

FORM SUPPLIER	DEPARTMENTS
Government Printing Office.....	Accounting Frameworks and Standard Division Department of Finance
Provincial and District Financial Management Division	All Provincial Treasury Offices in Provinces
Government Departments	(All National Government in Port Moresby, Departments in Provinces)

## **PART 18 – PAYROLL MANAGEMENT**

### **DIVISION 1 - GENERAL**

1. The Public Service payroll constitutes a major share of overall government expenditure and is related to the number of Public Service positions in National, Provincial and Local Level Governments approved by the Department of Personnel Management and the overall staff ceiling laid down for each year.
2. The payroll for public servants and teachers in Provincial and Local-level Governments shall be processed from Administrative, Staffing and Teachers Service Grants provided under Section 92 of the Organic Law on Provincial and Local-level Government.
3. Payroll for public servants provided under Administrative Support Grants covers the following categories of public servants:
  - (a) Offices of Provincial and District Administrators.
  - (b) Extended services of the National Departments and agencies.
  - (c) Teaching Service
  - (d) Other staff as provided for in Section 78 of the Organic Law.
  - (e) Provincial and Local Level Government Secretariat staff as provided under Section 68 (4) of the Public Service (Management) Act.
4. Recruitment of personnel into Public Service positions by National, Provincial and Local level Governments is normally not allowed unless approvals are given and included in the calculation of the Staffing Grant or Personal Emoluments.
5. Recruitment of personnel into non public service positions by National, Provincial and Local level Governments should be catered for separately by Provincial and Local level Government payroll through internally generated revenue.
6. Although this payroll is processed centrally by the Information Technology Division (ITD) of the Department of Finance for public servants, it is the responsibility of the Departmental Head to ensure the following:
  - the total staff on strength does not exceed the approved staff ceiling.
  - the payment of salaries is not made to persons who have resigned from the Public Service, or are absent from duty without approval or not eligible for salary payment for other reasons.

- the expenditure charged to the items under "Personnel Emoluments" [vote] is within the Warrant Authority, and CFC allocation and
  - the payroll expenditure is reconciled monthly with individual payments made to the staff engaged by them.
7. It is also essential that the salaries are cost coded to the right expenditure votes and that necessary amendments are made quickly, so that cost codes reflect the actual activities on which staff are engaged.
  8. Although recruitment of staff is made by the Department of Personnel Management and the payroll is processed centrally by the Department of Finance, Departmental Heads remain ultimately responsible for managing personal activities and engaging staff.

## **DIVISION 2 - PAYROLL PROCEDURES**

9. Departmental Staff Sections are responsible for providing information on salary payment to be made to national and expatriate staff respectively. The information is transmitted to the Management Information Systems (MIS), using appropriate variation advice forms issued by the Department of Finance.
10. The Departments of Education, Defence (Uniformed Personnel) and Civil Aviation process their own payroll including the payroll of expatriate staff employed by them.
11. Salaries of Officers of the Public Service may be paid direct to a bank account as required by the officer, or by cheque which may be exchanged for cash at a Government Cash Office. Pay cheques may also be negotiated at banks and bank agencies. It is usual for cheques to be issued only at provincial outstations where there is no Government Cash Office.
12. Salaries may not be paid direct to savings accounts unless prior approval is obtained from banks.
13. Where an Officer is entitled to receive salary which cannot be paid along with the normal salaries, eg., when proceeding on leave or returning from leave he will receive a "special pay". This will be paid by cheque only.
14. Where an Officer is paid by encashable cheque, the Department of Finance will forward to the Provincial Treasury an encashable cheque for the officer, which may be cashed on identification by the payee named on the cheque. Encashable cheques may also be negotiated at banks and bank agencies.
15. Where an Officer is absent from the Province (or his home station) on payday his cheque will be held until his return (if he is returning to the Province (or station) unless advice to the contrary is received from the Department of Finance.

16. Where an Officer has been transferred his cheque will be handed to the Provincial representative or officer in charge of the station who will forward it to his new post and advise Headquarters of the change.

### **DIVISION 3 - SPECIAL PAY PROCEDURE**

17. Where special pay is payable, for example where an officer goes on leave or returns from leave to duty, the Department of Finance will send a telex (or fax) authority to Provincial Treasury giving the personal file number, name of payee, variation number, date on which it should be paid, the amount of pay due and the Management Information System (MIS) cheque number. On receipt of the telex authority, a Finance Form 84 will be raised for payment. In the case of the National Capital District (NCD), cheques will be processed directly by the Department of Finance.
18. The Provincial Treasury at the time of raising FF 84 will charge the payments to the Special Pay Account.
19. In the case of the Department of Education, and Defence (Uniformed Personnel) payments of salary are made direct from Departmental Headquarters of these departments and queries are handled by them.
20. Should a telex be received for an Officer who has been transferred to another Province, no payment will be made and a telex will be sent to the Department of Finance Headquarters quoting the Finance Telex number and the name of the officer, confirming that payment has not been made or transferred. Department of Finance Headquarters will send a telex advising payment to the officer's new location.
21. When an Officer resigns, telex and facsimile advice must be sent to the staff and salary section of the employing Department. No further payment will then be made to the officer without authorisation from the Department of Finance.
22. All queries concerning an Officer's pay will be referred to the Personnel Officer of the Department employing the officer.

### **DIVISION 4 - PREPARATION OF WAGES SHEETS**

23. Officers responsible for preparing wages sheets will use Finance Form 10. Wage sheets should be prepared in quadruplicate and show the pay period, name and title of each employee, their fortnightly wage rate and tax and other deductions and the net amount due to each employee.
24. Wages Sheet will be checked by another officer who will sign in the space provided, that the rates, period, deductions additions, and other information are accurate and that the correct persons are being paid.
25. The Financial Delegate will satisfy himself that the check above has been carried out and that funds are available to meet the payment.

26. The correct vote or expenditure item and the correct Cash Fund Certificate will be written on the pay sheet.

**27. Casual Labour**

27.1 Casual labourers working on road projects may have wage sheets prepared by the officer in charge.

27.2 Overtime payable to casual labour and labourers may be included on Finance Form 10 when preparing fortnightly wages.

**DIVISION 5 - OVERTIME ETC**

**28. Overtime for Officers**

Approval must be obtained from supervisors before an officer may work any extra hours. Overtime sheets for officers of the public service will be prepared in Finance Form 83 entitled Overtime and Shift Allowance Statement.

**29. Payment Procedures – Paymaster**

Part 16 of this Manual deals in detail with the procedures to be followed by Paymasters and Assistant Paymasters, which must be read and understood by all officers whose duties cover payment of salaries, wages and overtime.

**30. Overpayment of Salaries etc**

Part 19 of this Manual provides details of procedures to be followed for the repayment of salary and wage entitlements.

## **PART 19 – PROCEDURE FOR THE PAYMENT OF SALARIES, WAGES AND OVERTIME**

### **1. Definitions**

#### **1.1 Paymaster**

A Paymaster is the person in whose name or position a cheque is drawn for payment of salaries, wages, overtime and/or who actually pays cash salaries, wages and overtime to officers and employees within the Department.

#### **1.2 Assistant Paymaster**

An Assistant Paymaster is the person who helps the paymaster in the payment of cash, salaries, wages and overtime and witnesses such payments. He may also act as Paymaster when required.

#### **1.3 Cash Office:** In all cases means a (Government Cash Office).

#### **1.4 Paying Office:** A Government Cash Office means an Accounts Section, Department of Finance, Self Accounting Departments, Provincial and District Treasury Offices or a Cash Office.

### **2. Appointments**

#### **2.1** Departments shall appoint Paymasters as required at all centres at which they are represented. The number of appointed Paymasters must be kept to a minimum - normally only one for each department at a centre.

#### **2.2** An Assistant Paymaster shall be appointed at the same time as the Paymaster.

#### **2.3** The method of appointing Paymasters and Assistant Paymasters shall be a Notice of Appointment, completed in duplicate by the Departmental representative (Provincial Treasurer or the senior Departmental Representative at an outstation or Provincial Headquarters) in the form of Appendix " A" addressed to the Paying Office.

#### **2.4** Where payment is drawn by cheque the Paying Office will complete the advice on the bottom part of the Notice of Appointment and send the original to the Bank.

#### **2.5** Duplicates of Notices of Appointment should be held by the Paying Officers. They must not give payroll cash or payroll cheques to a Paymaster and Assistant Paymaster unless a proper Notice of

Appointment for these persons is held. The Paymaster and the Assistant Paymaster shall be positively identified.

### **3. Payroll**

- 3.1 The Paymaster and the Assistant Paymaster will collect the payroll cheque together with the computer Payroll advice sheet from the Paying Officer at an approved time. This will generally be the payday, or the day before. The payroll cheque should not be collected the day before unless it is necessary to obtain the cash that day.

Collection and cashing on payday avoids security problems of over-night custody.

- 3.2 The Paying Officer will obtain an acknowledgment from the Paymaster for the cheque in a register.
- 3.3 If the payroll cheque is to be held in the Department, e.g. over-night, the cheque and pay sheets should be kept in a secure location, preferably a locked safe, and the cheque must not be signed in the space "Endorsement of Payee".

### **4. Collection of Payroll Cash**

Cash for payment may be obtained either by cashing the cheque at a Bank or Cash Office on the morning of the payday. In larger establishments, approval may be given by the First Assistant Secretary (Accounting Frameworks and Standard Division), to collect payroll cash prior to the payday.

### **5. Security of Payroll Cash**

- 5.1 Payroll cash must always be properly safeguarded in a secure safe and controlled by the Paymaster and Assistant Paymaster. Other persons should not have access to the money and preferably not to the safe. Where a safe is not available, cash should be paid immediately .
- 5.2 The money should be kept in a double lock safe wherever possible - one key being held by the Paymaster and the other by the Assistant Paymaster. Where a double lock safe is not available the money should be kept in a locked drawer of the safe or a locked cash box in the safe. The Paymaster should hold the safe key and the Assistant Paymaster should hold the drawer or cash box key.
- 5.3 Where a separate safe is not available for the safe custody of payroll moneys, the moneys will be locked in a cash box and locked in the office safe by a Senior Officer holding the safe key, in the presence of the Paymaster and the Assistant Paymaster. The Paymaster will

hold the key to the cash box. The cash box shall not be removed from the safe unless in the presence of both the Paymaster and Assistant Paymaster.

- 5.4 Neither the Paymaster nor the Assistant Paymaster should have direct access to the payroll cash by himself.

## **6. Pay Envelopes**

The Paymaster and the Assistant Paymaster will prepare pay envelopes on the basis of the computer payroll advice sheet which lists the names of the payees and the amounts due and seal them after checking.

## **7. Distribution of Pay Envelopes**

- 7.1 The Paymaster will positively identify the payee, and hand him his pay packet. The Assistant Paymaster will witness the payment and initial the pay sheet beside the payee's name. If the Paymaster and the Assistant do not know the payee, then they must ensure that he is identified by the Section Head.
- 7.2 A payee accepting his pay in a pay packet should be advised to open and check the contents in the presence of the Paymaster and the Assistant Paymaster. Payees who do not check the contents of a pay packet will have no claim on the Paymaster for any alleged shortage and they should be told this.
- 7.3 A pay packet may only be handed to a payee except where a correctly completed "Order to Pay Agent" (FF5) is held. In this case, the agent should be positively identified before the pay is handed to him. Order to Pay Agent forms must be retained by the Paymaster or Assistant Paymaster for acquittal purposes.

## **8. Acquittal Procedure**

- 8.1 After all payments have been made and before pay sheets are acquitted, the Paymaster and the Assistant Paymaster will reconcile the unpaid salaries on hand with the names on the pay sheet which have not been initialled or signed by the Assistant Paymaster.
- 8.2 Unpaid salaries, must not be held over-night by the Paymaster and the Assistant Paymaster unless adequate safe custody facilities are available.
- 8.3 The Paymaster and Assistant Paymaster will acquit the pay sheets as paying officer and witness respectively. Where no provision to this effect exists on the original pay sheet, the following certification is required, preferably at the foot thereof:-



"We certify that the persons named in this pay sheet have been paid the amount set opposite their names - (except those whose names are listed on the back)".

Signed (Paymaster).....

(Assistant Paymaster).....

The signed, marked or thumb-printed copy of the acquittance roll will be filed with the final documents.

- 8.4 All salaries must be acquitted at the Paying Office before 3.00 pm on the Monday immediately following the payday.

## **9. Repaid Salaries**

- 9.1 Unpaid salaries, shall be returned to the Paying Officer, within 24 hours, who will issue a receipt to the Paymaster acquitting the unpaid salaries.
- 9.2 The paying officer will endorse the official receipt number on the pay sheet against the name(s) of the officer(s) who did not receive salary.
- 9.3 All unpaid salaries, except National Government cheques processed by MIS, should be acquitted and credited to the vote to which they were originally charged within the same fiscal year.
- 9.4 At the completion of acquittal of all salary pay sheets for a payday, Paying Officers are to advise the Staff Section of the Department, details of all salaries repaid at their centres. For this purpose, they will complete Repaid Salaries Schedules (FF111) in triplicate and despatch on Monday following the payday as follows:

Original - Staff Section of the Department.

Duplicate - Salaries Section of Department of Finance

Triplicate - Retained (file copy)

- 9.5 Salary Repayment Register

For repayment of salary cheques generated by MIS, staff section of the Departments, on receipt of the repaid Salaries schedule will complete the Salary Repayment Register (FF 82 N) and forward it to the Management Information System (MIS). This form will enable the computer to transfer the credit to the correct Vote and update staff salary files.

- 9.6 Repaid salary should be again processed for payment to the payees by the Management Information System (MIS) only at the insistence of Departments who should validate the claim with original copy of the receipt and pay sheet, Copy of FF111, and reference to the Salary Repayment Register (FF82N).

## **10. Wages and Overtime**

- 10.1 These claims are processed manually and the Paymaster and the Assistant Paymaster while obtaining cheque for payment of wages and overtime from a Paying Office, will collect also the related wages and overtime sheets. Payments should be made only to the payees after proper identification, except where a correctly completed Order to Pay Agent (FF5) is held.
- 10.2 The procedure set out above for security of payroll cash and acquittance will also apply in making wage and overtime payments.
- 10.3 Unpaid Wages and Overtime
- (i) The Paymaster and the Assistant Paymaster will repay the unpaid wages and overtime at the Paying Office and an official receipt will be issued to them.
  - (ii) The paying officer will endorse the receipt number on the reverse of the wages sheet (FF10) or on the overtime sheet, as the case may be, against the listing of persons who did not receive their wages or overtime.
  - (iii) The repaid wages and overtime, except for wage and overtime cheques processed by MIS, will be credited by the Paying Office to the expenditure Vote to which they were originally charged.
  - (iv) When repaid wages and overtime are processed for payment again to the payees, reference to the copy of the original receipt and the wages sheet (FF10) or overtime sheet should be given on the payment form.
  - (v) Where wages and overtime are processed by MIS the same procedure should be followed for payment of repaid wages and overtime to the payees as prescribed for payment of repaid salary to the payee.
- 10.4 Generally, Wages and Overtime should be processed by the Departments. Their processing by the MIS should be done only in exceptional circumstances and subject to agreement of the Department of Finance.

## **11. Order to Pay Agent**

- 11.1 Where, for some reason, it is not possible for an officer or employee to collect his salary, wage, or overtime personally, he may appoint an agent to collect it for him, using FF5 "Order to Pay Agent" Form.

An order to pay an agent shall not normally be recognised unless the Department, a Provincial Officer, a Certifying Officer or such other officer as approved by the Secretary for Finance approves in writing on the FF5 for a person to act as agent of a payee.

- 11.2 The Order to Pay Agent (FF 5.) shall be signed by the claimant (payee) and signed by the agent in the claimant's presence. A separate Order to Pay Agent is required for each payment to an agent.

- 11.3 When making payment to an agent the Paymaster and the Assistant Paymaster must positively identify the agent, determine that the appointment is correct and check the agent's signature against the specimen on the FF5.

Payment will then be made in the normal manner and "Order to Pay Agent" will be clearly marked against the payee's name on the pay sheet. The Order to Pay Agent form must be attached to the original pay sheet and returned to the Paying Officer when acquitting the pay sheet(s).

## **12. Electronic Transfers**

Processed payroll is e-mailed to the banks in the form of "bank files". This procedure is followed by remittances of payroll cheques to the banks. Upon receipt of the payroll cheque, the bank on the basis of the "bank file" credits to the accounts of the payees. This procedure is soon to be replaced by direct transfers electronically.

**APPENDIX A (Paragraph 2) - NOTICE OF APPOINTMENT**

Ref No.....

.....

Location:.....

.....

(PAYING OFFICE)

Date:.....

**APPOINTMENT OF PAYMASTER AND ASSISTANT PAYMASTER**

In terms of Part 15 of the Finance Manual, the persons authorised to be Paymaster and Assistant Paymaster for

.....

Section/Branch

.....

Department

.....

Location

are Paymaster.....Assistant Paymaster.....

(full name)

(full name)

and certified signatures

are.....

\* In the event that either of the above named persons is absent then

..... whose certified signature is .....

(Full name)

is authorised to carry out the duties of Paymaster or Assistant Paymaster during the period of absence of the particular officer.

Appointment Approved .....(Signature)

.....(Signature).....

(Designation)

.....DEPARTMENTAL REPRESENTATIVE

(Designation)

.....

(PAYING OFFICE)

\* Delete this paragraph if appointment of a substitute officer is not desired.

**FOR PAYING OFFICE USE ONLY**

The Manager

.....

.....

.....

The above appointment relates to cheques drawn by this office on .....  
Account at .....for cash pays for the Department.....at  
.....

Would you please ensure that any cheque drawn in favour of the "Paymaster" at  
such establishment submitted to you for cash is properly endorsed by one of the  
above appointed persons.

Signature.....

Designation.....

(PAYING OFFICE)

## PART 20 – ADVANCES MANAGEMENT

### Purposes

1. Advances to an officer are allowed only for the following purposes:
  - (a) Maintenance and operations of a cash office.
  - (b) Travelling expenses.
  - (c) Payment of salaries, wages and allowances.
  - (d) Recreation leave or furlough leave due to the officer.
  - (e) Payments that cannot conveniently be made at a cash office.
  - (f) Any other matter approved by the Secretary for Finance
2. Section 32 officers are empowered to approve advances up to the limit of their delegation.
3. An officer shall not use an advance for a purpose other than that for which it was made.
4. Acquittal of an Advance is the personal responsibility of the Holder of the Advance and advances cannot be transferred from one person to another.

**Exception: An advance for maintenance and operation of a cash office can be transferred with the approval of the appropriate Section 32 officer.**

5. Authorising Officers in Paying Offices are responsible for maintaining proper records of all advances paid under their authorisation.

### 6. Station Imprest Advance

- 6.1 **An Imprest Advance** is held by each cash office on the basis of cash required for a normal fortnight's payment.
- 6.2 There will be a threshold amount set for each cash office as a minimum amount and maximum amount of cash on hand at any point in time.

**Maximum Amount-** this is the cash amount which the cash office may hold at any point in time.

**Minimum Amount-** this is the cash amount in which the Cash Office should replenish to restore the imprest to the maximum amount.

6.3 Cash may be obtained from authorised sources only and the advance will be held by a senior officer, normally the officer-in-charge of the station, and recorded at the Provincial Treasury Office in the provinces.

6.4 The advance holder is responsible for any deficiency or surplus disclosed in the advance.

#### 6.5 Recording of Payments

All payments of accounts will be recorded on Payments Schedule (FF 11) in duplicate.

#### 6.6 Reconciliation of Advance

Accounting for moneys paid and collected as per Payments and Receipts Schedules should be entered onto **Finance Form 13 Statement of Receipts and Payments**.

#### 6.7 Replenishment

(i) Where the cash on hand is depleted to the minimum amount, a request for replenishment should be submitted with the Reconciliation of Advance form (FF13) to the Provincial Treasury Office and covered by currency packing notes.

(ii) On receipt of replenishment request, the Provincial Treasury will check the advance reconciliation and payment schedule, and will process the required replenishment.

### 7. Special Advance

Provincial Treasury Offices may make advances for such special payments as land purchase, and land compensation, on the application of the officer-in-charge of a Cash Office.

### 8. Temporary Cash Advances (Outstation)

8.1 Temporary cash advances may be made to Government Officers for approved purposes only and should be recorded in the **Advances Schedule (FF 14)**. Details will include the name of the officer, the amount and purpose of the advance, and the date of repayment. Prior approval of the advance must be given by the appropriate **Section 32 officer**. The advance must be signed for by the receiving officer.

8.2 Acquittal of Temporary Advance Form (FF108) may be used as a combined record and payment form for acquitting temporary cash advances. Such advances may include the purchase of fresh food, firewood and patrol expenses.

- 8.3 Agricultural officers purchasing cash crops will continue to use **Produce Purchase Dockets**.

8.4 Repayment

Advances must be repaid in full as early as possible where no repayment date is specified and precisely on the date of repayment where this is a condition of the advance.

**9. Temporary Cash Advances (Other than Outstations)**

- 9.1 When cash advances are made by Provincial Treasury Offices the special procedures set out below will apply.

- 9.2 A temporary cash advance will be brought to account as expenditure at the time it is made. It follows from this that:

- (a) no advance can be made unless funds are available to cover the anticipated expenditure, and
- (b) a voucher will be required to support the issue of the advance - Finance Form 4 (General Expense form ) will be used for this purpose.

If an advance is not fully spent, the balance will be repaid, brought to account as a normal receipt, and credited to the vote item against which the original advance was charged. If such a credit is made in a financial year other than the one in which the advance was charged then the credit will be to Former Years Appropriation Recovery.

- 9.3 The above procedure does not remove from an advance holder the responsibility for accounting for his advance and of doing so within a reasonable period of time after completion of the transaction for which the advance was given. Finance Form 108 - Acquittal of Temporary Advance Voucher - will be used for this purpose, but Departments must ensure that when acquitting an Advance the acquittal form is clearly marked "**Not to Be Posted**".

**Note: 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.**

**10. Salary Advances**

- 10.1 **When Payable:** As a general rule, no salary advance is payable in view of the operation of the **Special Pay Procedure**. However, in the following exceptional circumstances, a salary advance may be



allowed and that too only if a Special Pay has not been arranged in time:

- (i) On transfer of an officer from one station to another in a remote location, or
- (ii) When an officer returns to duty in a remote location ex-leave.

10.2 Amount of Advance: The advance should not exceed 80 percent of the normal fortnightly net pay of the officer.

10.3 Who can authorise: The payment of advance should be authorised by the Departmental Head of the Department where the officer works.

#### 10.4 How to make payment

##### **National Government Departments**

- (i) Salary Advance will be paid on General Expenses (FF4) made out in duplicate, with the officer receiving the advance signing both copies.
- (ii) The form will be clearly marked "**Salary Advance**" and the payment made chargeable to the Expenditure Vote of the Division Number of the Officer's Department, irrespective of where he is actually working.

##### **Provincial Governments**

The accounting procedure for salary advances made to staff whose salaries are charged to expenditure votes of Provincial Government Administration will be as follows:

- The Advances are to be recorded as a debit to **SPECIAL PAYS ACCOUNT**.
- The Advances are to be processed on General Expense form FF4 (in duplicate).

#### 10.5 Adjustment and Accounting Procedure

##### **Action by Paying Office**

- (i) As soon as an advance is paid, the Paying Office will inform by telex or fax the Departmental Staff/Salaries Section full details of the payment, namely:
  - (a) Name of the Officer
  - (b) Amount of Advance

- (c) Date of payment of advance
  - (d) Vote charged (ie Special Pays Account)
  - (e) Reason for payment in brief.
- (ii) The original FF4 will be retained after payment by the Paying Office and duplicate sent to the Departmental Salaries/Staff Section with a copy of the telex or fax referred to above.

### **Actions by Departments**

- (iii) The Departmental Salary/Staff Section will, on receipt of advice of the advance payment, complete a SPA/TVA, as the case may be, and mark the recovery to be made with Code GA National Government Departments and Provincial Governments. The duplicate General Expense form when received will be checked against SPA/TVA already raised and filed away.

10.6 This instruction does not apply to Education Department officers, and in their case departmental instructions, if any issued by that Department will apply.

## **11. Advances on Overseas Travel**

11.1 Cash Advances of 100% of the travelling allowance payable may be advanced to officers travelling overseas on official duty. The advance will be acquitted on return to duty as described below.

### **11.2 Acquittal for Travelling Advances**

- All officers will acquit travelling advances within **14 days of return to their home station.**
- Any case of non-compliance must be reported by the officer making the advance to the Head of the Department and to the Secretary for Finance.
- No further advance will be issued to an officer who has an earlier advance from a duty visit except when the second visit occurs unavoidably within 10 days of return to home station. Such an exception will require the approval of the Secretary for Finance or the First Assistant Secretary - Expenditure and Cash Management Division.

## **12. Advance for Internal Travel**

12.1 A cash advance may be paid, in the case of internal tour travels, towards

- Allowance for meals and
- Incidental expenses.

No advance is to be made for accommodation costs.

12.2 Financial Delegates will be responsible for the control and management of advances. Each Financial Delegate will maintain a register of advances to officers on duty travel, with the following columns:

1. Date of advance
2. FF4 reference No. and date
3. Cheque No.
4. Name and designation of the officer receiving the advance
5. Signature of the recipient
6. Date acquittal.
7. Remarks

12.3 As soon as an officer's tour programme is approved, it should be sent to the Financial Delegate concerned on Finance Form 3.

12.4 The Financial Delegate will, subject to availability of funds, take following steps:

(i) **Issue ILPOC for Accommodation**

Issue an ILPOC to the officer to cover accommodation expenses only, after commitment action as laid down in the Manual of Financial Procedures. The ILPOC should be rubber stamped on all copies in bold letters **"FOR ACCOMMODATION ONLY"**.

(ii) **Cash Advance for Travelling Allowance**

Prepare General Expense form (FF4) in triplicate for the meal allowance and incidental expenses for the sum arrived at by applying the rates shown in the Department of Personnel Management's Circular Instruction.

12.5 The cash advance should be charged to the respective departmental travel vote.

12.6 The financial delegate will then send the FF4 duly completed (original and duplicate) to the Paying Office for a cheque with the instruction **"Return Cheque to the Financial Delegate"**.

12.7 The Paying Office will process the FF4 for payment and forward the cheque to Financial Delegate with duplicate FF4.

- 12.8 While forwarding the FF4 to the Paying Office and on receipt of the cheque, entries should be made in the Register of Advances.
- 12.9 As soon as the cheque is received from the Paying Office, the duplicate FF4 should be attached to the triplicate and an entry made in the Register. The cheque will be delivered to the officer proceeding on tour, who will sign the register in token of having received the advance.
- 12.10 **Within seven days of return from duty travel**, the officer will acquit the advance by submitting an acquittal form (FF16). At the same time, he should also return the triplicate of ILPOC as already laid down in this Manual.

Any refund due will be paid by the advance holder directly to the Cash Office and the original receipt attached to the acquittal form supporting this repayment.

- 12.11 NO SECOND ADVANCE IS TO BE MADE WHEN THE FIRST ADVANCE IS OUTSTANDING.

**12.12 Recovery from Salary or other Payments due:**

- (a) Payment of the advance is subject to the condition that should the officer fail to acquit an advance within the prescribed time or fail to refund any balance due, the amount due will be recoverable from the salary of the officer in not more than three consecutive instalments or any other payments due to him. This condition should be brought to the notice of staff by a general departmental circular and also specifically at the time where the advance is made.
- (b) Where it is decided to recover the unacquitted advance from an officer's salary, the staff section should be advised to prepare the necessary computer advice for recovery.

**12.13 Review of Register of Advances**

Financial Delegates will review the **Register of advances** mentioned above particularly to make sure that all advances are being acquitted regularly.

**12.14 Extension of Stay**

In certain instances, officers on duty travel have to extend their stay beyond the period originally scheduled. If the original itinerary has been properly planned, such cases of unscheduled extension of stay would not normally arise. However, in exception circumstances when an extension of stay becomes unavoidable, the following procedure will apply.

- (a) The officer will contact the Departmental Financial Delegate at the duty station for an additional cash advance to cover the extended period of tour.
- (b) On receipt of the above request, the Financial Delegate at the duty station will immediately contact the Financial Delegate who originally processed the tour programme and get his authorisation to pay the additional cash advance and a commitment line number.
- (c) The Financial Delegate at the duty tour station will then process the advance on FF4, entering the line number obtained under (b) above and the appropriate vote number.
- (d) A copy of the FF4 form should be sent by the Financial Delegate at the duty tour station to the Financial Delegate who originally processed the tour programme, so that the latter updates his **Register of Advances**.

Note: The term "**Departmental Financial Delegate**" may also include the Provincial Treasurer, holding a Cash Fund Certificate on behalf of the relevant Department.

### 12.15 Other than Duty Tour

The Cash Advance procedure is intended to cover only duty tours within the country.

In respect of officers on transfer this procedure would not apply. Also, in respect of contract officers who are accommodated in hotels pending allotment of suitable housing, the Cash Advance procedure will not apply. In such cases ILPOC's should be raised by respective departments for full board (with value limit on meals) subject to recovery of part of the accommodation cost at the prescribed rates.

## 13. Excess or Surplus Advance

Should any advance prove to be excessive, the surplus must be repaid to the issuing office immediately the surplus becomes apparent.

## 14. Register of Advances

- 14.1 As stated in paragraph 5 above, the authorising officer shall keep a record of all advances the payment of which he has personally authorised.
- 14.2 Each register shall record the date of issue, the amount advanced, the purpose for which the advance is made and the date of repayment.

- 14.3 The date of repayment will be recorded in the register and all outstanding advances regularly reported by the Provincial Treasurer who will pursue outstanding advances in accordance with these procedures
- 14.4 Regular scrutiny of the advances register will be undertaken by the officers responsible for its maintenance as well as inspecting officers and prompt action taken to ensure acquittal or repayment.
- 14.5 Outstation Examiners will maintain an advances register for each station and will draw attention to all temporary advances outstanding after one month from issue and report all advances **outstanding for 3 months** or more to the Provincial Treasurer.
- 14.6 At frequent but irregular intervals and at least twice each month, Paying Officers' Counter advances shall be checked by the Officer-in-Charge.

## 15. Handover - Takeover Procedures

### 15.1 Cash Offices

The following procedures will apply in respect of Cash Offices:-

#### (i) Station Imprest Advance:

Where for any reason the responsibility of the Station Imprest Advance passes from one officer to another, the following procedure will be followed:

- (a) The officer handing over the advance will, in the presence of the officer taking over, complete Payments Schedule, Receipts Schedule, Statement of Receipts, Payments Schedule and Advances Schedule (Finance Form 11,12, 13, and 14) thereby accounting for cash on hand, collection and payments, and advances outstanding.
- (b) Both officers will ensure that cash on hand is checked in each other's presence.
- (c) In addition, Section D of the Finance Form 13 will be completed by the officer handing over, who will:
  - (i) Enter as item (a) the amount shown at item 6 of Section A, less the amount (if any) shown at item 1 of Section B.
  - (ii) Enter as item (b) the amount shown at item 2 of Section B (if any).

- (iii) Enter as item (c) the amount of cash requested from Provincial Treasury Office which have not been received, which will have been shown at item 2 of Section B previously submitted Finance Form 13.
    - (iv) The addition of items (a), (b) and (c) must now equal the full amount of the Station Imprest Advance.
  - (d) The officer taking over the responsibility of the Imprest Advance will have proved to his satisfaction that the full amount of the advance is accounted for.
  - (e) The officer handing over and the officer taking over will both sign the handover/takeover certificate on Finance Form 13. An official receipt will then be written in favour of the officer handing over for the full amount of the station advance crediting "Advances....." A voucher will be raised in the name of the officer taking over the full amount of the station as a charge to "Advances....." The officer assuming the responsibility will sign the receipt form on the voucher. Both the receipt and voucher will be included or brought to account in the next reimbursement.
  - (f) Immediately on completion of the handover and takeover the Provincial Treasury Office will be advised by telex or fax of the name of the new advance holder.
  - (g) When the responsible for the Imprest Advance is leaving the station temporarily to go on patrol etc., and it is intended that another officer handle cash transactions during his absence, then a handover/takeover, as outlined above, will be completed.
  - (h) A officer-in charge of a Cash Office will advise the Provincial Treasury Office by fax or telex of any propose closing down, due to the officer leaving the station temporarily to go on patrol, etc.
- (ii) Temporary Special Advances

In respect of temporary special advance, for paying land purchase, compensation, royalties etc., the Cash Offices may have unacquitted advances at the time of handover/takeover. The officer taking over should satisfy himself that all Special Advances received since the last reimbursement have been brought to account.

(iii) **Local Cash Advances**

The officer taking over should pay special attention to the list of Cash Advances, especially those made in the last few days prior to the takeover, to make sure that they are genuine. He should not hesitate to make a personal enquiry where necessary with the officers against whom the advances are shown.

**15.2 General**

In all other cases (Petty Cash, Counter Advance etc.), the officer holding the advance should, while proceeding on leave or leaving service on resignation etc., retire the advance rendering a full account and refunding the cash balance before handing over. The officer taking over from him should obtain a fresh advance.

**16. Petty Cash Advance**

16.1 The object of the Petty Cash Advance procedure is to eliminate credit purchases of small value on ILPOC's. Departments should assess their requirements in relation to the incidence of small value transactions and establish as many Petty Cash Advances (or floats) as are considered necessary.

16.2 While no general rule can be laid down on how many floats should be set up, the following guidelines will help:-

- The Provincial Treasurer may be allowed a large float.
- Division and Branch Heads in Headquarters and officers-in-charge of Projects and National Government officers in the Provinces may be allowed advances at the discretion of the Head of the Department.

**16.3 Amount of Advance**

The float amounts should be K50, K100 or K200 depending on the volume and the frequency of transactions expected to be dealt with by the advance holder.

**16.4 Initial Funds to Operate Floats**

When a float is approved, money will be drawn on an FF4 form, charging the departmental vote relevant to the main activities for the Petty Cash Advance holder.

A similar procedure will apply when it is proposed to raise the float from, say K100 to K200.



### **16.5 Expenditure from Petty Cash Advance**

Expenditure, not exceeding K50 at any time, may be incurred from the advance. Receipts will be required (unless unobtainable) for all items of expenditure. The receipts should be attached to Petty Cash Vouchers.

### **16.6 Reimbursement:**

Reimbursement should be claimed from the Financial Delegate concerned on an FF4 form giving an analysis of expenditure by vote on the FF4 form to facilitate proper accounting. The reimbursement claim should be supported by original Petty Cash Vouchers and receipts.

### **16.7 Petty Cash Advance Book:**

Petty Cash Advance Book, in the format enclosed, should be maintained by every advance holder and should be open to inspection by the Internal Audit Section or Auditor-General's staff.

### **16.8 There should be a central record at the Departmental Headquarters (preferably Accounts Section) of all the Petty Cash Advance holders indicating:**

- The name of the holder
- His designation and location
- Amount

### **16.9 Provincial Government Officers carrying out National functions:**

National Government Departments may allow officers of the Provincial Government to hold Petty Cash Advances on their behalf, but subject to the condition that they are to follow the procedure laid down in preceding paragraphs.

### **16.10 Provincial Government Transactions:**

Provincial Governments are also required to follow these procedures in respect of duty travel and petty cash advances chargeable to their expenditure votes.

**PAPUA NEW GUINEA  
DUTY TRAVEL ADVANCE  
ACQUITTAL FORM**

**FINANCE FORM 16**

**TO BE COMPLETED BY ADVANCE HOLDER**

1. Name of Advance Holder
2. Designation
3. Department
4. Location
5. Amount of Advance
6. Date of receipt of Advance
7. Was there any deviation from the approved itinerary on the basis of which Advance was granted?
8. If the answer to (7) is 'yes'
  - (a) Was the revised programme approved by a competent authority
  - (b) State here the entitlement to travelling allowance (ie., meal allowance and incidentals) on basis of the actual tour programme

	<b>No</b>	<b>Amount</b>
Complete Days		
Part Days – Meals		
Part Days - Incidentals		

K \_\_\_\_\_

(c) **Amount due for refund by the Officer** \_\_\_\_\_

K \_\_\_\_\_

In case refund is due, the amount should be paid at the nearest Cash Office and receipt attached to this form.  
Indicate Official Receipt Number here: .

I declare the particulars stated above are correct.

\_\_\_\_\_  
**Advance Holder**

**ACTIONS BY FINANCIAL DELEGATE**

9. Is the amount shown in item 8 (b) above correct?
10. Is an Official Receipt attached to support a refund?
11. Have entries been made in the Register of Advances?
12. Is the revised copy of itinerary attached?
13. Other remarks
- 

(FINANCIAL DELEGATE)

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

## **PART 21 – FINANCIAL MANAGEMENT REPORTING OF PROVINCIAL AND LOCAL LEVEL GOVERNMENT**

### **1. Introduction**

#### **1.1 Provincial and Local-level Governments Financial Responsibility**

In accordance with Section 105 and within other powers and functions provided for in the new Organic Law on Provincial and Local-level Governments (hence forth, the Organic Law), and subject to other Constitutional Laws and broad policy guidelines of the National Government, each Provincial and Local-level Governments is empowered to exercise full autonomy, including financial responsibility to decide and plan its own projects, programs and activities. The Organic Law also states that, an Act of Parliament shall make provision for the details of financial autonomy of Provincial and Local-level Governments.

Sections 102 and 112 of the Organic Law state that the Act of the Parliament under which financial regulation of public moneys in the provinces is to be made, is the Public Finances (Management) Act, 1995 as amended from time to time.

These financial management arrangements have therefore been prescribed to provide guidelines and procedures to ensure proper accounting, management and reporting of Provincial and Local-level Government Accounts.

### **2. Provincial Finance: An Overview**

#### **2.1 By virtue of the Organic Law, and within the broad policy guidelines of the National Government each Provincial and Local-level Government in each province is empowered to decide and plan its own projects, programs and activities.**

Provincial and Local-level Governments are responsible for their own affairs as provided under Section 105 of the Organic Law and to manage their financial affairs in accordance with provisions of the Public Finances (Management) Act.

#### **2.2 Provincial and Local-level Government Finances**

Finances and other resources available to a Provincial and Local-level Government to carry out its plans, projects, programmes and activities as outlined in Section 82 and Section 65 of the Public Finances (Management) Act of the Organic Law mainly consist of internally generated revenue and the grants provided by the National Government.

### 2.3 Calculations of Grants

Grants made available to a Provincial and Local-level Government in any given financial year, are calculated in accordance with the formulae provided in the Schedules 1 to 6 under the Organic Law.

- 2.4 Using the formulae referred to above, each Provincial and Local-level Government should prepare its Budget Estimates in advance of appropriation by the Parliament and make any necessary adjustments to the original estimates, thereafter.

## 3. Provincial and Local-level Government Budgeting

### 3.1 Budget Structure

A significant change in the Provincial Expenditure Budget and thereafter, is the separation between Recurrent and Development or Public Investment Programmes (PIP) Budgets giving rise to two separate budgets and appropriations:

- (i) Recurrent Budget and Appropriation; and
- (ii) Development Budget and Appropriation

### 3.2 Mode of Financing the Budget

#### 3.2.1 Recurrent Budget

In principle, the Recurrent Budget is financed by Administrative Support Grants in the form of the Provincial and Local-level Administrative Grant and Provincial and Local-level Staffing Grants as per Section 92 of the Organic Law. The minimum amount of Provincial and Local level Administrative Grant will be calculated strictly in accordance with the format described in Schedule 2 of the Organic Law.

#### 3.2.2 Development Budget

In principle, the Development Budget is financed by various development grants in the form of

- Provincial Infrastructure Development Grants as per Section 93 (1) of the Organic law; and
- Town and Urban Service Grants as per Section 94 (1) of the Organic Law; and
- Other Support Grants in accordance with Section 95 of the Organic Law.

3.2.3 Funds may also be made available for financing the Recurrent and Development budget by reallocating unspent appropriation as provided for under Section 24 of the Public Finance (Management) Act.

### 3.3 Lapsing of Appropriation

Section 27 of the Public Finances (Management) Act, provides that any unutilised grant provided under Section 82,91,92,93,94 and 95 of the Organic Law on Provincial and Local level Government will lapse at the end of the fiscal year.

Section 30 of the Public Finances (Management) Act, provides all warrant authorities relating to recurrent appropriation will lapse at the end of the fiscal year in which the warrants were issued.

Subject to Section 34, Section 16 (2) of the Public Finances (Management) Act, strictly prohibits any transfer of funds (or grants) from the Consolidated Revenue Fund to the Trust Fund unless a special transfer is authorised by an Appropriation Act.

In accordance with these statutory provisions, any unutilised grant must be treated strictly in accordance with Financial Instructions for closing annual accounts, issued by the Department of Finance at the end of the fiscal year.

### 3.4 Uniformity in Chart of Accounts and Budget Layout

For proper budgeting, accounting, reporting and to enhance uniformity in the preparation and presentation of Public Accounts by each level of government, it is appropriate and necessary that the Chart of Accounts used by the Provincial and Local-level Governments is of the same structure as that of the National Government.

### 3.5 Maintenance of Chart of Accounts in the PGAS Databases

To facilitate the above requirements, Provincial and Local-level Governments shall maintain two Chart of Accounts in three separate databases in the PGAS (national database, provincial database and local-level government database):

- (a) The first Chart of Accounts, in the national database, is to cater for expenditures arising out of grants and payments associated with national functions and also for recording national revenue collected in the province by the Provincial Treasury including other national moneys.

- (b) The second Chart of Accounts, in the provincial database, is for the maintenance of records and accounts for internally raised revenues and related expenditures of the province.
- (c) The third Chart of Accounts, in the database is to cater for expenditures arising out of National Government Grants and for the maintenance of records and accounts for internally raised revenue and related expenditures of Local-level Governments.
- (d) The Provincial Treasurer is entrusted with maintaining accounts in the three databases on behalf of the Provincial Government, Local-level Governments and the Department of Finance respectively.

#### **4. Charts of Accounts Structure**

##### **4.1 Legal Interpretation**

Provincial and Local-level Governments must exercise proper management of public moneys and keep proper accounts and records of financial transactions to satisfy provisions of Section 102, 112 and 114 of the Organic Law. Local-level Governments must also submit audited financial statements in accordance with Section 71 of the Public Finances (Management) Act 1995.

##### **4.2 Chart of Accounts - Expenditure Code Structure:**

The expenditure code structure to be used by Provincial and Local-level Governments is described in detail in Appendix I which accompanies this manual.

###### **4.2.1 PGAS Provincial Database**

The Expenditure Structure in the PGAS Provincial Database is the same as for the National Database except that the "Grant Type and Number" are not applicable and thus, not required. It is recommended that "9" should be used as the indicator of Grant Type for local level funds and sources where this indicator # has not been previously used. The Divisional Codes are either of 200 series or 700 series in the Chart of Accounts for national and provincial expenditures respectively.

##### **4.3 Revenue Account Codes Structure**

The revenue code structure to be used by Provincial and Local-level Governments is also described in detail in Appendix I.

##### **4.4 Responsibility for the Chart of Accounts**

Developing the Chart of Accounts and ensuring its accuracy is principally the responsibility of the respective Provincial Treasurer acting upon financial instructions issued by the Department of Finance.

The Provincial Treasurer must ensure that all officers of the Provincial Government, Planning and Budgets Division, including any other Provincial Government officer preparing provincial estimates, are acquainted with the structure of the Chart of Accounts.

Provincial Treasurers must assist with the preparation of the Chart of Accounts and ensure that all District Treasurers and Local-level Government officers are acquainted with the accounting structure of National Government and Provincial Governments to ensure every receipt and payment is properly classified by Treasury Officers.

#### 4.5 Preparation and Compilation of Estimates

Within the broad policy guidelines of the National Government and in accordance with the priorities of the Provincial and Local-level Government, each Local-level Government is responsible for the preparation and compilation of its recurrent and development cost estimates within the amount of grants and manpower ceiling provided by Department of Treasury and the Department of Personnel Management (DPM) respectively.

##### 4.5.1 Recurrent Budget Estimates

Financing and preparing the provincial and local-level government budget is based on the following grant estimates:-

- \* Administration cost for goods and services (Section 92 (1) (a) including Wages and Overtime; and
- \* Staffing cost for salaries, allowances and other benefits attached to the conditions of service in the Public Service [Section 92 (1) (b)] which includes the following officers under:

Section 73 - Provincial and District Administrators

Section 77 - Teaching Service

Section 78 - Other Staff

Section 80 - Staff under Extended Service of National Departments and Agencies



## Section 81 - Executive Support Staff to Provincial Government and Local-level Government

- \* Application of Special Support and Economic Grants under Section 97 of the Organic Law for goods and services.

In preparing these estimates, Provincial and Local-level Governments should take note of Section 92 (4) of the Organic Law which reads; "this section does not limit the right of a provincial and local-level government to apply any revenues raised by the provincial and local-level government to the cost of their staffing.

### 4.5.2 Development Budget Estimates

Development Budget Estimates for Provincial and Local-level Governments are based on the following entitlements:

- \* Provincial Infrastructure Development Grants as per Section 93 (1) (a) of the Organic Law; and
- \* Town and Urban Services Grants in accordance with Section 94 (1) (a) of the Organic Law; and
- \* Local-level Government and Village Services Grants as per Section 93 (1) (b) of the Organic Law; and
- \* Other support grants according to Section 95 of the Organic Law.

### 4.5.3 Use of Budget Forms

For uniformity and standardisation, all budget estimates must be prepared using the Standard Budget Forms supplied by the Budgets Division of the Department of Treasury.

### 4.5.4 Internal Revenues and Related Expenditures

Sections 86 and 87 of the Organic Law provide for specific taxes and fees to be charged and collected by Provincial and Local-level Governments respectively. Other taxes and fees available to these governments are covered under Section 88 and 89 of the Organic Law.

Projections for each Provincial and Local-level Government's internal revenue should be made realistically and with due care as to the realisation of that projected revenue. Failure to realise such revenues would create revenue shortfalls and consequently affect spending on planned projects, programs and activities.

From projected revenue inflows, Provincial and Local-level Governments are also required to link those revenue inflows to expenditures and prepare appropriate expenditure estimates on planned projects, programs and activities; be it recurrent or developmental.

#### 4.5.5 Preparation and Approval of Provincial Government Estimates.

- (a) During formulation stages, the Provincial Treasurer must perform vetting process to ensure that draft estimates comply with provisions of the Organic Law, the Public Finances (Management) Act 1995, and that Chart of Accounts are arithmetically accurate and consistent with amounts allowable in grants.
- (b) After completing this screening process, the Provincial Administrator, acting as Chief Advisor, will present budget estimates to the JPP & BPC for approval. The JPP & BPC will carefully review this submission using the predetermined priorities of the Province, as a benchmark. It is also important for the JPP & BPC to check that expenditure figures shown in Provincial Government budget estimates do not exceed maximum spending target figures.
- (c) After JPP & BPC gives approval, the JPP & BPC Chairman returns the approved budget estimates to the Governor who will present the budget estimates to the Provincial Executive Council for deliberation. After the PEC considers and ratify the budget, the Governor then presents the budget to the Minister for Finance & Treasury.

#### 4.5.6 Preparation and Approval of Local-level Government Estimates.

- (a) During formulation stages, the District Treasurer must check that draft estimates comply with provisions of the Organic Law, the Public Finances (Management) Act 1995, and that Chart of Accounts are arithmetically accurate and the estimates do not exceed the expenditure ceilings.
- (b) After completing this screening process, the District Administrator, acting as Chief Advisor, will present budget estimates to the JDP & BPC for approval. The JDP & BPC will carefully review this submission using the predetermined priorities of the district, as a benchmark. It is also important for the JDP & BPC to

check that expenditure figures shown in LLG budget estimates do not exceed maximum spending target figures established for each Local-level Government.

- (c) After JDP and BPC gives approval, the JDP and BPC Chairman returns the approved budget estimates to the Head of the Local-level Government who will table the budget estimates to the Local-level Government Assembly for debate and approval.

#### **4.5.7 Vetting and the Ministerial Approval**

##### **Provincial Government Budget**

After presentation a copy of the approved budget is sent to the First Assistant Secretary, Budget Division who will carry out final check and submit them to the Minister for consideration and approval.

The approved Provincial Government Estimates is returned to Provincial Administration for it to be table in the Provincial Government Assembly for passing the budget estimates into a provincial law.

##### **Local Level Government Budget**

After the LLG Assembly considers and passes the budget, a copy of the approved budget is sent to the Provincial Administrator to be given to the Governor of the Province.

The Provincial Treasurer will assemble copies of approved budget estimates for all Local-level Governments together with the approved Provincial Budget, and send these estimates to the First Assistant Secretary - Budgets Division who will carry out final check and submit them to the Minister for consideration and approval in accordance with Section 141 (4) (b) of the Organic Law, if the estimates meet normal requirements.

#### **4.6 Role of the Provincial Treasurer.**

##### **4.6.1 Assistance to Provincial and Local-level Governments**

Provincial Treasurers are to assist in the preparation of the estimates for the Provincial and Local-level Governments. However, such assistance should be confined to providing sound and professional advice on financial matters.

##### **4.6.2 Monitoring Legal Compliance**

In relation to the Budget, Provincial Treasurers and District Treasurers are to ensure compliance with the requirements of the Organic Law and the Public Finances (Management) Act, 1995 as amended.

#### 4.7 Provincial and Local-level Government Cashflow Statements.

##### 4.7.1 Preparation of Cashflow Statements

Provincial and Local-level Governments will prepare the following cashflows:

- \* Recurrent Budget - grant inflows (as revenue) and the anticipated expenditure for the year; and
- \* Development Budget - grant inflows (as revenues for provincial and local-level government) and the anticipated expenditure; and
- \* Similar cashflows should also be made for Internal Revenues of the Provincial and Local-level Governments and their related expenditures for the year to assist in managing the revenue program.

In preparing the cashflow statements, care and prudence should be taken to ensure that the monthly forecasted cash outflow, reflect real needs for cash payments or expenditures expected to occur as forecasted.

Submission of a cashflow statement does not automatically guarantee that National Government grants will be released to Provincial and Local-level Governments strictly in accordance with the scheduled dates described in the cashflow statement.

Release of National Government grants will depend upon the cash resources and the liquidity position of the National Government, so Provincial and District Treasurers are cautioned to carefully monitor spending programs to ensure sufficient cash is available to Provincial and Local-level Governments to satisfy planned expenditure activity.

##### 4.7.2 Submission of Cashflow Statement from Provincial Treasury

The Provincial Treasurer will ensure cashflow statements are prepared for each Provincial Government. The Provincial Treasurer will then collate each cashflow statement for the Provincial Government together with a cashflow statement for

each Local-level Government into a consolidated statement for the Province.

The consolidated statement - describing the projected time frame for the receipt of National Government grants - must be sent to the Department of Treasury for action. Copies of the consolidated statement will be distributed as follows:

Original - to Budgets Division and

Copy 1 - to Accounting Frameworks and Standard Division and

Copy 2 - to Provincial Treasurer

On consolidation of the Provincial and Local-level Government's grants related cashflow statements, it is referred to the Department of Finance for processing.

The District Treasurer will ensure cashflow statements are prepared for each Local-level Government. The District Treasurer will then collate each cash flow statement into a consolidated statement for the District. The statement - describing the projected time frame for the receipt of National Government grants - must be sent to the Department of Treasury for assessment and appropriate funding. Copies of the consolidated statement will be distributed as follows:

Original - to Council Executive Officer; and

Copy 1 - to District Treasurer; and

Copy 2 - to Provincial Treasurer

#### 4.8 Release of Grants by Warrant Authorities and Cash Fund Certificates.

##### 4.8.1 Issuing of Warrants

Based on Provincial and Local-level Government cashflows and subject to the availability of funds, monthly warrant authorities for all grant types will be issued to the Provincial Administrator for both levels of government.

The Provincial Administrator will subsequently issue Cash Fund Certificates (CFCs) to appointed Financial Delegates within the limit of the Warrant Authorities as follows:

(a) For Provincial Government

To the authorised Financial Delegate (s) for spending within the limit of the CFC.

(b) For Local-level Government

To the Council Executive Officer (having been appointed a financial delegate by the Provincial Administrator) for spending within the limit of the cash fund certificate on projects and activities for each Local-level Government.

4.9 Remittance of Cash Components of Grants.

4.9.1 Cash for Provincial Governments

Subject to availability of cash in the Waigani Public Account, the Expenditure and Cash Management Division, will remit the cash equivalent to the credit of the respective Provincial Treasury Operating Bank Account for spending as planned to coincide with release of Warrant Authority.

4.9.2 Cash for the Local-level Government

On receipt of the cash, the Provincial Treasury will transfer the appropriate grant amounts to the Local-level Government together with relevant Cash Fund Certificates for the related purposes, (see the relevant accounting entries in Appendix II).

4.9.3 Release of Warrant Authority and Cash Fund Certificate for Expenditure funded from Internal Revenue

Sections 86 and 87 of the Organic Law give separate but specific powers for Provincial and Local-level Governments to collect their own internal revenue. The same concurrent authority is given to both levels of government to spend their own internal revenue in accordance with their planned programs and activities.

4.9.4 Release of Warrant Authority and Cash Fund Certificate - Provincial Government

The release of such monies will be met by the Provincial Minister responsible for finance matters by way of separate yearly Warrant Authority to the Provincial Administrator who would then issue Cash Fund Certificate in this manner. Cash Fund Certificate is issued to the authorised Financial Delegates for spending within the limits of CFCs on planned programs and projects/activities of the Provincial Government.

#### 4.9.5 Release of Warrant Authority and Cash Fund Certificate - Local-level Government

The release of such monies will be met by the Local-level Government Minister responsible for financial matters by way of separate yearly Warrant Authority to the District Administrator who would then issue Cash Fund Certificate in this manner. Cash Fund Certificate is issued to the authorised Financial Delegates for spending within the limits of the CFCs on planned programs and projects/activities of the Local-level Government.

### 5. REQUISITION FOR EXPENDITURE

#### 5.1 Authorisation

All requisitions for expenditure are subject to authorisation and approval in accordance with the procurement and tender procedures and guidelines set out in the Public Finances (Management) Act, 1995 and the related Financial Instructions as amended from time to time.

#### 5.2 Approval of Requisitions by Section 32 Officers

The Provincial Administrator, as the deemed Departmental Head is also the Chief Accountable Officer, and therefore a Section 32 Officer, who shall authorise expenditures from the grants and/or the Revenue Fund (internal revenues).

Section 32 (1) of the Public Finances (Management) Act, provides that the Provincial Administrator may appoint officers (ex-officio), to approve requisitions for expenditures from the grants and internal revenue to the limit of the Warrant Authority and may specify conditions for the exercise of that authority by those appointed. Such appointment must be gazetted and copies sent to Department of Treasury.

Section 32 (3) of the Public Finances (Management) Act, provides that an officer who is appointed under Section 32 (1) of the Act, and who wilfully refuses or neglects to comply with the above provisions is guilty of an offence under Section 112.

#### 5.3 Financial Delegates - Appointment and Responsibility

Under Section 32 (4) of the Public Finances (Management) Act, the Provincial Administrator may appoint Financial Delegates to approve requisitions for expenditure in accordance with Cash Fund Certificates. In the absence of a duly appointed Financial Delegate, an alternate Financial Delegate may be appointed to similarly

approve expenditures in accordance with a Cash Fund Certificate. Specimen signatures of the financial and alternate Financial Delegates should be sent to the Provincial Treasury, District Treasury or the relevant Paying Office.

A Financial Delegate implements the expenditure decisions made by the Section 32 Officer in accordance with the prescribe financial procedures and should therefore have undergone adequate training in all facets of public finance management.

## **6. PROVINCIAL AND DISTRICT TREASURY OPERATIONS**

### **6.1 Establishment and Location**

A Provincial and District Treasury is established under Section 112 of the Organic Law to be located at the provincial headquarter or district area. Where the provincial headquarter is also a district, that district will be served by the Provincial Treasury Office; hence, there will be no District Treasury or Treasurer for that District.

Making a District Treasury operational is the responsibility of the Provincial and District Administrator. Where a District Treasury is not established, all the necessary financial and accounting functions and responsibilities for that District will be performed by the Provincial Treasury in close consultation with the Local-level Government.

### **6.2 Functions of Provincial and District Treasurers**

A Provincial and District Treasurer's function is to ensure that all financial transactions undertaken by Provincial and Local-level Governments out of public moneys are managed properly and are released strictly in accordance with law.

### **6.3 Monitoring Legal Compliance**

It is obligatory for Provincial Treasuries and District Treasuries to ensure that their respective Provincial and Local-level Governments exercise proper accountability and prudent financial management in maintaining adequate recording systems on all grants, internally raised revenue and expenditure outlays. Provincial Treasurers and District Treasurers will assist Provincial and Local-level Governments in preparing bank reconciliations and compiling financial statements.

### **6.4 Cash Offices and Operations**

6.4.1 Where there is no District Treasury, Cash Office will be established and located within close proximity of the Local-level Government headquarters in each district and preferably accommodated in the same office building used by Local-level Government.



Cash Offices will be established for each Local-level Government if communication and access to the District Treasury is a problem due to geographical location.

Where access to a Cash Office by the rural population is a problem, Sub-Cash Offices may be established upon recommendation by the Provincial and or District Administrator.

#### 6.4.2 Supervision and Control

Cash Offices in a District are under the control of the District Treasurer (or the Provincial Treasurer if a District Treasury is not operational). Cash amounts equal to National Government Grants due to the Local-level Government will be deposited directly into the Local-level Government Operating Bank Account, if such an account is operational, or through Provincial Treasury Operating Account.

The District Treasurer in close consultation with Local-level Governments will raise Cash Fund Certificates indicating the expenditure priorities identified for each spending period. The release of Cash Fund Certificates will allow spending decisions to proceed and will make available sufficient cash to settle payment claims made by suppliers, creditors and other persons for goods, works and services provided to Local-level Governments.

#### 6.4.3 Cash Office Accounting Procedures

District Treasurers (or the Provincial Treasurer if a District Treasury is not operational) are responsible for ensuring that all public moneys available to Cash Offices are properly reflected in the accounting records of Provincial, Local-level Government and National Governments. Cash Offices will submit accounting forms to District and Provincial Treasuries showing National Government grants received by Local-level Governments and disbursements made from the grants for inclusion in the PGAS system maintained in each Provincial Treasury. Accounting entries needed to bring receipts and expenditures incurred by Cash Offices into the PGAS system are described in Appendix II.

#### 6.4.4 The Old Station Imprest Advance

Station Imprest Advances in operation by Cash Offices in a Province up until 31 December 1995 (Old Station Imprest Advance), must be acquitted to the Provincial Treasurer after all the anomalies are cleared by the advance holders. It is

important to note that the advance holder is an Accountable Officer for this very purpose and will continue to be so as long as he has not acquitted the advance held.

## **7. BANK ACCOUNTS**

### **7.1 Provincial Government: New Bank Accounts and Functions**

Each Provincial Treasury will maintain and manage three Bank Accounts for financial transactions in relation to grants, internal revenues and associated expenditures of a Provincial Government and national revenues collected in the province. The three bank accounts are:

- (i) Provincial Treasury Operating Account (in PGAS national database).
- (ii) Provincial Treasury Receiver of Public Moneys Account (in PGAS national database).
- (iii) Provincial Government Operating Account (in PGAS provincial database).

The above bank accounts shall function as under:-

#### **(a) Provincial Treasury Operating Bank Account:**

- (i) To receive all grants remitted by Waigani for Provincial and Local-level Governments (except staffing grant); and
- (ii) To receive CFC related cash from Waigani Public Account remitted on behalf of national departments and also moneys remitted for trust payments; and
- (iii) To remit the cash equivalent of the Local-level Government grants in accordance with warrant authorities; and
- (iv) To make payments for expenditures (i.e. issue cheques) against the Provincial Government grants, CFCs and trust moneys received for payment.

#### **(b) Provincial Treasury Receiver of Public Moneys (RPM)**

- (i) To receive and subsequently remit to Waigani Public Account any National Government revenues and National Trust Receipts collected in the provinces (except Internal Revenue Commission's collections of taxes and customs); and

- (ii) To remit such money due to the National Government in excess of K1,000.00 held in the above bank account to Waigani Public Account on daily or regular basis; and
- (iii) Moneys in the RPM Account are not to be spent by the Provincial Government as this represents revenues collected on behalf of the National Government.

**(c) Provincial Government Operating Accounts:**

- (i) To hold all deposits in relation to all Provincial Government internal revenues; and
- (ii) To issue cheques raised in relation to expenditures funded out of the Provincial Government internal revenue; and
- (iii) To hold any other deposit of moneys available to the Provincial Government.

## 7.2 Provincial Government Old Bank Accounts

### 7.2.1 Ceasing Operation of BMS Accounts

All bank accounts administered by the then Division of Finance and Administration or BMS for the National and Provincial Governments up to 31 December 1995 have ceased operation on that date.

### 7.2.2 Closure of BMS Bank Accounts

Provincial Treasurers are to reconcile those accounts up to date, and subject to all issued cheques being presented or becoming stale (which ever occurs first), clear all anomalies and close the accounts after which any balances in the BMS Operating Account. Station Imprest Advances, must be transferred to Waigani Public Account.

Failure to comply with the requirement to reconcile BMS accounts, to clear outstanding accounting entries and to close these redundant bank accounts will result in disciplinary action being initiated by the Department of Finance.

### 7.2.3 Clearance of Irregularities

Procedures for treating these anomalies are described in Appendix II (E) of this Part.

## 7.3 Local-level Government New Bank Accounts and Functions

Each District Treasury will maintain and manage two bank accounts for financial transaction in relation to grants, the internal revenues and associated expenditures of each Local-level Government in a District. The two bank accounts are:

1. Local-level Government Operating Account (in PGAS in Local-level Government Database).
2. Local-level Government General Account (in PGAS Local-level Government Database).

**a) Local-level Government Operating Bank Account**

- (i) To receive all grants remitted by Waigani for Local-level Governments except staffing grants, and
- (ii) To receive cash from the Waigani Public Account and other moneys remitted for trust payment; and
- (iii) To receive the cash equivalent of the Local-level Government grants in accordance with Warrant Authorities
- (iv) To make payments for expenditures (ie. issued cheques) against the Local-level Government grants available and trust moneys received for payment to the District Treasury.

**b) Local-level Government General Bank Account**

- (i) To hold all deposits in relation to all Local-level Government internal revenues; and
- (ii) To issue cheques raised in relation to expenditures funded out of the Local-level Government internal revenue; and
- (iii) To hold any other deposits of moneys available to the Local-level Government.

**c) Local-level Government Bank Accounts - Cheque Signatories**

- (i) The District Administrator and Council Executive Officer are the nominated officials designated to act as cheque signing officer and counter signing officer for payments drawn on the general bank account and operating bank

account for each Local-level Government. An alternate cheque signing officer may be nominated by the District Administrator and Council Executive Officer to carry out this function in their absence.

- (ii) Where Local-level Government cheques are generated automatically by the PGAS system, the computer generated cheques will be signed in accordance with standing bank authorisations held in the Provincial Treasury for the operation of this bank account.

## 7.4 Bank Reconciliations

### 7.4.1 Preparation and Remittance of Statements

After the end of each month, the Provincial Treasurer and District Treasurer must reconcile all the bank accounts under his control, prepare the appropriate reconciliation statement in the format prescribed by the Department of Finance, certify and forward such statements together with certified copies of Bank Statements and Cash Book Summary to reach Accounting Framework and Standards Division of the Department of Finance within 14 working days of the succeeding month.

Certified copies of the bank reconciliation must be made available to the Provincial Administrator, Auditor General's Office and Chief Inspector (Finance).

The Provincial Treasurer will be held responsible for any failure to comply with these reporting requirements.

## 8.0 STATEMENT OF ACCOUNTS

### 8.1 Monthly Statements

It is mandatory for Provincial and Local-level Governments to furnish monthly statements of accounts for:

- \* grant related expenditure
- \* expenditures for other Cash Fund Certificates
- \* National Government revenues collected in the Province and the Local Government area
- \* Trust Receipts and Payments

Information needed to compile monthly statements of accounts may be extracted from the Accounts Source Listing generated by the PGAS computer system. The monthly account listing for the Provincial Government and each Local-level Government must be collected by the Provincial Treasurer, for on forwarding to the Accounting Framework and Standards Division of the Department of Finance within 7 working days of month end.

## 8.2 Contents and Accuracy

These statements should incorporate transactions from the Provincial Government, Local level Governments and the cash offices as well as duly verified and checked by the Provincial Treasurer.

The Provincial Treasurer will be held responsible for furnishing Statements of Account and any failure to comply with these reporting requirements will constitute negligence in the performance of his assigned duty and may lead to disciplinary action as provided under his contract of employment.

## 9.0 ANNUAL ACCOUNTS

### 9.1 Legal Requirements

Section 114 (1) of the Organic Law requires each Provincial Government and Local-level Government to submit its full statement of the financial position and of the affairs of the Province and Local-level Government for each fiscal year in such a form and detail required by the Department of Finance for reporting to the National Parliament.

### 9.2 Financial Reporting Requirement

Provincial and Local-level Government are required to produce and report on their respective annual accounts in accordance to Section 10 of the Public Finances (Management) Act.

### 9.3 Audit requirement

Annual financial statements produced by Provincial and Local-level Governments will be examined by the Auditor General and an audit opinion issued in respect to this financial statement. In accordance with Section 117 (8) of the Organic Law, copies of audited financial statements must be sent to the National Economic and Fiscal Commission to satisfy each reporting requirements.

## 10. PAYROLL AND PAYMENTS

### 10.1 For Public Servants and Teachers

Salaries and Allowances including gratuity due to public servants and teachers will be paid out of funds appropriated under the Staffing Grant which is centrally held and retained at Waigani. Warrants will be issued from Waigani to payroll processing centres for salaries costs, allowances, and gratuity payments and the equivalent cash remitted for payment by these centres.

#### 10.2 For Non-Public Servants

Salaries and Allowances of Non-Public Servants employed by Provincial Governments and Local-level Governments not part of nor included in the Staffing Grant and must be funded separately by the employing government from the internally generated revenue of the Province or Local Government. It is illegal to use part of the Staffing Grant for paying salaries or wages of such employees.

### 11. NATIONAL TRUST ACCOUNTS IN THE PROVINCES

#### 11.1 Trust Fund

The Trust Fund is part of the Public Account as stipulated under Section 10 of the Public Finances (Management) Act. The Trust Fund consists of a number of Trust Accounts established under Section 15 of the Act, National Trust Accounts may be established by the Minister responsible for finance matters only. All public moneys are payable into either the Trust Fund or the Consolidated Revenue Fund depending on the nature of the receipt.

#### 11.2 Establishment

Where a Provincial or Local-Level Government needs to establish a National Trust Account, a written submission to the Minister for Finance and Treasury to this effect, is required through the office of the Secretary for Finance for consideration and approval. The submission should include the following salient points:-

- a) Special advantages in opening and operating the trust account.
- b) Purposes and specific objects for which the trust account and moneys will be used.
- c) Sources of the trust receipts (revenue).
- d) Name and designation of person authorised to operate the account.

#### 11.3 Payments into Trust Accounts

Unless specifically authorised under an Appropriation Act, no transfer of funds should be made from the Consolidated Revenue Fund to the Trust Fund (Section 16.2 of the Act) except as provided for in Section 16 (1) (d) of the Act. Other sources of revenue into any trust account are listed under Section 16 (1) (a, b & c) of the Act.

#### 11.4 Payments Out of Trust Accounts

Section 17 of the Act prohibits moneys to be paid out of any trust account unless it is for the purpose of the account or as authorised by law and/or sufficient credit is available in the account.

Other provisions for the management, administration and control of the trust fund are detailed in Section 18 to 21 of the Act.

#### 11.5 Reporting on Trust Accounts

For every National Trust Account operated by the province, the Provincial Treasurer must submit monthly statements of trust receipts and payments, related cash book summary and reconciliation statements to reach Accounting Framework and Standards Division within 14 days from the end of the month.



## APPENDIX I - CHART OF ACCOUNTS - EXPENDITURE AND REVENUE CODE STRUCTURE:

### 1 Expenditure Code Structure

1.1 Below is how expenditure code structures for provinces will look:-

DIVISION	DIVISION	DIVISION
----------	----------	----------

INDICATOR	DISTRICT	DISTRICT	LLG
-----------	----------	----------	-----

GRANT NO.	FUNCTION	ACTIVITY/PROJECT	ACT/PROJECT
-----------	----------	------------------	-------------

ITEM	ITEM	ITEM	DONOR CODE
------	------	------	------------

#### Legend:

Division = a 3-digits Provincial code for national accounts in the national database (e.g. 281)

Indicator = a 1-digit index for the nature of expenditure: 1 for Recurrent Expenditure and 2 for Development (Project or PIP) Expenditure.

District = a 2-digits District/Electorate index (e.g. 01 for district one, 02 for two etc. and 10 for Provincial Head Quarters).

LLG = a 1-digit Local-level Government index (e.g. 2, 3 etc for LLG two and three respectively).

#### Grant Type and Nos. = 1 digit code:-

Administrative Support Grants (Section 91(1) (a) in accordance with Section 92 of the Organic Law). The indicated numbers shall apply:

- 1 Provincial & Local-level Government Administration Grant (Section 92; calculated and applied as per Schedule 2)
- 2 Provincial and Local-level Staffing Grant (Section 92; calculated and applied as per Schedule 2).

Development Grants (Section 91(1) (b) in accordance with Section 93 of the Organic Law):

**(A) Provincial Infrastructure Development Grant** (Section 93 at base of 100%; calculated and applied as per Schedule 3)

3 Provincial Social Services and Administrative Infrastructure (comprising 50% of base figure)

3 Provincial Land and Other Physical Infrastructure Development Grant; (comprising 50% of base figure)

**(B) Local-level Government & Village Services Grant** (Section 93 at base of 100%, calculated and applied as per Schedule 5)

4 Local-level Village and Social Services Development Grant; (comprising 50% of base figure)

4 Local-level Land and Other Physical Infrastructure Development Grant (comprising 50% of base figure)

**(C) Town and Urban Services Grants**

Section 91 (1) (c) in accordance with Section 94 of the Organic Law at base figure of 100%; (calculated and applied as per Schedule 4)

5 Town and Urban Social Service Infrastructure Development Grant; (comprising 50% of base figure)

5 Improvement to General City Services Grant comprising 50% of base figure

**(D) Economic Grants** (Section 91(1) (d) in accordance with Section 97 of the Organic Law; calculated and applied as per Schedule 6)

6 Derivation Grants

7 Special Support Grants (SSG) and Mining Agreements.

**(E) Other Economic Support Grants**

8 District Support Grant (Rural Action Programme)

9 Others: Loans, Aid, etc. through the National Government

Function = 1 digit:

1 Administration

2 Health

- 3      Economics
- 4      Education
- 5      Law and Order
- 6      Infrastructure
- 7      Community Services
- 8      Reserved
- 9      Others

Activity =    a 2 - digits code

Item     =    a 3 - digits standard expenditure item code: the 4th being a digit for donor code if any.

## 2      **Revenue Account Codes Structure:**

### 2.1    National Revenue codes Structure in the province's PGAS National Accounts Database:

Rev-Head	Rev-Head	Rev-Head	Division	Division	Division
Sub-Head	Sub-Head				

#### **Legend:**

Rev-Head =    a 3 - digits Revenue Heads (e.g 113 (National Head) or 601 (Provincial Head))

Division    =    a 3 - digits Divisional/Provincial index (e.g 283 (national database) or 783 (provincial database)).

Sub-Head =    a 2- digits Sub-Head of Revenue (e.g 01)

### 2.2    Provincial Internal Revenue codes Structure in the province's Provincial Accounts Database in PGAS:

Rev-Head	Rev-Head	Rev-Head	District	District	LLG
Sub-Head	Sub-Head				

(For details of revenue classification, see Appendix II of this Part)

**Legend:**

District = a 2 - digits District index (District code from where the revenue originates).

LLG = a 1 - digit Local-level Government (where the revenue originates).

**APPENDIX II - ACCOUNTING FOR GRANTS AND INTERNAL REVENUES:  
DOUBLE ENTRY IMPLICATIONS****A. NATIONAL GOVERNMENT ACCOUNTING TREATMENT OF GRANTS  
BY WAIGANI****1. Remittance of Grants to Province**

On receipt of the cashflow statements and subject to the availability of cash, Waigani Public Account will remit cash equivalent of the Warrant Authority to the Provincial Treasurer and such transaction will be treated by Waigani as follows:-

Dr: The respective Grant Expenditure Account

Cr: Waigani Public Account Cash Book Code

**2. Remittance of CFC Cash and Trust Fund for payments to Province**

Waigani shall remit all CFC related cash on behalf of National Departments for expenditure and cash for Trust payments made in the Province. On remittance, the following entry shall be made by Waigani:

Dr: Provincial Treasury Operating Trust Account

Cr: Waigani Public Account

(These entries are made at Waigani and not at the Province)

**B. PROVINCIAL TREASURY- NATIONAL GOVERNMENT ACCOUNTING  
TREATMENT OF NATIONAL GOVERNMENT GRANTS BY  
PROVINCIAL TREASURY**

Confirm that the National Government grant amount is actually in the Provincial Treasury Operating Bank Account. Then issue an official receipt, crediting the provincial government grant revenue code. The double entry treatment will be as follows:-

(i) Dr: Cash. (ie. Provincial Treasury Operating Cash Book code (eg. Gulf - 32 - 114)

Cr: Provincial Government Grant Revenue Code.

(This entry is to be made in the National database in PGAS)

**TREATMENT OF PROVINCIAL EXPENDITURE OUT OF NATIONAL  
GOVERNMENT GRANTS**

- (i) Grants released to provinces will be held in the Provincial Treasury Operating Bank Account and spent in accordance with the provincial expenditure plan. Accounting for payments will be as follows:-

Dr: Provincial Government Grant Expenditure Vote.

Cr: Cash. (Provincial Treasury Operating Account Cash Book Code)

- (ii) Receipt of CFC cash and Trust Payments cash from WPA:

Dr: Cash Book Code (Treasury Operating Bank Account)

Cr: Provincial Treasury Operating Trust Code

- (iii) Payment of trust moneys received for payments:

Dr: Trust Payment Account

Cr: Cash Book Code (Treasury Operating Bank Account)

(The above entries are to be made in the National database in PGAS)

## **C. PROVINCIAL TREASURY - PROVINCIAL GOVERNMENT ACCOUNTING INTERNAL REVENUE AND RELATED EXPENDITURE**

- (i) Internal Revenue

Accounting entries for Provincial Government internal revenue by the Provincial Treasury will be as follows:

Dr: Cash (Provincial Government General Account Cash Book Code).

Cr: Revenue head (Provincial Government).

(This entry is made in the Provincial database in PGAS)

- (ii) Internal Revenue Related Expenditures

Expenditures out of internal revenue will be taken up in the book as follows:-

Dr: Expenditure Vote. (Provincial Government)

Cr: Cash. (Provincial Government General Account Cash Book Code).

(This entry is required in the Provincial database in PGAS)

#### **D. PROVINCIAL TREASURY - LOCAL-LEVEL GOVERNMENT ACCOUNTING**

##### **TREATMENT OF LOCAL-LEVEL GOVERNMENT GRANTS**

- (i) Confirm that the Local-level Government grant amount is actually in the Provincial Treasury Operating Account. Then issue an official receipt, crediting the Local-level Government grant revenue code. The double entry will be as follows:

Dr: Cash. ie. Provincial Treasury Operating Cash Book Code (eg. Gulf - 32 - 114)

Cr: Local -level Government Grant Revenue Code.

(This entry is to be made in the National database in PGAS)

##### **TRANSFER OF LOCAL-LEVEL GOVERNMENT GRANTS**

- (ii) On the basis of the Warrant Authority, the Provincial Treasurer will issue and deposit a cheque to the bank account of the Local-Level Government. The account to charge is the Local-level Government Trust Clearing Account. The double entry will therefore be as follows:-

Dr: Local-level Government Trust Clearing Account

Cr: Cash (i.e. Provincial Treasury Operating Account Cash Book Code e.g for Madang, it is 32-61)

(This entry is to be made in the National database in PGAS)

##### **RECEIPT OF LOCAL-LEVEL GOVERNMENT GRANTS**

- (iii) The Provincial Treasurer will confirm Local-level Government grants were deposited into the operating bank account for the Local-level Government and raise the following journal entry to record this cash transfer.

Dr: Cash - Local-level Government Operating Bank Account

Cr: Grant Revenue - Local-level Government Grant Revenue Code

(This entry is to be made in the Provincial database in PGAS)

**TREATMENT OF LOCAL-LEVEL GOVERNMENT EXPENDITURE OUT OF NATIONAL GOVERNMENT GRANTS**

- (i) Grants released to Local-level Governments will be held in the Local-level Government Operating Bank Account and spent in accordance with the expenditure plan for the Local-level Government. Accounting for payments will be as follows:-
- (ii) National Government grants spent by Local-level Governments will require the following entry in the National Database in PGAS.

Dr. Local-level Government Expenditure Code

Cr. Local-level Government Clearance Account

- (iii) The Provincial Treasurer will need to enter this expenditure data into the Local-level Government database in PGAS. The required entry is as follows:

Dr. Local-level Government Expenditure Codes

Cr. Cash - Local-level Government Operating Account

**TREATMENT OF LOCAL-LEVEL GOVERNMENT INTERNAL REVENUE AND RELATED EXPENDITURE**

- (i) Internal Revenue

Accounting entries for Provincial Government internal revenue by the Provincial Treasury will be as follows:

Dr: Cash (Local-level Government General Account Cash Book Code).

Cr: Revenue head (Local-level Government).

(This entry is made in the Local-level Government database in PGAS)

- (ii) Internal Revenue Related Expenditures

Expenditures out of internal revenue will be taken up in the books as follows:-

Dr: Expenditure Vote. (Local-level Government)

Cr. Cash. (Local-level Government General Account Cash Book Code).

(This entry is required in the Local-level Government database in PGAS)



## **TREATMENT OF EXPENDITURE REPORTS FROM LOCAL-LEVEL GOVERNMENTS ON GRANTS**

District Treasuries are to periodically furnish listings (itemising expenditure outlays) of all expenditures incurred from all National Government grants and internal revenue of the Local-level Government and forward this information to the Provincial Treasury.

On receipt of expenditure reports by the Provincial Treasury, these will be journalised into PGAS. The entries will be as follows:-

(i) LLG Expenditures from Grants

Dr: LLG Grants Expenditure Votes.

Cr: LLG Clearance Trust Account

(This entry is made in the National database in PGAS)

(ii) LLG Expenditures from Grants

Dr. LLG Grants Expenditure Votes

Cr. LLG Operating Account Cash Book

(This entry is made in the Provincial database in PGAS)

(iii) LLG Expenditures from Internal Revenue

Dr. LLG Grants Expenditure Votes

Cr. LLG Operating Account Cash Book

(This entry is made in the Provincial database in PGAS)

These accounting entries are fully described in earlier paragraphs of this section of the finance procedure manual.

## **E. DISTRICT TREASURY - LOCAL-LEVEL GOVERNMENT ACCOUNTING**

### **TREATMENT OF LOCAL-LEVEL GOVERNMENT GRANTS BY DISTRICT TREASURY**

Confirm that the Local-level Government grant amount is actually in the Provincial Treasury Operating Account. A Cash Fund Certificate is issued by the Provincial Administrator detailing the itemise expenditure budget for the LLGs.

(i) Dr. Cash. (LLG General Account)

Cr. Revenue Head (LLG Grants)

(This entry is to made in the LLG database in PGAS)

## **TREATMENT OF EXPENDITURE REPORTS FROM DISTRICT TREASURIES AND CASH OFFICES**

Periodically, District Treasuries and Cash Offices are to furnish listings (representing itemised information on revenue and expenditures) of all revenues and expenditures incurred from all grants advanced to the District Treasury and on receipt of the reports, the Provincial Treasury will bring the revenue and expenditure to account in PGAS through the journal entries described in this manual.

### **F. REVENUE ACCOUNTING.**

Provincial and District Treasurers are to ensure appropriate accounting and recording are maintained by the Receiver and all Collector of Public Moneys for all levels of government revenues- i.e.: National, if any, Provincial and Local-Level Government revenues to the appropriate revenue Heads.

In respect of the national revenue or trust receipts (if any) on behalf of the national government, the procedures are as follows:-

#### **(i) Cash Offices**

Collect and receipt the revenue or trust moneys. At the end of day, bank or put in safe custody the collected cash. Compile a Collector's Statement and make a return (including the collected cash) to the designated Receiver of Public Moneys. Apart from these records, no other accounting entries for revenues are required at the cash office level.

#### **(ii) District Treasury**

Obtain Collector's Statement from Cash Offices and confirm the correctness of revenue and trust moneys shown in the statement. After verifying the correctness of the collector's statement and receiving cash from the cash office, bank the cash and make an appropriate journal entry as follows:

Dr.    LLG Treasury Bank Account

Cr.    Respective Revenue Votes

#### **(iii) Provincial Treasury**

On receipt of monies for National Government revenues, Internal Revenues of the Provincial Government, the Provincial Treasury office will bank the cash proceeds and make an appropriate journal entry as follows:

Dr: Prov. Treasury, RPM Cash Account Code

Cr: Respective Revenue Vote

If the documents relate to Receipts of Trust Collections by the Provincial Treasury Office, the entry is as under:

Dr: RPM Cash Book Code

Cr: Trust Receipt Account

The same requirement and accounting entries are applicable to revenues collected at the Provincial Treasury.

(These entries are to be made in National database in PGAS)

Note It is important to note that deposits into the RPM Account of revenue and trust receipts are not for spending by the provinces. The amounts in this account must be regularly remitted to the Waigani Public Account.

(iv) Provincial Government

For Provincial and Local-Level Government revenue, the collection procedure and accountability for revenues collected at the cash office or Headquarters, are the same as above, except that internal revenue may be applied toward activity described in the provincial expenditure program. The accounting entries at the Treasury are:

Dr: Provincial Government Operating Account Cash Book

Cr: Provincial Government Revenue Vote Code.

(This entry is made in the Provincial database in PGAS)

**REMITTANCE OF NATIONAL REVENUE AND TRUST RECEIPTS COLLECTED TO WAIGANI**

National moneys collected in the provinces *must* be periodically remitted to the Waigani Public Account (WPA) by the Provincial Treasury. The following entries apply:

(i) Remittance by the Province to WPA

Dr. RPM Clearance Trust Account

Cr. RPM Cash Book Code

(This entry is made in PGAS national database)

(ii) Waigani's treatment of receipt of remitted moneys to WPA

Dr: Waigani Public Account

Cr. RPM Clearance Trust Account

(This entry is made by Waigani only).

**Details of Revenue Classification**

<b>Revenue Head</b>		<b>Revenue Sub-Head</b>	<b>Revenue Description</b>
<b>National</b>	<b>Provincial</b>		
	601	1	<b>Provincial Government Taxes &amp; Fees</b>
		2	Sales and Service Tax
		3	Fees for the licensing of places where intoxicating liquor is sold.
		4	Fees for licenses to operate or carry on gambling, lotteries and games of chance.
		5	Developed property tax.
		6	Motor Vehicle registration licenses.
			Provincial road-users tax
	602	1	<b>Court Fees and Fines</b> Court Fees and Fines
	603	1	<b>Other Taxes, Charges, etc.</b> Taxes, Fees or Charges imposed under Provincial Law
		2	Taxes, Fees or Charges imposed under Local-level Law.
113		1	<b>Administration Support Grants</b> Provincial and Local-level administration grant
		2	Provincial and Local-level staffing grant
		3	Other conditional support grants in accordance with Section 95

Revenue Head		Revenue Sub-Head	Revenue Description
National	Provincial		
114		1	<b>Development Grant</b> Provincial infrastructure development grants.
		2	Local-level Government and Village Services grants.
		3	Other support grants in accordance with Section 95.
116		1	<b>Town and Urban Service Grants</b> Town and Urban Services Grants
		2	Other support grants in accordance with Section 95
127		1	<b>Other Conditional Complimentary Support Grant</b> Provincial Government
		2	Local-level Government
129		1	<b>Derivation Grants</b> Provincial Government
		2	Local-level Government
131	631	1	<b>Benefits derived from Natural Resources</b> Provincial Government
		2	Local-level Government
		3	National Government
133	633	1	<b>Sharing of National Government Incomes</b> Provincial Government
		2	Local-level Government
137	637	1	<b>Receipts from Loans and Borrowings</b> Provincial Government
		2	Local-level Government

Revenue Head		Revenue Sub-Head	Revenue Description
National	Provincial		
138	638		<b>Local-Level Government Taxes and Fees</b>
		1	Community Services Taxes, Fees and Charges
		2	Taxes on Public entertainments for which admission is charged and on places kept for the purposes of such entertainment.
		3	Fees for licenses for general trading
		4	Domestic animal license Fees
		5	Corporation and personal Head Tax
139	639		<b>Miscellaneous Revenue</b>
		1	Recovery from former year's appropriation
		2	Sale of products
		3	Electricity charges - Minor Power Houses

## **PART 22 – FINANCIAL MANAGEMENT OF DONOR FUNDED PROJECTS**

### **1. Introduction**

- 1.1 Section 34 of the Act provides that advances of Government contributions to donor-funded projects may be transferred to Trust Accounts in accordance with the provisions of the Act.
- 1.2 Some Loan Agreements and Memoranda of Understanding between the Government of Papua New Guinea and aid agencies specify that an imprest, trust, or special account shall be established for donor funds.

### **2. Definition of Accounts**

#### **2.1 Trust Accounts:**

Section 15 of Public Finances (Management) Act 1995 provides that Trust Accounts may be established as directed by the Minister to receive moneys held by the State as trustee. Section 16 provides that:

- all moneys paid by any person for the purposes of the account, and
- amounts appropriated as government's contribution to a project, which is partly funded by an international agency, whether by way of loan or grant, shall be paid to the credit of a Trust Account.

#### **2.2 Imprest Account:**

This is a revolving account for the deposit of loan or grant proceeds to make payments in respect of certain project expenditures. It may be held at an approved bank, Bank of Papua New Guinea, or other financial institution.

#### **2.3 Special Account:**

This is a revolving account funded by IBRD with an advance from an IBRD loan held at an approved bank.

### **3. Planning and Budgeting**

- 3.1 Projects are subject to normal government planning and budget processes. Total costs - whether government funded or donor funded and costs paid in Papua New Guinea, paid offshore, or paid directly by the donor-agency must be included in the budget.



- 3.2 Items of expenditure covered by loan agreements and memoranda of understanding must be clearly identified on budget submission forms. Loan agreements and memoranda of understanding often provide for direct payments from donors to suppliers. Amounts intended to be paid in this manner ("direct" payments) must also be included in budget estimates.
- 3.3 All estimated expenditure amounts must be entered under the appropriate item of expenditure, identified by financing source. The percentage of each item that is reimbursable or paid by a donor must be calculated and clearly included in the budget documents.
- 3.4 For a given fiscal year, total donor-funded expenditure that is appropriated in the budget must be matched on the revenue side.
- 3.5 Direct payments made by donors must be appropriated under the relevant expenditure votes.
- 3.6 Donor codes are entered after each line item. When entering the donor agency code, care must be taken to include the correct code number to indicate the source of funds:
  - 0 - Government
  - 1 - Asian Development Bank
  - 2 - World Bank
  - 3 - European Union
  - 5 - JBIC
  - 6 - KfW
  - 7 - IFAD
  - 8 - AusAID
  - 9 - Other e.g EIB, NZ, GTZ, EDCF, etc
- 3.7 It is very important that the correct vote number and donor code are used because errors at this stage will produce incorrect reports in the General Ledger and the Planning and Budgetary System.

#### **4. Funds Flow Projections**

- 4.1 After the budget is approved, each project coordinator/manager will submit to First Assistant Secretary, Planning, Department of National Planning and Monitoring, funds flow projections for the financial year which are to be revised quarterly.

The funds flow projections will show:

- (a) each budget line item appropriated;

- (b) relevant donor code for each line item appropriated;
  - (c) budget appropriation by expenditure item representing financing contribution from GoPNG and donor agencies;
  - (d) funds flow needs on a monthly basis.
- 4.2 The project co-ordinator must complete one funds flow worksheet for each source of funding, including:
- (a) Government of PNG
  - (b) Donor funding paid directly into Imprest/Special account
  - (c) Donor funds paid directly to suppliers and contractors by donor
  - (d) Plus a summary funds flow worksheet showing financial contributions flowing from all sources.

The summary fund worksheet should reflect the total financial contribution that equals the budget appropriation.

- 4.3 Department of National Planning and Monitoring will promptly review and forward copies of the funds flow projections to:
- (a) Department of Treasury - Budget Division and,
  - (b) Department of Treasury – Financial Evaluation Division
- 4.4 It is essential that this procedure is followed carefully for the correct and timely transfer of Government of PNG funds into the respective bank accounts.

## **5. Creation of Accounts**

### **5.1 Imprest and Special Accounts**

- (a) Department of Finance will approve an imprest or special account through a trust instrument. One account is permitted for each loan or grant and opened by project manager in agreement with the donor agencies. In exceptional circumstances, a donor and the Go-PNG may agree to establish one imprest account per department. The accounts may be held at a commercial bank, the Bank of Papua New Guinea, or other financial institution.

The accounts will be styled: [name of donor] [name of project] [Imprest of Special] Account.

- (b) There must be at least two signatories for each withdrawal or cheque. Approved signatories and alternates will be designated in the relevant trust instrument. The signatories will often include the agency head with one or two alternates being project-related staff such as the project manager, coordinator or accountant.
- (c) The initial deposits and replenishments of the imprest and special accounts will be the responsibility of Department of Treasury – Financial Evaluation Division for loans and by the Department of National Planning & Rural Development - Foreign Aid Management for grants.

## **5.2 Trust Accounts**

- (a) One trust account will be established for each project. The Department of Finance must approve the account through a trust instrument. The accounts may be held at a commercial bank or the Bank of Papua New Guinea.
- (b) The accounts will be styled: Government of Papua New Guinea Funds [name of project] Trust Account.
- (c) There must be at least two signatories for each withdrawal/cheque. Approved signatories and alternates will be designated in the relevant trust instrument. The signatories will often include the agency head with one or two alternate names plus project - related staff such as project manager, coordinator or accountant.

## **5.3 Transfer of Government Funds**

When Cash Warrant Authorities are received in the executing or implementing agency: The agency will:

- (a) complete CFCs, FF3s, and FF4s to commit funds,
- (b) raise cheques to the project trust accounts,
- (c) deposit cheque into appropriate account, and
- (d) send a copy of the bank deposit slip to DOF – Expenditure and Cash Management Division

In conformity with Section 34 of the Act, the government will transfer its contribution into the account according to projected funds flow requirements when funds are released by Warrant Authority.

## 5.4 Subsidiary Bank Accounts

- (a) Occasionally, subsidiary accounts may be approved by the Department of Finance when the project design and the donor and government of PNG agree that the best mechanism for funding is:
  - (i) with one donor Imprest/Special account and one Go-PNG trust account held at the department level with subsidiary accounts held for each project in that department, or
  - (ii) a project with one Imprest, Special and/or trust account requires accounts in provinces, districts, or local levels.
- (b) The accounts will be styled: [Government of Papua New Guinea] or [donor name] Subsidiary Account for [name of project] at [location or other identifier].
- (c) There must be at least two signatories for each withdrawal or cheque. Approved signatories and alternates will be designated in the relevant trust instrument. The signatories will often include division or section heads with one or two alternates named plus project related staff such as project manager, coordinator or accountant.
- (d) Transfer of funds to the subsidiary account will be made only from the respective Imprest/Special or trust account. Transfers will occur when the operating account manager satisfactorily completes the funds flow projection or acquittals of expenditure and submits them to the staff managing the 'parent' account.

## 6. Operational Procedures for Donor Funded Imprest Accounts

To ensure that donor projects are both properly managed and accounted for by the Department of Finance, it will be mandatory for administering agencies to comply with the procedures that are described below.

- 6.1 Administering Agencies and Project Managers in consultation with System Administrators of the respective PGAS sites and the Management Information System Division, Department of Finance, shall ensure that Cash Books and Trust Codes are created in the PGAS Chart of Accounts for donor funded imprest accounts.
- 6.2 Administering Agencies and Project Manager shall ensure that all procurement procedures are observed when releasing payments from Imprest Accounts. At the time of procurement, Project

Managers should have identified the type of expenditure taking place (e.g. purchase of capital assets, procurement of goods and services and travel). This is necessary to enable Journal Entries to be raised at a later stage.

- 6.3 As required under provisions of the Public Finances (Management) Act, normal commitment, examination, certification and authorisation processes shall be performed and the transaction entered into the PGAS system.
- 6.4 The cheque is then processed for the supplier through the system against the trust fund account code. All documents pertaining to the cheque must be properly kept and attached to the journal entry when it is raised.
- 6.5 Raise the Journal Entry on the PGAS system, by performing the following accounting entry.

<b>Project Expenditure Votes</b>	<b>Dr</b>
<b>Trust Fund Account Code</b>	<b>Cr</b>

- 6.6 All cheques associated with project expenditure will be processed through the PGAS system. Project managers in consultation with the Information Technology Division, Department of Finance will liaise with the suppliers to ensure that all cheque stationeries are available.
- 6.7 Administering agencies and project managers shall ensure that a **Non-Cash Warrant Authority** has been issued by the Budgets Division of the Department of Treasury and then entered in the PGAS system. Similarly, a **Non Cash CFC** should also be raised and entered in the PGAS system for purposes of posting the required journal entries.  
  
No commitments shall be made against the non cash warrant authority and cash fund certificates (CFC).
- 6.8 In Agencies where more than one project has been funded by a donor agency, it will be necessary to issue separate Cash Fund Certificates with unique CFC Holder numbers in order to identify each donor funded project.
- 6.9 When the journal entry is keyed into the PGAS system, expenditures incurred in relation to the donor-funded project will be recorded in the system.
- 6.10 Two (2) copies of the Expenditure Vote Summary and the Bank Reconciliation Statement of Imprest Accounts should be forwarded to the First Assistant Secretaries (Financial Evaluation Division &

Expenditure and Cash Management Division). This information will assist the FAS (FED) to determine drawdowns made and replenishments required for each imprest account.

- 6.11 At the time of replenishment made into the imprest bank account, the following accounting transaction with the equivalent amount shall be entered into the system, In the PGAS system:

<b>Trust Account Cash Book Code</b>	<b>Dr</b>
<b>Trust Account Code</b>	<b>Cr</b>

- 6.12 Implementing agencies will send to Department of Treasury, Financial Evaluation Division, a copy of the bank deposit slip, Payment Advice or other proof or information concerning the deposit of donor funds to the Imprest and Special Account.

## **7. Advances of Donor Funds**

- 7.1 Advances of donor funds to the Imprest and Special accounts will be actioned for the implementing and executing agencies by Financial Evaluation Division of Department of Treasury on behalf of the bilateral and multi-lateral donors.
- 7.2 The Imprest and Special accounts will be funded as specified in the respective project's Loan Agreements or Memoranda of Understanding of Exchange of Letters by either:
- (a) the specific amounts set and replenished when the executing and implementing agency completes a withdrawal application or an acquittal form (AusAID), or
  - (b) the upcoming four to six months needs based on the funds flow projections submitted by the implementing/executing agencies.

## **8. Reporting**

- 8.1 **Each month by the 14th calendar day after month's end,** project staff at the executing and implementing agency are responsible to complete:
- (a) Bank Reconciliation
  - (b) Statements of Expenditures
- 8.2 Bank Reconciliation - Project manager will:
- (a) complete one Bank Reconciliation for each trust account

- (b) complete one Bank Reconciliation for each imprest/Special account
- (c) submit a copy of the bank reconciliation and ledger/cash book to:

Department of Treasury – Financial Evaluation Division and  
Department of Finance – Expenditure and Cash Management  
Division.

8.3 Statement of Expenditures - Project manager will:

- (a) Donor Expenditure - complete one Statement of Expenditure form for each loan agency category according to the loan agreements, memoranda of understanding and donor guidelines.
- (b) Donor and Government Expenditures - attach a copy of the project account ledgers that clearly summarise GoPNG budget item numbers (for both GoPNG and donor expenditures), or complete a Statement of Expenditure that summarises the expenditures by GoPNG expenditure item numbers.

All records for projects implemented are to be kept for inspection by Department of Treasury.

8.4 Implementing and Executing Agency project staff will complete a loan withdrawal form or acquittal form for each set of Statements of Expenditure on an as needed basis, or as agreed with donors in relation to individual projects.

8.5 Project staff will furnish to Department of Treasury – Financial Evaluation Division (for loans) or Department of Finance – Expenditure and Cash Management Division.

- (a) Bank Reconciliation Statement,
- (b) Statement of Expenditures,

8.6 The respective Financial Evaluation Division or Public Accounts Staff will:

- (a) review the reports for accuracy (examine the correctness of the payments by reference to the relevant loan agreement and the accompanying documents),
- (b) send the original Trust Account Reconciliation form to Accounting Framework and Standard Division, Trust Section,

- (c) retain copies of the Imprest/Special Account bank reconciliation forms, Statement of Expenditures, and Loan Withdrawal/Acquittal forms, and
- (d) send the Loan Withdrawal or Acquittal forms to the appropriate donors for replenishment of the imprest/special accounts with the Statement of Expenditures and any required supporting documentation.

8.7 Direct Payments by Donors:

- (a) Donors will report all direct payments to Financial Evaluation Division
- (b) Financial Evaluation Division (LRD) will complete all JE forms by item and donor code
- (c) LRD will forward FF8s to accounting section for input into the system

8.8 Subsidiary Bank Accounts - **Each month by the 7th calendar day after month's end**, staff responsible for subsidiary accounts must complete and submit the same type of reconciliations and statement of expenditures as required and explained in Section 8.1 through 8.3 above. The reconciliations and statement of expenditures are sent to the office holding the 'parent' Imprest, Special or trust account so they are received by the 7th calendar day of each month.

When the monthly general ledger (TMS) reports are received, the executing agency must check and reconcile the Imprest and Special accounts. Specifically, review reports TMS 631, TMS 282, and TMS 720 to ensure that transactions were posted correctly.



## **PART 23 – ADMINISTRATION OF PROVINCIAL AND DISTRICT SUPPORT GRANTS**

### **1. Introduction:**

- a. Effective from 1996, all payments to individual Members of Parliament for EDF and Minor Transport Funds ceased. From that date, they were subsumed as part of the Development Grant to Provincial and Local-level Governments.
- b. The priorities for the use of these Grants will be, as required by the Organic Law on Provincial and Local-level Governments, established by the Joint District Planning and Budget Priorities Committee which is headed by the respective Member for the District and attended by representatives of various Community Groups and NGOs.
- c. Disbursement of Provincial Support Grants will be in accordance with guidelines approved by the National Executive Council endorsed financial guidelines prescribe under the use of District Support Grants.

### **2. Project Guidelines:**

- a. District Support Grant funds now form part of Development Grants under the Organic Law on Provincial and Local-level Governments and are therefore subject to the specific requirements the law stipulates for the grant they are funded from. Specifically, they should only be used for:
  - 1) Social Services and Administrative Infrastructure - includes the maintenance and construction of schools, hospitals, aid posts and office buildings;
  - 2) Land and other Physical Infrastructure Development - includes the maintenance and construction of transport facilities, (eg. roads, bridges and airstrips), utilities supply (water, electricity) and economic infrastructure (warehouses, food storage units, etc); and
  - 3) Development of Village and Social Services - includes maintenance of existing assets especially schools and aid posts, purchase of equipment for service provision (eg. school books), and construction of community assets (eg. village halls).
- b. In addition to these requirements, projects approved for funding under the District Support Grant must also comply with the following guidelines:
  - 1) Projects are encouraged in, but not limited to, the following areas:
    - road (equipment, construction, upgrading and maintenance);
    - other infrastructure projects (maritime, aviation);

- health facilities (construction, upgrading and maintenance);
  - water supply and sewerage;
  - agriculture infrastructure
  - rural self-employment and economic activity generation;
  - rural electrification and housing; and
  - education facilities (construction, upgrading and maintenance).
- 2) Selection of all projects must comply with national and provincial planning priorities. Provincial planning authorities in consultation with the Office of Planning should be actively involved in the project selection procedure through the Joint District Planning and Budget Priorities Committees.

### **3. Project Nomination:**

- a. Projects may be nominated by any member including the Chairman, who exercises the same rights and privileges as other members of the Joint District Planning and Budget Priorities Committees or their Constituency.
- b. Churches, Community Groups, Youth Groups and other NGOs should be actively involved in project identification and implementation. Where possible suitable representatives of these groups should be Members of the Committee.
- c. Each Province must design a suitable form for project nomination and assessment. This design should be made in consultation with the Office of Planning

### **4. Funding of the District Support Grant:**

- a. The District Support Grant will be funded from Development Grants available under the Organic Law on Provincial and Local-level Governments. These funds will be distributed equally between the 89 Open Electorates.
- b. The cost of administering this programme, including the Joint District Planning and Budget Priorities Committees will be funded from the Development Grant itself. An amount equivalent to 5% of the grants should be set aside for this purpose and allowances payable, to the members of the Joint District Planning and Budget Priorities Committee, should be based on the rates appearing in the current Determinations of the Salaries and Remuneration Commission.

## **5. Distribution of District Support Grant Funds:**

- a. The manner in which District Support Grant funds will be distributed is to be determined by the Joint District Planning and Budget Priorities Committee. These Committees, established under Section 33A of the Organic Law, are chaired by the Member of Parliament representing the Open Electorate. Their membership includes the Open Member, the heads of the Local-level Governments and up to three additional members nominated by the Chairman of the Committee. This Committee must be in existence for the District Support Grant funds to be distributed in a District.
- b. District Support Grant funds that are the responsibility of the Open Member must also be distributed through the Joint District Planning and Budget Priorities Committee as these funds form part of the Development Grant. This is so even if the member chooses to distribute his District Support Grant Funds evenly between Districts or use them to address equity considerations within the Province.

## **6. Financial Guidelines:**

- a. The District Support Grant funds must be released and disbursed in accordance with Section 93 of the Organic Law on Provincial and Local-level Governments and Section 65 of the Public Finances (Management) Act.
- b. Levels of Development Grants are determined by the formulae included in Schedules 3 (Provincial Infrastructure Grant) and 5 (Local-level Government and Village Services Grant) of the Organic Law on Provincial and Local-level Governments. Both schedules provide for expenditure of these funds to be 50/50 for social services and administrative infrastructure; land and other physical infrastructure development; and 50/50 for the development of village and social services, and land and or other physical infrastructure development.
- c. All spending plans for District Support Grant funds must be approved by the appropriate Joint District Planning and Budget Priorities Committee. No individual Member of Parliament (or his agent) is to receive funds in his own name.
- d. The actual approval and release of funds will be made by both Provincial and District Treasurers in consultation with both Provincial Administrator and the respective District Administrator.
- e. Local-level Government and Village services Grants will be paid by both Provincial and District Treasurers directly to the Local-level Governments in accordance with Section 93 (3) of the Organic Law on Provincial and Local-level Governments.
- f. Procurement Procedures and Public Tendering requirements

Procurement must be conducted in accordance with the Public Finance Management Act, Regulations and Financial Instructions.

g. Maintenance of proper financial records

Section 102 of the Organic Law on Provincial and Local-level Governments requires both levels of Governments to maintain proper accounts and records of their transactions and affairs, in accordance with the Public Finances (Management) Act, 1995. Each Project Manager responsible for a project funded under the District Support Grant should therefore maintain such accounts and records and monthly financial reports and submit these to the Provincial Treasurer for consolidation and incorporation into the General Ledger. Copies of these reports should be made available to the Joint District Planning and Budgeting Priorities Committees including project disbursement records together with acquittal forms.

These records must be made available for audit by the Auditor General or inspection by Finance Inspectors at any time.

**7. LIAISON WITH THE DEPARTMENT OF NATIONAL PLANNING AND MONITORING:**

- a. A high degree of consultation and liaison needs to be undertaken with the Department of National Planning and Monitoring in the implementation of District Support Grants. The Department of National Planning and Monitoring will liaise with Provincial and Local-level Governments on the progress of current and future projects, and the maintenance and upkeep of completed projects, to ensure that National and Provincial Planning priorities are being achieved.

The Chairman is reminded that he must submit comprehensive supporting documentation to substantiate the disbursement of District Support Grant funds by submitting acquittal documents for each project or contract funded by this grant.

## **PART 24 – PUBLIC BODIES**

### **DIVISION 1 - GENERAL**

1. The instructions issued under this part of the Financial Management Manual have reference to Part VIII of the Act. (Public Bodies)
2. **Section 2 of the Act** defines a public body as any body, authority or instrumentality (whether corporate or unincorporated) established by or under an Act or a Constitutional Law, other than a body, authority or instrumentality established under the Companies Act (Chapter 146).
3. The term "subsidiary corporation" (of a public body) has been defined in **Section 49 of the Act**.
4. While some Sections of **Part VIII of the Act** refer only to public bodies, some relate to their subsidiary corporations as well. Thus the Act requires that proper accounts and records shall be kept by a public body or a subsidiary corporation (**Section 62 of the Act**). Similarly, the Auditor General has been given responsibility to audit the books of all public bodies and subsidiary corporations (**Audit Act, 1989**). The Minister's authority for inspection or investigation or to issue policy directions on tendering covers both public bodies as well as subsidiary corporations (**Sections 60 and 64 of the Act**).

### **DIVISION 2 - POLICY DIRECTIONS ON TENDERING**

5. The following policy directions have been approved by the Minister under **Section 60 of the Act** and apply to all public bodies and subsidiary corporations.
6. **Directions on Preference to National Tenderers**
  - 6.1 The term "national tenderer" is as defined in **Section 2 of the Act**.
  - 6.2 Where a national tenderer is a business firm or company wholly owned or controlled by automatic citizens, a notional reduction of 15 per cent is to be made to the prices quoted by it while making price comparison of bids. Where a firm or company is partly owned by persons who are not automatic citizens, the following formula will apply:

<b>Extent of ownership by non-automatic citizens</b>	<b>Notional reduction (per cent)</b>
50 per cent or above	15
25 per cent and above but below 50 per cent	10
10 per cent and above but below 25 per cent	5
Below 10 per cent	0

### **6.3 In the case of Contracts:**

Public bodies and subsidiary corporations shall restrict the invitation of tenders up to the value of K5,000,000 only to businesses that are completely nationally owned or to certain categories of resident companies which have demonstrated a long-term commitment to supporting national subcontractors and the training of local staff subject to their satisfying that they have the requisite capacity to carry out the contract. Decisions as to eligibility will be made by a Technical Committee established in accordance with paragraph 13 of Part 9 - State Tenders.

- 6.4 Public bodies and subsidiary corporations may, however, invite tenders without the restriction in paragraph 6.3 above if the businesses, that are completely nationally owned or certain categories of resident companies, have no requisite capacity to carry out the work.

Public bodies and subsidiary corporations may also invite tenders without the restriction in paragraph 6.3 where there is risk of undue delay in performance because of other known work commitments of nationally owned or certain resident companies judged against their resources or where there is an obligation to invite open tenders under an agreement with an international financing agency.

- 6.5 A joint venture company or consortium with up to 50% overseas participation may be included in the invitation of tenders in the case of contract valued above K5,000,000 and up to K10,000,000.
- 6.6 For contracts valued at more than K10,000,000 open international tendering will be invited.

## 7. Directions on Preference to Local Manufacturers

The following directions will be binding on public bodies and subsidiary corporations as part of the Government's industrial policy, for according preference to goods locally manufactured:

- (i) All tender notices must be published in Papua New Guinea in addition to the media in Australia and other countries as required.
- (ii) Specifications drawn up for purchase programmes shall not unnecessarily favour imported goods at the cost of locally manufactured goods.
- (iii) Tenders must allow local bidders to bid in smaller parcels as far as possible. The local origin of materials and labour will be the criterion to decide what is "locally manufactured". In case of doubt, the Department of Commerce and Industry should be consulted.
- (iv) Where there are bids from suppliers of imported goods and locally manufactured goods in response to an Invitation to Tender, a notional addition equivalent to the import duty shall be made to overseas bids, if the imports are eligible for exemption from duty, for price comparison with the locally manufactured goods.
- (v) In respect of (iv) above, if no import duty is leviable or if the import duty leviable is less than 20 per cent, the notional addition to be made to the imported goods for price comparison is to be decided on the basis of the extent to which the criteria for "local manufacture" are met. If they fully satisfy the criteria, the notional addition will be the maximum, that is 20 per cent.
- (vi) As far as possible, price comparisons are to be made on Free Into Stores (FIS) basis.

## DIVISION 3 - CONTRACTS

### Minister's Approval for Contracts:

8. Public bodies should refer all contracts, consideration of which exceeds K100,000 to the Minister for prior approval under **Section 61 of the Act**.
9. While referring such contracts for prior approval, public bodies shall provide the following information in a covering minute:
  - Whether tenders were invited publicly as required under **Section 59 (1) of the Act**. If not, reasons (in brief) for waiving the requirement.
  - Whether the cost of the contract is included in the approved budget of the public body.

- A comparative statement of the various bids.
  - If the lowest bid (or the highest in the case of sale of an asset or service) is not accepted, reasons for doing so.
  - Whether the Policy Directions issued under **Section 60 of the Act** to give preference to national tenderers or local manufacturers have been complied with.
10. If a public body finds that the limit of K100,000 is restrictive, taking into consideration its business turnover and nature of business, it may submit a proposal for raising the limit to K500,000.

**11. EXEMPTION FOR CERTAIN CONTRACTS OR CLASS OF CONTRACTS FROM MINISTER'S PRIOR APPROVAL**

Under **Section 61 (3) of the Act**, the Minister has approved exemptions to the following class of contracts from his prior approval, subject to the conditions set out below:

- Contracts entered into in the normal course of business, such as contracts of international trading, money market transactions, short term investments and deposits by the following public bodies:

Bank of Papua New Guinea

Bank of South Pacific

Rural Development Bank of Papua New Guinea

Investment Corporation of Papua New Guinea

State Services and Statutory Authorities Superannuation Fund

Retirement Benefits Fund and Defence Force Retirement Benefit Fund

National Provident Fund

PNG Electricity Commission

Air Niugini

PNG Harbours Board

Waterboard

Niugini Insurance Corporation



## **PART 25 – STATUTORY BOARDS AND COMMITTEES – FEES AND ALLOWANCES**

1. **The Boards (Fees and Allowances) Act (Chapter 299)** contains provision for fees and allowances to be paid to members of Statutory Boards and Committees (excluding Officers of the Public Service and statutory authorities) properly constituted and gazetted.
2. The following Statutory Boards and Committees have been gazetted:
  - Child Welfare Council
  - Commission of Inquiry
  - PNG Electricity Commission
  - Liquor Licensing Commission
  - Medical Board
  - Education Advisory Board
  - Provincial Education Committees
  - PNG Copra Marketing Board
  - PNG Copra Industry Stabilization Board
  - Apprenticeship Board
  - Land Board
  - Town Planning Board
  - Censorship Advisory Panel
  - Building Boards
  - Rubber Board
  - Cocoa Appeal Committee
  - Coffee Appeal Committee
  - Nursing Council
  - Accountants Registration Board
  - Any Board of Inquiry under the Industrial Relations Act 1962.
  - PNG Tourist Board
  - Veterinary Surgeons Board
  - Passenger Transport Board
  - National Parks and Gardens Board
  - Territory Education Board and District Education Boards
  - PNG Surveyors Board
  - Place Names Committee
  - PNG Institute of Human Biology
  - Board of Management Constituted by the Bureau of Industrial Organization Ordinance.
  - Minimum Wages Boards
  - Plumbers, Drainers and Gas fitters Trade Licensing Board
  - PNG Co-operation Education Trust
  - Premium Fixing Advisory Committee
  - Central Building Tribunal
  - Public Services Conciliation and Arbitration Tribunal
  - Teaching Service Conciliation and Arbitration Tribunal

Any Board of Inquiry under the Public Services Conciliation & Arbitration Act 1969

Nautical Training Institute Board

National Standards Board

Independence Fellowship Trustee Board

Law Reform Commission.

Management Accountant Registration Board

Central Supply and Tenders Board

Provincial Supply and Tenders Board

Audit Committees

Hospital Boards

3. Fees and allowances payable to members of these Statutory Boards and Committees (excluding officers of the Public Service and statutory authorities), and all other similar Boards properly constituted and subsequently gazetted. The rates of Fees and Allowances for members of the Boards differ between the Statutory Boards and Committees set up under the Acts of Parliament that stipulates the applicable rates.
4. Stipends are payable quarterly from the date of appointment to the Board of the Committee.
5. The attendance fee is payable in respect of all time spent:
  - (i) in travelling away from home for the purpose of the Board or Committee.
  - (ii) sittings as a member thereof
  - (iii) otherwise engaged on its business
6. Non-official members are also eligible for reimbursement of cost of transport incurred while on official business and also payment of cost of accommodation and meals if the Board of Committee is sitting away from a member's normal place of residence.
7. In the case of Statutory Boards and Committees which are not financially autonomous and are not gazetted under the **Boards (Fees and Allowances) Act**, but where provision for fees and so forth is contained in the legislation, it may become necessary to refer the question of whether fees are payable to the Department responsible for the Board in question.
8. Other non-Statutory Boards exist where payment of fares and accommodation expenses only have been approved for private members. These are:

The Stamp Advisory Committee

The Social Service Council

The Audit Education Council

The Medical Research Advisory Council.

## PART 26 – EX-GRATIA PAYMENTS AND COMPENSATION

### POWERS OF THE MINISTER AND THE SECRETARY

1. **Section 107 of the Act** provides powers to the Minister and the Secretary, Department of Finance, to approve ex-gratia payments. Unless the regulation made under the Act prescribes otherwise, the Minister or the Secretary may approve an ex - gratia payment up to the following limits:

-	The Minister	K50,000
-	The Secretary	K25,000

2. No Regulation has been made to alter the above financial limits.
3. The National Executive Council may approve an ex-gratia payment without any limit.
4. Ex-gratia payments are subject to funds being available under the Parliamentary appropriations in the annual budget of National Government.

### 5. EX-GRATIA PAYMENTS

- 5.1 Loss of personal effects. claims arising from such losses will be dealt with by the appropriate Section of the Department of Finance. Once established and proven they constitute an entitlement.
- 5.2 The loss of personal effects occurring during approved transfers of officers within the country or to and from Papua New Guinea will also be dealt with by the appropriate Section of the Department of Finance.
- 5.3 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.

### 6. INJURY TO AN OFFICER OR EMPLOYEE

- 6.1 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.
- 6.2 Such a report, under the **Worker Compensation Act**, shall be made irrespective of whether a claim for compensation has been made.

7. 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:-
    - nature of injury
    - period or likely period of temporary disability.
    - degree of any permanent disability caused by the injury.
8. 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.

## **PART 27 – SURCHARGE AND PENALTY**

### **1. LEGAL BASIS:**

**Section 102 of the Act** lays down the circumstances under which surcharge may be imposed. These include omission to collect revenue due to the Government, failure to deposit or account for public moneys, improper payment, failure to observe prescribed rules and procedures while approving requisitions for expenditure including over commitment of funds. These also include implementing expenditure decisions resulting in loss of public moneys or damage to State property, and including shortage of stores. Surcharge may also be imposed for any other failure to comply with the provisions of the Act including regulations and finance instructions.

### **2. WHO IMPOSES SURCHARGE**

The surcharge may be imposed by Departmental Heads in relation to matters falling within their respective departmental business. The Secretary for Finance has, however, wider powers and may impose surcharge even in the case of matters falling outside his department.

Surcharge may be imposed on any person who is or has been an accountable officer. The term "accountable officer" has been defined under **Section 6 of the Act** to include any officer. The term also includes a private person who "authorises the collection or payment of public moneys or accounts for stores".

### **3 AMOUNT OF SURCHARGE**

The amount of surcharge will vary according to the circumstances of each case, but it is intended that where a loss has been caused to the Government due to non-collection of dues, overpayment, damage to property, and shortage of stores, the surcharge process should aim to recover the loss in full.

Where the loss to the Government is not clearly established and is likely or where the provisions of the Act, regulations and financial instructions have not been observed or in any other case where there is a legal basis to impose surcharge the amount of surcharge will depend on the circumstances of the case.

### **4. PROCEDURE FOR IMPOSITION**

4.1 Before imposing a surcharge, the Departmental Head should obtain a detailed report on the matter (which forms the basis for surcharge) and satisfy himself that there are reasonable grounds for surcharge.

4.2 He should then issue a Notice of Proposed Surcharge in the form attached. (Appendix I - Form 1)

- 4.3 If there is no satisfactory explanation, or if there is no explanation within the period mentioned in the Notice (Form 1), the Departmental Head may decide to impose the surcharge. He will then forward to the person surcharged a notice in the form attached (See Appendix I - Form 2).
- 4.4 The same procedure as above will be followed by the Secretary for the Department of Finance if he exercises his authority to impose surcharge under **Section 102 of the Act**.

## 5. PROCEDURE FOR RECOVERY

According to **Section 106 of the Act**, the amount of surcharge may be recovered from a person as a debt. If amounts are due to that person by way of salary or other employment benefit, the Department should recover the amount of surcharge from the amounts payable after obtaining the approval from Department of Finance.

## 6. PENALTY AND OFFENCE

- 6.1 **Section 102 of the Act** lays down the circumstances in which a penalty may be imposed on an individual person or any other person for an offence. These circumstances include refusal by a person to co-operate through non-attendance of meetings demanded by the Minister, Auditor General or the Secretary, Department of Finance or non-production of books or amounts in his possession. These circumstances also entail not providing the answers to lawful questions or refusal to pay public money under the Act. In addition, the circumstances also include refusal or wilful neglect by the Departmental Heads to provide reports prescribed by the Secretary, Department of Finance under **Section 4 of the Act** or over-commitment of funds without care.
- 6.2 In some cases, where the seriousness of the circumstances warrants, it would be legally possible to proceed with prosecution of penalty for an offence in addition to surcharge under **Section 102 and 103 of the Act**. The penalty for an offence prescribed under the Act includes imposition of fines up to K20,000 and suspension without pay in the case of an individual person or imposition of a fine up to K50,000 for other than an individual person.
- 6.3 A penalty for an offence under **Section 112 of the Act** may be imposed by the Minister or the Secretary, Department of Finance.
- 6.4 The amount of fine or the nature of penalty may be decided on circumstances in each case with reference to **Section 112 of the Act**.

- 6.5 The procedure for imposing a penalty would be similar to the procedure for imposing a surcharge. However, the exact procedure should be decided in each case in consultation with the State Solicitor.



**APPENDIX I - Form 1****THE INDEPENDENT STATE OF PAPUA NEW GUINEA****Public Finances (Management) Act 1995****NOTICE OF PROPOSED SURCHARGE**

To:

Whereas, being an accountable officer under **Section 6 of the Act**, it appears that you did

\* on the                      day of                      19-----

\* between

\* the                      day of                      19-----

at

(Description of act or omission under **Section 102 (c) to (i) of the Act**).

I,                      Secretary/Provincial Administrator, Department/Province of  
advise that by virtue of **Sections 102 and 103 of the Act**, I propose to surcharge you  
with the amount of K                      being the loss sustained under **Section 102 (j), of the  
Act**, and take notice that I shall consider any submission made by you under **Section  
103 (d) of the Act** made by you within seven (7) days from the receipt of this notice.

DATED the                      day of                      19 -----

.....

Secretary/Provincial Administrator  
Department/Province of .....

**Form 2 - NOTICE OF IMPOSITION OF SURCHARGE**

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

Public Finances (Management) Act 1995

## NOTICE OF IMPOSITION OF SURCHARGE

To:

Further to Notice of Proposed Surcharge dated day of 19  
and after consideration of submissions made by you, you are hereby notified  
that being an accountable officer under **Section 6 of the Act** you did

\* on the day of 19---

\* between

\* the day of 19---

(Description of act or omission as set out in Notice of Proposed Surcharge).

I, Secretary/Provincial Administrator, Department/Province of  
hereby notify you that by virtue of **Sections 102 and 103 of the Act**, you are  
surcharged with the amount of K being the loss sustained under **Section 102 of  
the Act**. You may appeal against the imposition of this surcharge within the period of  
one month from the date of receipt of this notice, or such other period allowed, under  
**Section 105 of the Act**.

DATED the day of 19-----

.....

Secretary/Provincial Administrator  
Department/Province of .....

## **PART 28 – LOSSES, DEFICIENCIES AND OVERPAYMENT OF MONEYS**

### **DIVISION 1 - GENERAL**

1. This Part sets out the procedure for dealing with losses and deficiencies of public moneys and irrecoverable amounts of revenue, debt and overpayment.
2. In this Part, "**Loss or deficiency of public moneys**" is a physical loss by an accountable officer of any legal tender, negotiable instrument or any other cash value with a monetary designation, which can be readily converted to cash, for example, notes, postal orders, money orders, and other negotiable instrument.
3. Delegation to Write-Off

The Minister for Finance and Treasury or the Departmental Head of the Department responsible for financial management may write off:

Losses or deficiencies of public moneys - S 108 (a)

Irrecoverable amounts of revenue - S 108 (b)

Irrecoverable debts and overpayments - S 108 (c)

He has, however, delegated these powers and the authorities holding such delegation and the limits to their delegation are set out in Appendix I.

### **DIVISION 2 - LOSSES AND DEFICIENCIES OF MONEYS AND OVERPAYMENTS**

4. Liability in Respect of Losses or Deficiencies
  - 4.1 Where there has been a loss or deficiency of public moneys due to misappropriation or fraud, the Department 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.
  - 4.2 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 of paragraph 12 below.
  - 4.3 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 K50 or less, the whole amount;

- (ii) Where the loss or deficiency exceeds K50 but does not exceed K100 the amount of K50;
- (iii) Where the loss or deficiency exceeds K100, fifty toea for each Kina making up the loss or deficiency.

Appropriate adjustments shall be made as soon as a decision has been taken under paragraph 11 below. 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.

## 5. Prosecutions

An 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. So also it is highly objectionable to promise a person, who has contravened the law, immunity from prosecution if he does a certain thing as, for example, makes restitution.

## 6. Surcharge or Court Order to make Good

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.

## 7. Overpayment of Salary and Allowances

The following procedure is to be observed by Departments in the event of an overpayment of salary and allowances.

- (a) Where an overpayment of salary or allowance has occurred through miscalculation or machine 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.
- (b) 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 (Accounting Framework and Standard

Division) who will seek legal advice, if necessary, before any recovery action is taken.

- (c) 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.
- (d) 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.
- (e) Where an overpayment has been established the following procedures shall be followed by Departments:
  - (i) 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.

- (ii) 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.
  - (iii) 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.
  - (iv) In both cases it will be necessary to advise the State Solicitor, the following details:

been discharged from bankruptcy, the liquidation of the company has been finalised or advice has been received from an **Official Receiver of Trustee in Bankruptcy or from a Liquidator** in the winding up of a company that no further distribution is likely.

- (d) If an overpayment has been made against a head of expenditure and is irrecoverable, the overpayment may remain a debit to that head of expenditure. If the accounts of the year are closed, no useful purpose will be served by making adjusting entries.

10. **Procedure for Other Irregular Payments.**

Unless otherwise directed by the Secretary for Finance, the provision of paragraph 13 and 14 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.

**DIVISION 3 - RECOVERY OF LOSSES FROM OFFICERS OR EMPLOYEES**

11. Recovery from Refunds of Superannuation or Benefit Funds

If, despite Departmental requests, an officer or employee (including a member of the Defence Force) who is a contributor under the State Services and Statutory Authorities Superannuation Act, or the Papua New Guinea Defence Retirement Benefits Act has failed to repay to the Government sums misappropriated, deficiencies of cash, overpayments of salary and such like, and he is resigning or being dismissed or retrenched from the service, then the Department shall:

- (a) obtain from the contributor a completed application form for refund of contributions together with an order, authorizing the State Services and Statutory Authorities Superannuation Board or Retirement and Benefits Funds, as the case may be, to pay to the Department the amount of the contributions, or so much thereof as will cover the debt;

been discharged from bankruptcy, the liquidation of the company has been finalised or advice has been received from an **Official Receiver of Trustee in Bankruptcy or from a Liquidator** in the winding up of a company that no further distribution is likely.

- (d) If an overpayment has been made against a head of expenditure and is irrecoverable, the overpayment may remain a debit to that head of expenditure. If the accounts of the year are closed, no useful purpose will be served by making adjusting entries.

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- (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.

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#### **11. Recovery from Refunds of Superannuation or Benefit Funds**

If, despite Departmental requests, an officer or employee (including a member of the Defence Force) who is a contributor under the State Services and Statutory Authorities Superannuation Act, or the Papua New Guinea Defence Retirement Benefits Act has failed to repay to the Government sums misappropriated, deficiencies of cash, overpayments of salary and such like, and he is resigning or being dismissed or retrenched from the service, then the Department shall:

- (a) obtain from the contributor a completed application form for refund of contributions together with an order, authorizing the State Services and Statutory Authorities Superannuation Board or Retirement and Benefits Funds, as the case may be, to pay to the Department the amount of the contributions, or so much thereof as will cover the debt;

- (b) 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 State Services and Statutory Authorities Superannuation Board or Retirement and Benefits Funds with full details of the case and a request that payment be made to the Department;
- (c) if a complete application form cannot be obtained from the contributor, fill-in the form as appropriate and forward it to the State Services and Statutory Authorities Superannuation Board or Retirement and Benefits 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;

- (d) 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.

## 12. Losses or Deficiencies - Applications for Relief by Officers or Employees

The following conditions are prescribed for general application:

- (a) any officer or employee having caused a loss or deficiency in public moneys may make application for alleviation or discharge from the liability;
- (b) 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;
- (c) 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.
- (d) 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.

- (e) 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.

#### **DIVISION 4 - REPORTING AND RECORDING**

##### **13. Reporting and Writing Off**

As soon as losses or deficiencies of public moneys are noticed, the following action shall be taken:

- (i) *If theft, robbery or fraud is suspected:*
  - (a) Report to the Police and request for an investigation as soon as possible.
  - (b) Advise the Auditor-General and the Chief Inspector, Department of Treasury as soon as it becomes known.
  - (c) Within 14 days of the occurrence of the loss, submit a complete report to the Auditor General and the Chief Inspector, Department of Treasury (see Appendix II)
- (ii) *In other cases:*
  - (a) losses and deficiencies up to K100.  
Advise the Auditor-General and Department of Finance.
  - (b) losses and deficiencies exceeding K100.
    - (i) *Advise the Auditor General and Chief Inspector, Department of Treasury as soon as possible.*
    - (ii) *Within 14 days of the occurrence of the loss, submit a report to the Auditor General and the Chief Inspector, Department of Treasury. (see Appendix II)*
    - (iii) *After taking all other necessary action submit a report, with appropriate recommendations to the Department of Treasury for decision; (see Appendix II).*

#### **14. Register Of Losses**

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 the Auditor General and the Chief Inspector (see paragraph 13);
- (c) date of Report submitted to the Auditor General and the Chief Inspector (see paragraph 13);
- (d) date of Report to the Department of Treasury,
- (e) amount recovered;
- (f) amount written off;
- (g) authority for adjustment;
- (h) advice of any defects in the internal control system, and if so, a reference to remedial action taken;

Soon after the close of the financial year an extract of the Register of Losses for that year shall be sent to the Chief Inspector, Department of Treasury. If no losses are detected, a NIL return shall be submitted to the Chief Inspector.

#### **15. Accounting for a Loss or Deficiency**

Losses or deficiencies of public moneys generally will be charged to an appropriation provided by the Department of Treasury. Where the loss or deficiency concerns moneys which should be credited to a revenue account or have been charged to an expenditure account, the Secretary for Treasury may direct that the loss or deficiency shall be carried by that account.

**APPENDIX I (Paragraph 3) - DELEGATION OF POWERS TO WRITE-OFF**

The following are delegated powers of write-off for any one case

**1. LOSSES OR DEFICIENCIES OF PUBLIC MONEYS**

- (a) Arising from theft, robbery, fraud or other cases.
  - (i) First Assistant Secretary (Public Accounts)= K 5,000  
Department of Finance
  - (ii) Departmental Head of any Department = K 3,000

**2. IRRECOVERABLE REVENUES - DEBTS AND OVERPAYMENTS**

- (a) Commissioner General = K50,000
- (b) Commissioner = K20,000
- (c) Assistant Commissioner = K10,000
- (d) Loans, Revenue & Debt Management = K 5,000
- (e) First Assistant Secretary (Public Accounts) Department of Finance  
= K 5,000
- (f) Departmental Head of any Department = K 3,000
- (g) Provincial Treasurer = K 1,000

**NOTE**

Where write-off sought exceeds delegated limits shown above, a submission should be made to the Secretary for Finance who has been given unlimited power for the above purposes under **Section 108 of the Public Finances (Management) Act**.

**APPENDIX II (Paragraph 13) - LOSS REPORT - I**

DEPARTMENT OF .....

Report No: .....

Division/Branch .....

Reference: .....

Date: .....

- 
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.
- 

Division/Branch Head.....

Secretary .....

Department of

Department of

Date:

Date:

**DISTRIBUTION:**

1. Auditor General
2. Chief Inspector, Department of Treasury, P O Box 1983, Boroko
3. File

**APPENDIX III (Paragraph 13) - LOSS REPORT - II**

DEPARTMENT OF .....

Report No: .....

Division/Branch .....

Reference: .....

Date: .....

---

**PART A**

A copy of the Inquiring Officer's report relating to the loss reported on\_\_\_\_\_ is attached. After careful consideration and taking into account all circumstances of the case the following action is recommended. (e.g. Full/Instalment recovery, write-off, surcharge, disciplinary action etc).

.....

---

**PART B**

Approved/Not Approved as amended below.

.....  
COMPETENT AUTHORITY

---

**PART C**

1. Has the Officer applied for relief?
2. Where applicable has the matter been referred to the Departmental Head or in more serious cases, Department of Personnel Management to initiate disciplinary action?
3. Where applicable state what action is taken to recover the loss?
4. Where applicable state what accounting action has been taken.

.....  
ASSISTANT SECRETARY  
(ADMINISTRATION)**DISTRIBUTION**

1. Auditor General
2. Chief Inspector, Department of Treasury, P O Box 1983, Boroko.
3. File

## PART 29 – STORES PROCEDURES

### 1. Definition of "Stores":

The term "Stores" has been defined in **Section 2 of the Act** and includes any goods owned or held by or under the control of the Government. It includes also those which cannot be moved, like land and buildings, and also articles which may be of no commercial value.

### 2. Characteristics of "Stores Procedures".

These "Stores Procedures" set minimum standards for management of stores; departments must meet these minimum standards, and may wish to build upon the minimums outlined.

### 3. Receipts of Stores and Control

- a. It is the responsibility of the Financial Delegate to ensure proper arrangements for inspection of the goods on their receipt (from Division of Supply or any other supplier) and maintenance of stock records on their receipt and issue.
- b. In respect of goods received from the Division of Supply, quantities are to be checked against delivery notes and file copy DOS 10. When ILPOC's are raised for buying goods, the Financial Delegate will arrange purchases through an authorised Receiving Officer who will inspect the goods against the description on the ILPOC before signing the certificate of performance.
- c. Stores are to be issued only on written requisitions from Section or Branch Heads or other authorised persons and only for approved usage.

The requisition form should contain:

- 1) Date*
- 2) Name of the section/branch,*
- 3) Description and quantity of stores requisitioned*
- 4) Signature of authorised officer*
- 5) Name and initial of the person receiving the items.*

- d. **Stock Cards:** Stores received and issued (except in the case of rations and similar stores items, - see paragraph 4 below) are to be recorded on Stock Cards or in the Stock Item book as follows:

Type of Item.....	ITEMS DETAILS Descript-Series/Model	Page No..... Card
Date	Quantity On Hand	
	Quantity Received/Issued No.	Reference to ILPOC/DOS 10/ requisitions
	Total Quantity remaining in stock	
		Initials

#### 4. Non-Inventory Items:

- a. Rations and consumable stores not held for re-issue in quantity are to be recorded on receipt but issues need not be recorded.
- b. Other non-inventory items such as hand tools, picks and shovels, which have a value not more than K50 and a life expectancy of less than one year, need not be recorded as to issue from time to time, but care must be exercised to ensure that they are utilised properly for the duration of their economic life.

#### c. Rations:

##### 1) Receipt of Rations

On receipt the officer responsible will check the quantity and weight received against the delivery note. He will ensure that the rations are properly packed as far as possible and that they are in good condition. Should he have any doubt about their condition he should call in the Medical Officer of Health or his representative for an opinion.

- 2) An immediate report will be made to his Departmental Head should the rations be found unfit for consumption.
- 3) A reserve of one month's normal consumption of non-perishable rations will be held at Station Stores. When issuing rations, the reserve will be constantly revolved by issuing from those stock that are the longest held. The maintenance of the reserve is to guard against delay in delivery.

#### 5. Attractive Items

- a. Radios, cameras, tape recorders, projectors, movie and strip films, medical, technical, scientific and computing equipment and similar valuable portable items purchased by implementing agencies are to be entered on stock cards under a separate section.

- b. Loan Register is to be maintained to record issues to officers in the course of their duties. The register should show:
  - 1) Date of Issue
  - 2) Description
  - 3) Name of officer to whom issued
  - 4) Signature of the receiving officer
  - 5) Date of return
- c. The officer to whom the item was issued is personally responsible for handing over the item in good condition on return to his home station and before departure on leave, or transfer.
- d. If an item is forwarded to an agent for service or repair, it should be recorded in the Loan Register and follow up action taken to ensure it is reclaimed upon completion of service or repair.
- e. The Officer-In-Charge of the store will frequently check the temporary issue of equipment to ensure that they are duly returned when no longer required.
- f. Misuse, damage or loss of equipment will be immediately reported to the Head of Department and the procedures followed as laid down in the Section covering losses and deficiencies.

#### **6. Fuel Drums:**

- a. Fuel drums are to be regarded as accountable stores and their receipt and disposal should be recorded on stock cards or in a separate Drums Register (if it is more convenient) which should show the same information as stock cards.
- b. All empty drums are to be returned to the nearest Government Store unless:
  - 1) The drums are damaged, and await disposal under Part 26 of this Manual, or
  - 2) Fuel is obtained on a drum exchange basis.

#### **7. Office Equipment:**

- a. Inventories will be maintained in respect of general office equipment, other than office furniture. Such equipment includes personal computers, calculators, facsimile machines, bicycles, typewriters, clocks, and cash registers.
- b. The Officer-in-Charge of establishment is to ensure that the inventories are kept up to date and that the items are in safe custody.



**8. Office Furniture:**

While it is not necessary to record items of office furniture on the inventories. Departmental officers are still responsible for the safe custody and control of these items.

**9. Goods Ordered For Stockholding:**

- a. Where goods have been ordered for stockholding and reissue, the quantity received, after proper check against the delivery note, for quantity, weight and quality according to specification, will be entered on a stock card.
- b. Shortages noticed after taking deliveries will be immediately reported to the Head of the Department and the procedures, as stated in Part 26 should be followed.
- c. For larger consignments, the packages will be inspected for visible damage such as breakage or for visible sign of tampering and where this occurs, delivery should not be accepted, or a receipt given until the contents have been examined in the presence of a representative of the carrier and the receiving Department. Shortages or breakages will be dealt with as above.
- d. The full quantity shown on the issue voucher will be entered on the stock card and missing or broken items reported for adjustment, replacement or write-off.

**10. Stores on Loan:**

- a. Statutory Corporations, Government instrumentalities, educational and training institutions and charitable organisations requiring stores on loan from Departmental Stores should address their requests to the Departmental Head, the Commissioner of Police or the Commander of Defence Forces as the case may be. Such requests are to be approved by the approving authority only if there is an adequate stock on hand for loan without disrupting departmental functions, and if there is no commercial organisation available to lease the required stores.
- b. Loan of Departmental Stores should not be made to profit making organisations (other than statutory corporations and Government instrumentalities).
- c. Hire rates are to be determined by the Department lending the stores, in consultation with the Department of Finance and hire charges recovered will be credited to appropriate revenue items.
- d. A loan register will be maintained by the Department lending stores in the form suggested in paragraph 5.2 above, to record stores issued on loan.

- e. The lending Department will obtain an agreement and indemnity (See Appendix A) duly executed by the representative of the organisation receiving the stores on loan to cover the period of the loan.

#### **11. Departmental Stores:**

- a. Where Departments are responsible for large stores such as the Department of Health, Medical Stores, the Head of Department is responsible for ensuring that adequate Departmental Stores instructions are published and are kept up to date for guidance.
- b. The purpose of the stores instructions is to ensure that stores activity is run with due economy and efficiency, that adequate supplies of essential items are in stock at all times, that such stock is in good condition and that stocks of medicines, medicaments, and drugs are at all times in good condition and have not become time expired and thus rendered ineffective or dangerous.

#### **12. Plant and Equipment:**

- a. Each item of plant and equipment must be given a number which will be recorded in a Plant and Equipment Register for identification. The location, where possible, must be indicated in the Register.
- b. For plant and equipment which requires regular maintenance, the Plant and Equipment Register must include maintenance schedules. Care must be taken to ensure that maintenance is not only carried out regularly but is also properly supervised.

#### **13. Annual Stock Take:**

Unless otherwise approved specifically by the Departmental Head, all stores shall be subject to a stocktaking at least once annually in accordance with the detailed procedures set out in Division 5 as follows.

### **DIVISION 5 STOCK-TAKING**

- 14. Unless otherwise specifically approved by the Secretary for Finance, stores shall be subject to a stocktaking at least once annually in accordance with the following procedures. Where applicable, stocktaking shall be undertaken by persons other than stores personnel.
- 15. The actual stock on hand shall be listed and the lists compared with balances shown in the stock ledgers.
- 16. Stock sheets (FF 103 or such form as is approved by the Secretary for Finance) shall be compiled, showing the stores vocabulary or identification number, description or articles, unit price, quantity on hand, quantity as per stock ledgers and total value, number and value of deficiencies and

- surpluses. Each stock sheet shall be certified by two stocktaking officers that the actual stores on hand are as shown on the stock sheets.
17. All stock sheets shall be covered by the certification of the officer-in-charge of the establishment that:
    - (a) The stock balance shown in the stock column of the stocktaking sheets has been checked with, and is in agreement with, the balances shown in the stock ledger.
    - (b) The calculations, extensions and costings have been checked and are correct.
    - (c) The surpluses and deficiencies shown in quantities and values have been checked and are correct.
    - (d) The stock-take has been conducted in accordance with prescribed procedures. .
  18. The actual stock on hand figures shall then be entered in the stock ledgers in red ink, and a notation of the stock-take made against each entry. This shall be done in anticipation of adjustment approval by the delegate.
  19. At the completion of the stock-take, two copies of the stock sheets together with such explanations, shall be submitted to the delegate for decision to adjust the stock records. If write-off/write up action is approved, the decision will be conveyed and the original stock sheets returned for filing.
  20. Whenever practicable, a stock take shall be performed when one store holder is handing over to another. The result of the stocktake shall be recorded on stock sheets and submitted in the usual manner.
  21. Stocktaking - Outstations Rations and Non-Inventory Items
    - (a) Outstations rations and non-inventory items will be counted on the 30 September, in each year as part of the stocktake cycle. While it is not essential to use stocktake sheets, an accurate count record must be kept.
    - (b) When the stocktake is completed, the Officer-In-Charge of the station will consider the rate of consumption as against what would be considered a normal usage rate by comparison with the previous stock take plus items received less estimated issues and will comment accordingly that he has compared usage and is satisfied or otherwise with the result.
    - (c) The stock figures for non-inventory items shall be entered on the stock cards but this is not necessary when counting rations.

## **22. Discrepancy Report**

- (a) 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:
  - (i) Incorrect Supply
  - (ii) Loss in transit including theft;
  - (iii) Errors in quantity of issue or description;
  - (iv) Theft or misappropriation; and
  - (v) Accounting errors.
- (b) In many cases a claim for under supply will be accepted by the supplier and adjustment made. Similarly, where losses occur in transit, claims should immediately be made on the supplier. Where such claims are accepted and adjustment made, no further action is necessary. Errors in quantity of issue or description should be investigated and, if located, adjusted.
- (c) Where goods are oversupplied on indent, a further indent should be processed to cover the oversupply if it is decided not to return the items oversupplied.
- (d) Where a discrepancy has been discovered and cannot be adjusted as set out above, a Discrepancy Report (FF88) shall be made out in triplicate. Two copies of the report shall be forwarded to Competent Authority who, if he is satisfied further investigation is not needed, may approve write-off of the amounts involved.
- (e) When approval to write-off has been granted the original Discrepancy Report shall be returned to the originating office. Discrepancy Reports shall be numbered consecutively and a permanent record of all write-off approvals maintained by the department.

## **23. Surpluses**

It shall be the duty of every accountable officer to take on charge immediately and to investigate carefully all excess stores.

## **DIVISION 6 - LOSS REPORTS**

- 24. It is the responsibility of the delegate to ensure that all cases submitted for write-off approval have been thoroughly investigated. Before approving write-off the delegate must be satisfied that write-off is the only reasonable course of action to take and that disciplinary action is not warranted. It must be emphasised that write-off action does not extinguish the debt and the Government is not precluded from pursuing the debt at a later date.

25. No Government Stores, other than obsolete or unserviceable stores subject to Board of Survey, will be sold or disposed of without the approval of the Supply and Tenders Board/Committee.
26. All losses or deficiencies of public moneys and all losses or damage to stores, other than deficiencies disclosed by stock takes shall be recorded by the Department in a Register of Losses (refer paragraph 14 of Part 25 of the Manual).
27. Boards of Survey Discrepancy Reports shall be numbered consecutively.
28. In all cases of destruction of stores a Certificate of Destruction shall be completed and, shall be signed by two officers as having witnessed destruction of the stores listed.
29. Printed stocktake sheets, Board of Survey forms and Discrepancy Report forms are available from the Government Printing Office.

## **APPENDIX I (Part 26, Paragraph 2) - DELEGATION OF POWER TO WRITE-OFF**

The following is delegated power of write-off for any one case.

### **1. CONDEMNED, UNSERVICEABLE OR OBSOLETE STORES**

#### **A. Other Than Military Stores and Supplies**

- |  |          |
|--|----------|
| (a) Assistant Secretary, Plant and Transport,<br>Department of Transport Works and Supply<br>(for Transport and Plant only).                         | K20,000  |
| (b) Assistant Secretary in charge of Plant<br>and Transport, Department of Transport and Works<br>(for Plant and Transport only)                     | K10,000  |
| (c) Assistant Secretary, Department of Transport and Works<br>(for machinery, plant and equipment of<br>the Department of Transport and Works only). | K10,000  |
| (d) Secretary, Department of Transport & Works   | K40,000  |
| (e) Director, Office of Civil Aviation   | K30,000  |
| (f) Secretaries other than (d) and (e) above<br>and Department of Finance  | K 40,000 |
| (g) First Assistant Secretary (Public Accounts),<br>Department of Finance  | K20,000  |
| (h) Provincial Treasurer   | K 5,000  |
| (I) Departmental Officer-In-Charge, Public<br>Health Department (for drugs and dressings only).  | K 100    |
| (j) Departmental Officer-In-Charge,<br>Plant and Transport (for spare parts, tyres, etc., only).   | K 100    |
| (k) Departmental Officer-In-Charge,<br>Department of Transport and works<br>(for Capital Works and maintenance materials only).                      | K 100    |
| (l) Departmental Officer-In-Charge,<br>Division of Supply (for vocabulary stores only)   | K 100    |

- |     |  |       |
|-----|--|-------|
| (m) | Assistant Secretary<br>(Rural Economy and Commodity Marketing),<br>Department of Agriculture, Livestock and Fisheries<br>(for fresh foods purchase through the Fresh Foods Project<br>only). | K 100 |
|-----|--|-------|

## **B. MILITARY STORES AND SUPPLIES**

- |     |   |         |
|-----|---|---------|
| (a) | Secretary, Department of Defence            | K 8,000 |
| (b) | Commander                                   | K 7,000 |
| (c) | Chief of Logistic                           | K 6,000 |
| (d) | Director of Supply                          | K 5,000 |
| (e) | OC POM Supply Company                       | K 3,000 |
| (f) | Area Commanders (not below rank of Major)   | K 2,000 |
| (g) | OC of a Unit (not below rank of Major)      | K 1,000 |
| (h) | OC of a Unit (not below rank of Lieutenant) | K 500   |

## **2. LOST OR DEFICIENT STORES**

- (a) Department of Health (for drugs and dressings and stock take deficiencies).

Plant and Transport Branch, Department of Transport and Works (for spare parts, tyres, etc.).

Department of Transport and Works (for capital works and maintenance materials only).

Division of Supply (for vocabulary stores).

- |     |  |         |
|-----|--|---------|
| (a) | Secretary of Department  | K 2,000 |
|     | Division Head and Departmental District Representative                           | K 500   |
| (b) | Assistant Secretary, Plant and Transport Branch<br>(for stock take deficiencies) | K 1,000 |
| (c) | Secretary, Department of Agriculture & Livestock<br>(for Livestock only)         | K 2,000 |
| (d) | Secretaries to other Departments   | K 1,500 |
| (e) | First Assistant Secretary (Public Accounts)<br>Department of Finance             | K 1,000 |
| (f) | Department District Representative   | K 100   |

- |     |   |   |     |
|-----|---|---|-----|
| (g) | Regional Manager, Plant & Transport Branch<br>(for stock take deficiencies) | K | 100 |
| (h) | Departmental Officer-In-Charge  | K | 100 |

**Note:** Where write-off sought exceeds highest delegation within the Department a submission should be made to the Secretary for Finance who has unlimited powers.



**APPENDIX A (Paragraph 10.5)- AGREEMENT AND INDEMNITY IN RESPECT OF STORES AND EQUIPMENT LOANED OR HIRED BY A DEPARTMENT**

In consideration of the State lending or hiring to (name of organisation) for the period..... the stores and equipment specified in the Schedule hereto:

- \* (1) (name & address of officer or organisation)
- \* (2) (name & addresses of officers or organisation)
- \* (3) (names & addresses of officers)

for and on behalf of .....(Name of organisation)

Hereby, indemnify the State and all agents, servants, officers and employees of the State and will at all times hereafter keep indemnified and against all claims, losses, action, the proceedings or damages occasioned to the State or any of the persons aforesaid while such stores and equipment are lent/hired as aforesaid. And in the event of failure to return such stores and equipment during the period of such loan or hiring from whatever cause arising I/we undertake and agree to pay to the State on demand the agreed value whereof as set out in the said Schedule hereto: And I/we undertake to agree that:

No part of such equipment will be modified or altered in any manner whatsoever.

Any repairs and maintenance necessary to the stores and/or equipment on loan or hire shall be the responsibility of the borrower/hirer.

Hire charges of..... connected with the hire of stores and/or equipment shall be paid to the Department by the borrower/hirer.

Expenses incurred by the State as a result of the loan or hire of stores and/or equipment such as handling, cleaning, transport, repairs, etc., shall be paid to the State by the borrower/hirer. A deposit amounting to K..... shall be lodged by the borrower/hirer against expenses incurred. No part of such equipment will be modified or altered in any manner whatsoever.

- \* The stores and/or equipment on loan or hire shall be covered by an all risk insurance at the borrower's/hirer's expense from the time of delivery to the time of return to the state.

**Schedule**

<b>Stores</b>	<b>Value</b>

Dated the.....day of.....20.....

Signature

Witness (Organisations)

In the schedule, the value of each item as at the date of the loan or hiring should be stated separately.

- \* Delete where not applicable.

**NOTE:** (1) or (2) should be used according to whether the indemnity is given by one or more members of an organisation or person closely connected therewith. If an organisation is not a legal entity, the indemnity should be signed by a representative member or members of the organisation.

- (3) Should be used with any appropriate modification where the organisation is a legal entity.

## **PART 30 – LOSSES, DEFICIENCIES, OBSOLETE AND UNSERVICEABLE STORES**

### **DIVISION 1 - GENERAL**

1. This part sets out the procedure for dealing with losses, deficiencies and condemned, unserviceable or obsolete stores.

2. **Definitions**

**"Competent Authority"** means the person holding the appropriate authority under **Section 108 of the Act** to write off the value of lost, deficient, condemned, unserviceable or obsolete stores' - (see Appendix I).

"Stores" has the same definition as in Part 11 of this Manual.

"Value" means the original cost charged to an expenditure account, or if such is not available, an assessed original cost.

### **DIVISION 2 - LOSS OF OR DAMAGE TO STORES**

#### **(Other than losses found at stocktakes)**

3. A loss of or damage to stores or property attributable to their, misappropriation, fraud or other criminal act shall be made good by the person responsible and Departments should make every effort to effect recovery in full by cash payments and/or withholding moneys due as soon as the loss or damage is known.
4. The following paragraphs of Part 25 of this Manual apply to stores as well as to public moneys.

Paragraph 4 - Liability in respect of Losses or Deficiencies

5 - Prosecution

6 - Surcharge or Court Order to make good

11 - Recovery from Refunds of Superannuation or Benefit Funds

12 - Losses or Deficiencies - Applications for relief by employees

13 - Reporting and Writing Off

14 - Register of Losses

5. In relation to stores the term "misappropriation" shall include:
  - Unauthorised loan

- Possession of Government property by an officer without lawful authority.
- Unauthorised use of Government property, such as for illegitimate purposes or personal benefit.

## **6. LOSSES BY FIRE**

In addition to reports required under paragraph 13 of Part 28 of the Manual, Departments shall report the occurrence of fires on Government property to the Chief Inspector, Department of Treasury with a copy to the Auditor General. The report shall include:

- (a) Date and time of fire
- (b) Location of property
- (c) Description of property
  - (i) Owner
  - (ii) Occupying Department
  - (iii) Construction
  - (iv) Contents
  - (v) Usage
- (d) Cause of fire
- (e) Where there is suspicion of arson, and whether the police investigation has commenced
- (f) Details of fire protection and fire fighting equipment installed
- (g) Comments including advice on the effectiveness of items under (f)

In all cases of loss of life by fire, the coroner shall be asked whether he wishes to hold a coroner's inquest.

- 7. All losses or deficiencies of stores are to be adjusted without delay. If investigations will delay a recommendation beyond three months from the date of the loss or deficiency becoming known, the Competent Authority shall be advised by an interim report.

## **DIVISION 3 - BOARD OF SURVEY**

- 8. Stores with value of not less than K500 shall not be condemned, declared unserviceable or obsolete until they have been inspected by Board of Survey. Departmental officers-in-charge must satisfy themselves for stores up to K500 that the items are no longer fit for use. (Special attention must be given to attractive items, irrespective of value).

9. In centres where the Department of Finance is represented, Boards of Survey shall be constituted by the Department of Finance and will normally consist of three members as follows:
- (a) The Controller or his Deputy from the Division of Supply who shall act as Chairperson.
  - (b) A representative of the National Government Department, Provincial or Local level Government requesting the Board of Survey. In any case, the Assistant Secretary (Administration) or the Administrative Officer in the case of a National Government Department and a representative from the Office of the Provincial or District Administrator in the case of Provincial Government and Local level Government respectively.
  - (c) The third member of the Board shall be the First Assistant Secretary (Expenditure and Cash Management Division) Department of Finance or the Provincial/District Treasurer in the case of the province.

In the case where the Department of Finance or the Provincial Treasury is requesting the Board of Survey, the third member of the Board shall be the Assistant Secretary (Provincial and District Financial Management Division) or the Divisional Clerk and Accountant Expenditure in the case of Provincial or District Treasury.

Generally there should not be two members of a Board representing the department requesting the Board of Survey. In the case of the survey of Division of Supply stores, the appointing authority will select two officers from outside the Supply Division.

10. Where circumstances are such that it is impracticable to appoint three officers, a Board of Survey may be composed of less than three members, such instances being determined by the convening authority taking into consideration the nature and value of the articles to be surveyed. At isolated establishments it may be necessary for the departmental representative as sole member of the Board to conduct the survey on minor items.
11. The Boards shall inspect, report and make recommendations in respect of stores listed as condemned, obsolete or unserviceable. Such a report shall be consecutively numbered. The Board should report all cases where it is considered the condition of stores is not due to fair wear and tear. The reports shall be made to the authority (set out in Appendix I) who has delegated powers to write-off.
12. Care should be taken to ensure that stores held pending examination should, wherever possible, not be returned to store but held on location and all necessary action taken to speed submission of recommendations to the delegate.

13. Having considered the Report, the delegate shall take the decision to write off the stores or approve the sale as scrap of stores having a scrap value or take such other action as the circumstances warrant.

**Note:** It is important to eliminate delays in the processing of Board of Survey reports, especially when the items surveyed are to be submitted for sale by auction or public tender.

14. Perishable or tinned stores likely to damage the quality or destroy other stores or to be a danger to health may be destroyed in anticipation the delegate's approval, once a Board of Survey recommend that they be destroyed. Other stores should not be destroyed without the delegate's prior approval unless in the interest of safety or where time is an essential factor to preserve any valuable component.

## **PART 31 – PURCHASE AND REPLACEMENT OF MOTOR VEHICLES**

### **DIVISION 1 – POLICY**

1. State owned vehicles fall into three categories:
  - (i) Those allocated to Leaders in entitlement per the Salaries and Remuneration Commission Determination; and
  - (ii) Light fleet government vehicles under the management and control of Departments; and
  - (iii) Those at Plant and Transport Boards for pool hire.
2. Only Leaders (VIPs) are entitled to means of transport and vehicles from the State. The entitlements are as per the Salaries and Remuneration Commission (SRC) Determination Schedule G97-03.
3. Light fleet vehicles under the control of Departments, regardless of the special requirement of a job, are distributed and used by employees of the State at the discretion of the Departmental Head.
4. An officer, to whom a vehicle is allocated, is personally responsible and liable for any damage, repair, replacement cost or prosecution for negligence. It is therefore, the responsibility of all Government Officers to exercise proper care and usage of government vehicles in their custody.
5. Any unofficial use of, and driving of a government vehicle without license are prohibited. Defaulters will be prosecution or subjected to disciplinary action.
6. An employee assigned to drive a government vehicle must maintain a logbook and make an entry in the logbook each time he uses the vehicle. The logbook is subject to inspection by the responsible fleet manager. Upon inspection, the fleet manager will countersign the logbook in evidence of inspection.
7. If a government vehicle breaks down, or is disabled for some reason, it must not be left on the road for any extended period to avoid theft of parts and any further damage.
8. Any accident or theft of a government vehicle must be reported immediately to Police, the Fleet Administrator, the Chief Inspector, Inspection Division, Department of Treasury and the Chief Internal Auditor, Department of Finance or PTB whichever is the case.
9. The Fleet Administrator will inform the Departmental Head of the incidence and all officers in the vehicle shall prepare a statement concerning the accident to support in any litigation that may arise.

10. The Accident Report shall provide the following details:
  - (i) Officer's name, Department, Designation and grade;
  - (ii) Officer's vehicle license status/Drivers license status and number; and
  - (iii) Officer's description of events before and after the accident.

## **DIVISION 2 – GOVERNMENT DRIVERS LICENSES**

11. Government license is processed by the Plant and Transport Branch, Department of Works upon approval and recommendation in writing by the Departmental Head as the controller of the Departmental fleet.
12. Two main categories of license can be approved by the Departmental Head:
  - (i) **Green License:** This license is approved for a 7 days a week, 24 hours a day and is only issued to personnel required on 24-hour standby duty.
  - (ii) **Red License:** This license is approved for Monday to Friday, from 6 am to 6 pm and issued to staff eligible to drive a government vehicle.

## **DIVISION 3 – FUELLING OF VEHICLE**

13. Fuel facilities and related weekly consumption rate are arranged by the Department for Departmental fleet with a designated supplier. Fuel accounts must be paid on a timely basis to avoid any disruption to transportation.

## **DIVISION 4 – NEW PURCHASE**

14. All purchases of vehicles require official approval. Where new purchases are permitted, the necessary funds must be appropriated in current budgets.

All other vehicle purchases on behalf of the State shall be in accordance with the rules and procedures of the appropriate Supply and Tenders Board or such other purchase arrangement approved by the State under the Public Finances (Management) Act.

## **DIVISION 5 – REPLACEMENT**

15. As is the case with new purchases, replacements of vehicles are subject to approval and availability of funds for the purpose.
16. Motor Vehicles in NCD are not generally due for replacement before the end of five years. If vehicles have reached the end of their economic life before the set date for replacement the Plant Inspector should be asked to inspect the vehicle. Where a vehicle has to be replaced due to other than fair wear



and tear, normal Board of Survey action will be taken.

17. When a vehicle is due for replacement, a Plant Inspector will certify for the replacement. Approval to replace a government vehicle is given by the Technical Advisory Group (TAG) of the Plant and Transport Branch, Department of Works.
18. As soon as approval is given, Departments wishing to replace a vehicle must negotiate with a dealer for the trade-in value of the existing vehicle. Upon ascertaining the trade-in value, the Department can submit its request to the appropriate Supply and Tenders Board or proceed with the purchase if the purchase price is below the amount stipulated for public tender requirement.

#### **DIVISION 6 – TRADE-INS**

19. Trade-ins in NCD and other cities shall be encouraged only when replacing fully depreciated vehicles after the five-year requirement for useful life has expired or after three years in towns rural settings.
20. Essentially a trade-in value must exceed the book value.

#### **DIVISION 7 – MAINTENANCE**

21. The responsibility for the fleet under the control of a Department is that of the Departmental Head. A member of staff responsible for fleet management is to be appointed to maintain a regular maintenance programme for all vehicles under a Department's control. In addition, the Fleet Administrator has the following other duties:
  - (i) to know on a day to day basis the custody or location of every vehicle within the control of the Department;
  - (ii) to establish and be aware of the status of the maintenance schedule for every vehicle under the Department;
  - (iii) to prepare both vehicle maintenance and replacement Budget estimates and submission; and
  - (iv) to ensure that the use of vehicle is proper.
22. The maintenance programme needs to be observed in order to ensure that vehicles remain fully operative throughout their useful life or life-span of 5 years in the NCD and 3 years in other cities and towns.

#### **DIVISION 8 – POLICING OF VEHICLE USAGE**

23. The responsibility for vehicle policing in NCD is that of the Inspection Branch of Treasury Department and Internal Audit Unit of Finance Department. Either of the two will liaise with the NCD Police Commander to

ensure that regular inspections of Government vehicles and of Driver's licensing status are conducted. Elsewhere in the country, the Police will conduct and enforce policing of vehicles.

24. Officers breaching the established usage and policing guidelines will be subject to disciplinary and/or prosecution.

## **DIVISION 9 — HIRE OF VEHICLES**

25. The size of the NCD Pool is restricted and thus pool hire in NCD is restricted to a 16-day maximum period, after which the vehicle must be returned to the pool to ensure the availability of the same, to others.
26. All other aspects of Pool Hire are under the direction and control of PTB therefore, all requests for hire of vehicles should be addressed to PTB and hire conducted in accordance with PTB-prescribed procedures.
27. All Private Hire in NCD is banned, except under special circumstances:
- (i) To provide a vehicle to an important foreign dignitary, when no suitable government vehicle is available; or
  - (ii) to provide a vehicle where such is provided for under a contract when no government car is available; or
  - (iii) for use when required by a Minister; or
  - (iv) for travelling by authorised officers while on duty away from home station.
28. Elsewhere, where PTB is unable to provide a government vehicle for hire, PTB will indicate this position and the authorised travelling officer will arrange for a private hire.

## **DIVISION 10 – DISPOSALS**

29. Where a Departmental Head has opted for a vehicle instead of a vehicle allowance, upon ceasing office, the Departmental Head shall have the option to buy the vehicle at book value provided that such arrangement does not breach the Public Finance (Management) Act.
30. Where a government vehicle is to be disposed of under the above circumstances, no Board of Survey action shall be necessary. The authority for disposal and replacement shall be the Assistant Secretary, Plant and Transport who shall advise the department concerned appropriately.
31. All other mode of disposal of vehicles must be through the normal public auction process.
32. The disposal proceed is payable to the Collector of Public Moneys of the

Department of Works or the Collector of Public Moneys of the Department of Finance to the Credit of the designated Revenue Head.

## **PART 32 – ASSET MANAGEMENT**

### **DIVISION 1 - ASSET REGISTER AND MAINTENANCE**

#### **1. PURPOSE:**

To ensure the accountability in relation to Departmental assets.

#### **2. ASSET REGISTER:**

All Departments, Provincial and Local-level Governments are required to maintain proper Asset Registers under the following classification:

- a. Land and Building
- b. Furniture and Fitting
- c. Office Equipment
- d. Motor Vehicles
- e. Marine Vessels
- f. Plant & Machinery
- g. Tools and Equipment

#### **3. Separate Asset Registers must be maintained for each of the above categories, and the following information for each asset item will be entered into the register:**

- a. Date of Purchase
- b. Identifying Particulars (Model, Serial No., etc.)
- c. Quantity
- d. Unit Cost
- e. Total Cost
- f. Estimate of Economic Life
- g. Preventative Maintenance Requirement
- h. Corrective Maintenance History
- i. Physical Location
- j. Officer Responsible

#### **4. STOCK RECORD:**

Any purchase or disposal of an assets must be recorded in the Stock Card designed by the Department of Finance with information of opening balance, receipt, disposal and value by quantity and cost.

#### **5. REPORTING:**

All Departments, Provincial and Local-level Governments are required to submit a comprehensive report on details of assets on hand with details extracted from Stock Cards at the end of each quarter, within 30 days of the subsequent month.

## **PART 33 – SERVICES RENDERED BY ONE DEPARTMENT TO ANOTHER**

### **DIVISION 1 - GENERAL**

1. Normally, financial settlement is not required for services rendered by one department to another in the normal course of its functions. The cost of such services is provided for in the estimates of the department rendering the service. Where the cost of the service is not provided for or where recovery of charges for services rendered is implied by the nature of the service or it is basic to the operations of the organisation rendering the service, a financial settlement is required.
2. Financial settlement of inter-departmental transactions, where required, will be done as follows:-

#### **a. Inter-Departmental Charge Note (IDCN)**

- 1) The Department requiring the service (Client) will send a requisition by (FF3) in duplicate to the Department providing the service (Supplier) after ascertaining the approximate cost.*
- 2) The Supplier Department, after providing the service, will raise IDCN in triplicate for the actual cost and send:*
  - Original to Client Department*
  - Duplicate with a copy of FF3 to the nearest Provincial Treasury Office.*
- 3) The Provincial Treasury will raise a Journal Entry citing reference to IDCN and send one copy to the Client Department for completing the Commitment Ledger card and another copy of the Journal Entry to the Supplier Department.*

#### **b. Other Methods:**

For transactions involving other service departments, the specific procedures laid down elsewhere in this Manual would apply.

## PART 34 – ACCOUNTABLE FORMS

### 1. FINANCE FORMS

The procedure for printing of Finance Forms and distribution of Accountable Forms and other Finance Forms is dealt with in Part 14 of this Manual.

2. (a) The following accountable forms are in use currently:
  - (i) *Integrated Local Purchase Order and Claim Form (FF4A)*
  - (ii) *Official Receipt (FF 132)*
  - (iii) *Debit Note (FF 133)*
  - (iv) *APC (FF5)*
- (b) The following forms should also be given similar treatment;
  - (i) ***Daily Receipt Statement*** to record receipts from Rural Development Bank of PNG (AB 45A)
  - (ii) *Requisition of Stores (DOS 10)*
  - (iii) *Cheque forms*
  - (iv) *Forms controlled and issued by Departments (other than Finance) for collection of revenue, such as fishing licenses, and firearm permits*
3. Among other things, accountable forms should be kept in safe custody by those having used or unused forms for the time being and that they shall not be destroyed except in accordance with the prescribed procedure.
4. Control Registers
  - (i) Those offices which receive bulk supplies for further distribution such as Provincial Treasury Offices, Management Information Systems (MIS), Departmental Headquarters etc.,) will maintain an Accountable Forms Register in FF 95 with separate sections used for different types of forms, for example ILPOC's, and Official Receipts.
  - (ii) *Details will be entered in the register immediately supplies are received.*
5. **DISTRIBUTION**

The forms will be issued only after due identification of the person to whom they are issued and the person taking delivery will sign in the column provided in the Accountable Forms Register.

When the forms are sent by post, an acknowledgement form should be sent for signature, return and entry in the register.

## 6. CONSUMPTION REGISTER

Officers whose duties necessitate the use of accountable forms will be responsible to ensure that adequate but not excessive stocks are held and that suitable registers are kept to record their receipt and consumption.

## 7. CHEQUE FORMS

The control over cheque forms requires to be comprehensive and meticulous at all times. While a **Control Register**, as stated above, should be maintained by storing and distribution centres, additional precautions are needed for some accountable forms, for example, at each point of preparation of cheques.

- (i) Registers will be maintained at each point of preparation showing the consumption of cheque forms by number.
- (ii) Spoiled cheques will be effectively cancelled with an appropriate cancellation stamp and kept in number order for inspection and audit verification.
- (iii) Reconciliation will take place periodically and be recorded specifically after each pay day showing the number of blank cheques issued for preparation, the number of cheques printed and issued and the number of cheques spoiled.
- (iv) For pay cheques each fortnight, the reconciliation will be shown on the register and signed and dated by the officer responsible.
- (v) Departmental Heads will designate officers responsible for cheque control at each store and advise the Secretary for Finance accordingly.
- (vi) Any loss of cheques will be immediately reported to the Officer-In-Charge who will report verbally to the Departmental Head followed by confirmation in writing and the Expenditure and Cash Management Division, will be informed. The bank will immediately be notified to stop payment on stolen or lost cheques.

## 8. LOSS OF ACCOUNTABLE FORMS

Loss of cheque forms is dealt with in paragraph 7(vi) above. In respect of other accountable forms, lost or stolen, the following procedure will apply:

- (i) *As soon as the loss or theft is discovered, the officer should report it to the Financial Delegate or any other authority responsible for its issue or distribution, who will take such urgent steps that are*

*necessary to prevent its unauthorised use and send a report as explained below:*

- (ii) The report should be sent to either Provincial Treasury Office (Provinces) or Departmental Headquarters after verification with the register, explaining the circumstances of the loss and steps taken to recover the documents.*
- (iii) If not recovered within a week, the Department or the Provincial Treasury Office (in case of loss in provinces) will advertise the loss in the local media, giving particulars such as type of form, serial number and other identifying information, advising the public and Government Offices against accepting those forms.*
- (iv) The Department or Provincial Treasury Office will also send a report immediately to the Secretary for Finance giving the following particulars.*
  - Type of form lost and serial number.
  - Name of the Officer who was responsible for the loss, his designation and location.
  - Circumstances of the loss and steps taken to recover the documents.
  - Whether advertised in the media and if so, when
  - Action taken to prevent recurrence of such a loss.
  - Action, if any, taken against the officer responsible for the loss.

## **9. DESTRUCTION OF ACCOUNTING RECORDS AND ACCOUNTABLE FORMS**

- (a) Records to be destroyed after a period of two years:**
  - Warrant Authorities and Advice of Expenditure.
  - Government Public Account Bank Statements
  - Official Postage Book
  - Book copies and Requisitions of prices for materials
  - Remittance Register
  - Quotations and Schedules of prices for materials
  - Time Book and Attendance Register



- Travel and Freight Warrants (book copy).
  - Movement Authority
  - Tax Group Certificates and Statement of Earnings
  - Book Copies of Accountable Receipts, Licenses, Permits, Certificates, Warrants.
  - Book copies of Debit and Credit Notes, Inter-Departmental Charge Notes and Integrated Local Purchase Order and Claim Form (ILPOC)
- (b) Records to be destroyed after a period of three years:-
- Stores Accounting Records
  - Paid Cheques - Taxation refunds
  - Cost Cards (provided capital assets and cost register are maintained separately)
  - Collectors Statements
  - Salary Variation Advice forms
- (c) Records to be destroyed after a period of six years:-
- Paid Accounts with Supporting Vouchers and paid cheques including O.S.A accounts.
  - Examination queries on accounts (provided no outstanding action is pending).
  - Cash Books.
  - Paymaster's Cash Books.
  - Receiver's Cash Books.
  - Collector's Cash Books.
  - Departmental Register of Accounts.
  - Banking Schedules - Pay in slips.
  - Journal Entries
  - Appropriation Ledger

- Sundry Debtors Ledger Account (provided no action is outstanding on a particular account)
  - Record of Advances (provided all advances are acquitted and reconciled)
  - Salary and Wage payment records
  - Salary Records (six years after officer would have reached age of 60 or 6 years after death).
- (d) The period after which accountable forms and accounting records may be destroyed commences from the date of the last transaction entered in them.
- (e) Arrangements should be made within each Department for the destruction of documents, books, registers and ledgers authorised to be destroyed. This destruction may be carried out periodically but it is preferable to arrange one destruction during each year.
- (f) The Department or office will forward a list of documents for destruction to the Auditor General, and copy the list to the Secretary for Finance. Destruction will not take place until the Auditor General and the Secretary for Finance have given written approval.
- (g) Destruction will be performed by the officer responsible for the accounting records and a witnessing officer. The two officers will prepare a certificate of destruction as follows:-

### **DESTRUCTION OF ACCOUNTING RECORDS**

Ref. to Secretary for Finance and Auditor General's approvals

Location.....

Date .....

Ref ..... Date .....

We, the undersigned, certify that we have this day destroyed the following accounting records:

**TITLE**

**SERIAL NOS.**

Method of Destruction:.....

Officer-in-Charge..... Witness .....

10. A copy of the Certificate of Destruction will be forwarded to the Secretary for Finance. The original Certificate will be held as a permanent record at the point of destruction for reference by the Auditor General or Finance Inspectors.

11. **ACTION ON HANDOVER/TAKEOVER**

When an officer changes station or is relieved on being transferred, or proceeding on leave, he will prepare a handover/takeover statement including a list of all accountable forms in custody specifying complete books unused or used or in use. He and his successor will sign the list as checked and correct. The Accountable Forms register will be handed over to the incoming officer.