

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.