



# **DEPARTMENT OF FINANCE**

## **VOLUME 2**

### **FINANCE MANAGEMENT MANUAL**

#### ***DISTRICT TREASURY PROCEDURES & CONTROLS***



## **DEPARTMENT OF FINANCE**

### **DISTRICT TREASURY PROCEDURES AND CONTROLS**

#### **Introduction**

A crucial area of organizational management is Financial Management in government, this requires rigor and special attention of managers as the process is greatly influenced by law thus, necessitating compliance.

The implementation of the New Organic Law on Provincial and Local-level Governments brought with it, Changes and developments which have transformed financial management in the operational environment of Local-level Governments. This places a demand for clear guidance and hence, the development of this manual.

This volume of the Finance Management Manual has been prepared to provide clear guidance to Finance Department staff working in District Treasuries. The Manual is to provide a source of reference to the accounting staff and managers in the course of their work and to ensure compliance with the Public Finances (Management) Act. To ensure that compliance is maintained, appropriate extracts of the relevant laws are appended for ease of reference. Comprehensive coverage has been given to the laws, rules and procedures involved in proper public financial management. Emphasis is placed in ensuring that every procedural aspect of the task of managing finances also embodies the requisite attitude, records, skills and reports necessary in proper practice. Therefore, staff in District Treasuries must make it part of their responsibilities as individuals, to thoroughly understand the contents of the manual.

The shape, format and contents of the manual have been influenced by the efforts from within and outside the Department. To this end, I must sincerely extend my thanks to Divisional and Branch Managers of the Department of Finance as well as other departmental staff who have contributed tirelessly towards this manual. Without their collative effort, the release of this Volume II would not have been possible. I also wish to extend my sincere word of thanks to the Bank of South Pacific for providing excellent support.

**GABRIEL YER**  
Acting Secretary

Vulupindi Haus, **WAIGANI**  
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**SECTION 1: GOVERNMENT FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM - AN OVERVIEW****1.1 The Legal Framework**

The Constitution of Papua New Guinea contains several provisions relating to the supervision and control of Public Finance. Section 211 (1) of the Constitution states that all moneys of or under the control of National Government shall be dealt with and properly accounted for in accordance with the law. The law that governs public finances is the *Public Finances (Management) Act*.

The *Public Finances (Management) Act* 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 better control and management of public monies and public properties.

Financial instructions dealing with procedures relating to receipts and payments of public moneys and Public properties are issued by the Departmental Head responsible for Financial Management under Section 117 of the *Public Finance (Management) Act*.

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 (Section 209 of the Constitution).

Section 210 of the Constitution 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 the Parliament cannot change the purpose of any tax, loan or expenditure or increase or reallocate the amount in budget proposals.

The Constitution, the Organic Law, the Act, the Regulations and the Financial Instructions therefore constitute the legal framework for all level of Government's financial management system.

**1.2 FINANCIAL MANAGEMENT SYSTEM****1.2.1 The basic components of the Financial Management systems are:**

- Planning
- Budgeting
- Raising and spending of resources and accounting
- Control Procedures including internal and external audit

- (a) Planning is the process of determining priorities and developing the ways of achieving specific goals within the resources forecasted in accordance with an overall development strategy. The Local-level Government strategy is the Five-year rolling plan.
- (b) A budget is a resource plan in terms of money relating to a period and the Local-level Government budget takes the form of annual estimates.
- (c) Detailed procedures for raising of revenues are designed to comply with the requirements of the relevant taxation or in case of non-tax sources, to satisfy the self- financing needs of services provided in part or full. **(Refer to Section 4 of the manual).**

Expenditure of public monies must be in accordance with the tendering and procurement procedures and Financial Instructions issued from time to time by the Departmental Head responsible for Financial Management.

- (d) Control procedures include satisfactory accounting systems in operation. It also provides means for economic and financial appraisal of program operations to facilitate internal and external audit. The control system includes the review of the audited annual accounts for each level of government by the Parliamentary Committee on Public Accounts.

"Control is also exercised through audit and inspection by the Auditor-General as permitted by Section 214 of the National Constitution".

### 1.3 RESPONSIBILITY FOR FINANCIAL MANAGEMENT

#### 1.3.1 The responsibility for financial management is specifically stated in Section 3 and 4 of the *Public Finances (Management) Act*.

- The Minister for Finance is responsible for the supervision of finances of the State including finances of Provincial and Local-level Governments, formulation of annual budgets and overseeing their implementation. (Section **3 of the Act**).
- The Departmental Head responsible for Financial Management is responsible for the control and direction of all matters relating to the management of the financial affairs of the state, may require to submission of financial reports at specified intervals and may impose surcharge and penalties on the Accountable Officer who fails to submit reports. (Section **4 of the Act**).

#### 1.3.2 Local-level Government Financial Responsibility

Local-level Governments are independent legal entities with authority for

managing their financial affairs. In recognising these fiscal responsibilities, Section 105A (6) of the Organic Law requires Local-level Governments to manage their financial affairs in accordance with provisions of the *Public Finances (Management) Act*.

Section 105A of the Organic Law makes Local-level Government responsible for preparing operational plans and financial budgets for each fiscal year.

## **1.4 FINANCIAL MANAGEMENT ORGANISATIONS**

### **1.4.1 District Treasury Establishments**

The Department responsible for Financial Management shall establish, develop and commission District Treasury Offices to provide accounting, financial management and support services to assist Local-level Governments in providing community services.

In order to meet the financial management and information needs of Local-level Governments, the Department will establish effective administrative and accounting systems using a combination of computerised processing tools and paper driven accounting systems to generate useful financial and management reports which will assist LLGs in decision making processes.

The administrative and accounting procedures have been purposefully designed to provide financial management and accounting support services for LLGs. The Secretary of the Department responsible for financial management shall determine the financial systems and procedures to be used. The introductions of any other systems are strictly prohibited.

### **1.4.2 Establishment of District Treasury**

A District Treasury is an accounting organisation established under Section 112 of the Organic Law on Provincial Governments and Local-level Governments to be located at the district area.

Making a District Treasury operational is the responsibility of the Secretary of the Department responsible for financial management. The Secretary may consult with the Provincial and District Administrators.

### **1.4.3 Functions and Roles of District Treasurers**

The District Treasurers' functions are to ensure that all financial transactions undertaken by the Local-level Governments out of public moneys are managed properly. Such moneys are to be released strictly in accordance with law and contribute to the effective delivery of services to the community.

Any funds dispersed by National and Provincial Governments should also be

accounted for at the District level.

In accordance with Government policy stance, District Treasurers from time to time may also oversight functions such as banking, postal, and other services.

#### **1.4.4 Professional Assistance to Local-level Government**

District Treasurers are to assist in the preparation of the budget estimates for the Local-level Governments. Such assistance is to provide Local-level Governments with sound and professional advice on budgetary processes.

In relation to approved budget programs, District Treasurers shall comply with the requirements of the Organic Law and the *Public Finances (Management) Act 1995*.

District Treasurers shall ensure that Local-level Governments exercise proper accountability and prudent financial management in maintaining adequate recording systems on all grants, internally raised revenue and expenditure statements. District Treasury will assist Local-level Governments in preparing bank reconciliations and compiling financial statements.

District Treasurers shall participate in the Joint District Planning and Budget Priorities Committee in an advisory capacity for their District.

### **1.5 FINANCIAL MANAGEMENT AND PROCEDURES**

#### **1.5.1 General Controls**

The accounts shall be maintained in accordance with the Generally Accepted Accounting Principles (GAAP).

The Local-level Government expenditure is limited to the funds appropriated by relevant Appropriation Acts. Accountable Officers under Section 6 of Public Finances (Management) Act are responsible for containing expenditure within the Warrant Authorities and Cash Fund Certificates issued to them. They are ultimately answerable for any over expenditure.

All appropriations lapse at the end of the financial year.

Detailed procedures for commitment of expenditure and payment of claims are laid down in Section 7 & 8 of this manual. All requisitions for goods and services have to be approved by the designated Section 32 officers.

Claims received from suppliers are first checked by an examiner, then certified by Certification Officer and authorised by Authorising Officer before making payments. Duties and responsibilities of Financial Delegates, Certification Officer and Accounting Officers are laid down in **Section 8** of this Financial Manual.

### **1.5.2 LLG Accounting Systems**

All Local-level Governments (LLGs) will use the administrative arrangements and accounting systems, described in this manual, for the purpose of recording, controlling and monitoring the collection, disbursement and reporting of public moneys.

### **1.5.3 District Treasury and Local-level Government - Bank Accounts**

Under the Organic Law, Local-level Governments are separate legal entities. Each Local-level Government will operate one bank account for controlling their grants and cash resources. The bank account called the District Treasury Operating Account will be used for National and Provincial Government Grants received such as District Support Grants, District Infrastructure Grants, ex-warrants CFCs, and any other funds for District services.

Internally raised revenue and Local-level Government Grants from the National Government are paid directly into the Local-level Government operating account. No local-level Government or District Treasury shall operate any other bank account except as stipulated.

### **1.5.4 Additional Bank Accounts**

If there is a requirement for additional bank accounts, the District Treasurer in consultation with the District Administrator and Local-level Government Council President must seek approval from the Secretary of the Department responsible for Financial Management prior to opening such accounts.

## SECTION 2: PUBLIC ACCOUNTS

### 2.0 The Requirement for Public Account

Each level of Government shall establish its own Public Account, as provided for in **Section 10** of *Public Finances (Management) Act 1995*. The Local-level Government Public Account consists of:

a) Local-level Government General Revenue Fund b) Local-level Government Trust Fund.

All moneys are to be paid into the Public Account either to the credit of the General Revenue Fund or the Trust Fund. Money belonging to the Public Account shall be deposited into Local-level Government bank account approved by the Departmental Head responsible for financial management. Surplus moneys that are not immediately required by Local-level Governments may be invested in securities or interest bearing deposits upon approval by the Departmental Head responsible for financial management.

### 2.1 The LLG General Revenue Fund

In accordance with Section 13(1) of the *Public Finances (Management) Act 1995*, all monies raised in the form of loans, receipts or revenue shall be credited to General Revenue Fund, except those moneys credited to the Trust Fund.

Payment from the LLG General Revenue Fund may be made only as authorised by an Appropriation Act or other Acts of Parliament. There may be expenditure from the Fund authorised by way of *Special Appropriations*, such as charges upon the General Revenue Fund, which are either authorised by the Constitution or an Act of Parliament.

The purpose of Special Appropriation is to provide for expenditure, which is permanent, and of a continuing nature and which will be met irrespective of the state of finances.

### 2.2 The Trust Fund

Section 15 of the *Public Finances (Management) Act 1995* states that Trust Fund Accounts may be established for such purposes as are directed by the Minister responsible for Financial Management or purposes prescribed by any other law. The aggregate of all trust accounts make up the Trust Fund, which is represented by cash in the Public Account.

Trust accounts are established by the Minister for Finance or by other laws to

hold moneys received by the Government, which are held in trust for various reasons. Local-level Governments are not to establish trust accounts without ministerial approval or as authorised by law.

All receipts for the purpose of trust are credits to the trust account. Only receipts which are consistent with the purpose of the trust account may be credited to the trust account. No payment can be made from the trust account unless it has a credit balance (Section 17 Public Finances (Management) Act) and is deemed appropriate under the trust instrument or the Act.

Any proceeds from the investment made out of the trust accounts shall be credited to the General Revenue Fund or dealt with in accordance with the Trust Instrument or the Act.

## 2.3 Bank Accounts

- a) Section 11 of the *Public Finances (Management) Act 1995* provides that public monies shall be kept in such bank or banks as the Departmental Head responsible for financial management directs subject to any specific direction from the Minister. Where bank facilities do not exist public monies shall be kept in such a manner as directed by the Departmental Head responsible for financial management.
- b) **If the Local-level Government requires a bank account to conduct its operations, the District Treasurer in consultation with the District Administrator and Local-level Government Council President must seek approval from the Secretary of the Department responsible for Financial Management prior to opening such accounts.**

## 2.4 Accounting Principles and Practice

The accounts shall be maintained on a cash basis. Receipts and expenditures shown in the financial statements will be amounts actually received and spent in the financial year. Goods and services received in one year shall be brought into account in the year of payment. Similarly, income receivable in one year but received in a subsequent year shall be brought into account in the year of receipt.

## 2.5 Accounting System & Records

- a) The accounting systems and records of Local-level Governments are part of the accounting systems and records of the National Government.

- b) Local-level Governments shall use the standardised PNG Government Accounting System (PGAS) and ensure that the records flow into the main general ledger maintained in the Provincial/District Treasury.
- c) Where a Local-level Government maintains manual expenditure and revenue records, the Provincial/District Treasury shall prepare and submit the Local-level Government monthly Statements to the Provincial/District Treasury within 7 days of the end of the month, for incorporation into the respective Local-level Government General Ledger.
- d) The Provincial/District Treasury may issue subsidiary instruction for the proper operation and effective management of Local-level Government accounts, but these instructions should not contravene any Financial Instruction and regulations of the *Public Finances (Management) Act 1995*.

## **SECTION 3: BUDGET FORMULATION**

### **3.0 Budgetary Planning by Local-Level Governments**

Section 33 of the Organic Law gives Local-level Governments the power to establish Local-level Government committees as necessary to carry out the specified functions of Government among which planning is one. The planning function is so important that Section 33A (1) of the *Organic Law* provides for the establishment of “the Joint District Planning and Budget Priorities Committee or JDP&BPC” and specifies the Committee’s planning function in Section 33A (3).

The District Treasurer shall be an advisory member of the JDP&BPC.

The JDP&BPC is responsible for the overall District planning and setting budget priorities for the district. Therefore, planning by Local-level Governments must fall within the overall plan for the District. Any overall policy directions by the National Government or the Provincial Executive Council and the District Plan, as stipulated in the Medium Term Development Strategy (MTDS), a Local-level Government shall, in addition to its other functions, in relation to Local-level Government area, is responsible for -

- (a) preparing corporate plans and estimates; and
- (b) preparing a rolling five-year development plan taking into account the rolling five-year development plans for the wards as prepared by the elected ward members; and
- (c) preparing an annual plan taking into account the rolling five-year development plan.

### **3.1 The Role and Functions of the JDP & BPC**

The Joint District Planning and Budget Priorities Committee shall, with the District Administrator as the Chief Executive Officer of the Committee, perform the following functions:

- Oversee, co-ordinate and make recommendations as to the overall district planning, including budget priorities, for consideration by the Provincial Government and the Local-level Government; and
- determine and control the budget allocation priorities for the Local-level Governments in the district; and
- approve the Local-level Government budgets for presentation to the Local-level Government Assembly and make recommendations concerning them; and
- draw up a rolling five-year development plan and annual estimates for the

district; and

- conduct annual reviews of the rolling five-year development plan; and
- take into consideration the MTDS.

Local-level Governments are therefore expected to plan, co-ordinate and draw their budgets within the priorities of their District development plans as determined by the Joint District Planning and Budget Priorities Committee. In all these processes the District Treasurer must provide an advisory role. This requirement is emphasised legally under Section: 38(1)(a) to (n), and (2) of the *Local-level Governments Administration Act*.

### 3.2 Budget and Rationale

The administrative functions of Local-level Governments and the requirements of Section 38 of the Local-level Government Act form the basis and rationale for planning and budgeting by Local-level Governments.

To assist Local-level Governments make appropriate estimates, the Chairman of each JDP&BPC is required to submit to the Head of the Local-level Government before 30<sup>th</sup> November in each year, estimates of the following: -

- (a) the expenditure for district administration; and
- (b) the expenditure for rural action programme; and
- (c) the expenditure for the urban-rehabilitation programme.

Based on the guidelines and information set out in Section 105A of the Organic Law, the budget of a Local-level Government shall therefore, comprise –

- (a) estimates of –
  - (i) finances proposed to be raised including the Organic Law Grants in revenue; and
  - (ii) expenditure proposed for administration; and
  - (iii) expenditure proposed for rural services; or
  - (iv) expenditure proposed for urban services.

The annual budget of a Local-level Government shall be in two parts:

- (a) Recurrent Budget
- (b) Development Budget

### 3.3 Recurrent Budget

The Recurrent Budget will cover expected administration expenses to be incurred by the Local-level Government. The recurrent budget expenditure is partly financed by the administrative support grants in accordance with

Section 92(1) to (4) of the *Organic Law* and partly by internal revenues raised by the Local-Level Government.

Sections 86 & 87 of the *Organic Law* provide for specific taxes and fees to be collected by Local-level Governments. Other taxes and fees available to Local-level Governments are covered under Sections 88 and 89 of the *Organic Law*. Projections for these Internal Revenues should be realistically estimated and with due care as to the realisation of the projected revenue. Failure to realise such revenue projections would create revenue shortfalls consequently affecting the spending capacity of the Local-level Governments.

In making expenditure estimates, the actual expenditure incurred in the previous year will provide good guidance to start the estimations for the ensuing budget year. The actual expenditure and appropriations in the past should be adjusted for any expected changes in the budget year. The amendments will include any provisions in the 5-year strategic plan in addition to any new expectations. For example if a reduction or increase in employees is expected in the budget year the salaries and wages figure will be amended to reflect these expectations.

### **3.4 Development Budget**

The Development Budget covers estimates of investment on construction and infrastructure development and other development projects.

The Development Budget estimates are based on the 5-Year rolling Development Plan of the Local-level Governments. The estimates are to be funded from the following grants:

- Infrastructure Development Grants as per section 93(1) (a) of the *Organic Law*.
- Town and Urban Services Grants as per Section 94(1) (a) of the *Organic Law*.
- Local-level Governments and Village Services Grants as per Section 93(1)(b) of the *Organic Law*.
- Other support Grants according to Section 95 of the *Organic Law*.

### **3.5 Preparation of Annual Estimates**

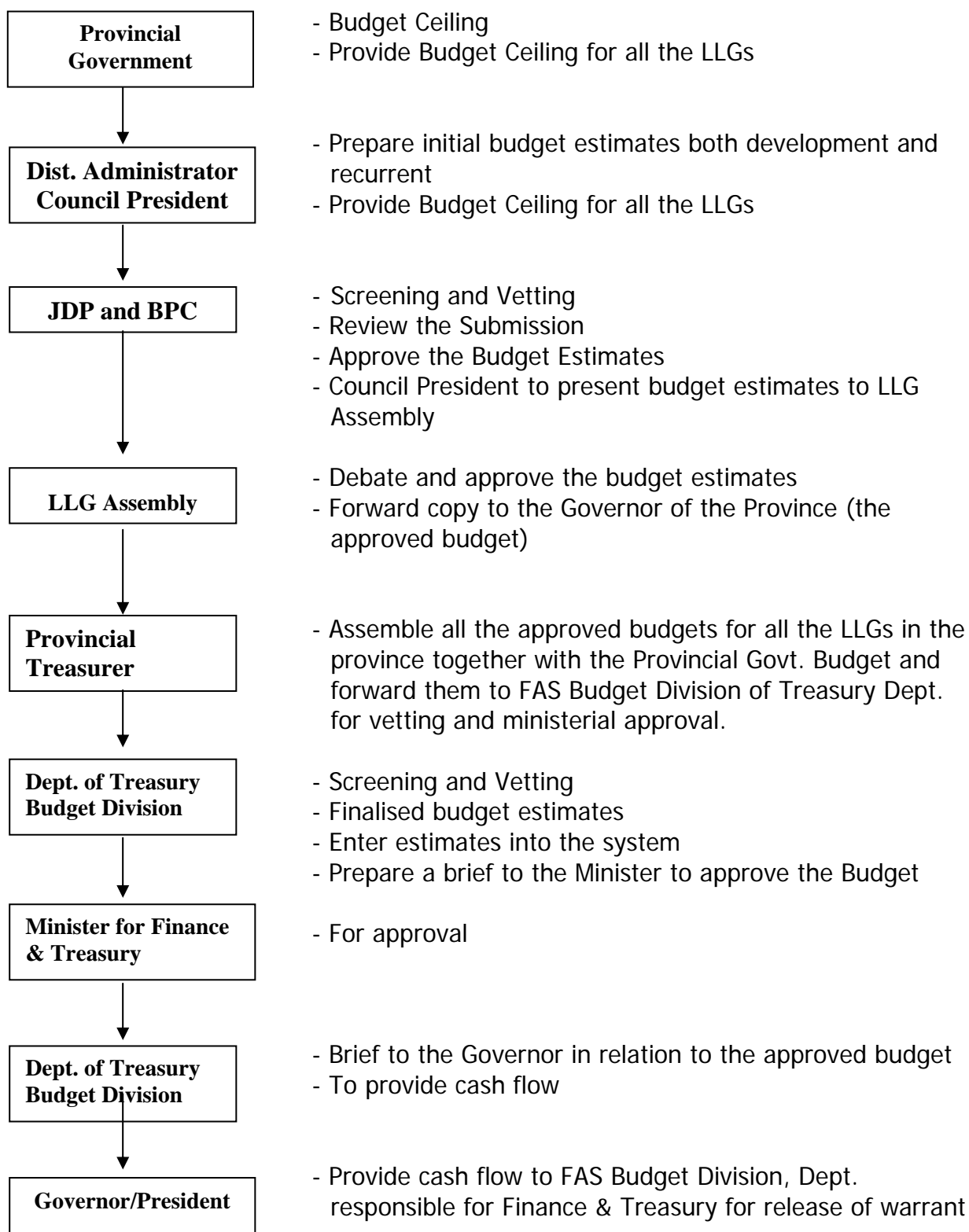
The allocation of ceilings will form the starting point for formulation of estimates for each function, project and activity. Previous years' budgets and actuals are useful guides in the formulation of estimates for the future year. Hence columns are provided in the forms to show the comparative figures for the two years immediately preceding the budget year.

For example in the budget forms for the year 2001, the 1999 budget figures, actual expenditure for 1999 and the year 2000 budget figures will be shown in

the appropriate columns.

There are standard forms to be used for preparing the estimates for each vote administered by the Local-level Government. These forms are distributed by the Department responsible for Financial Management.

The estimates must be prepared in conformity with expenditure and staff ceilings set by the Local-level Government or the Department of Personnel Management. These estimates should be submitted, with explanatory notes, to the Local-level Government Assembly for approval and submitted to the Minister for final approval in accordance with Section 141 of the *Organic Law*.

**Flow Chart for Budget Formulation**

### 3.6 Completion Of Budget Forms

There are several forms available at the Budgets Division of the Department responsible for financial management, designed for use by Government Departments and Agencies including Local-level Governments in preparing Budget estimates. The forms must be legibly completed correctly and submitted in the original size and should not be reduced.

There are 28 different types of forms falling into two categories as below.

#### (A) Summary Forms

#### (B) Detail Forms for different items of expenditure

#### Summary Forms

Title      Form No.

Annual Management Report	AMR
• Summary Statement of Operating Agency's Expenditure: -	
- Program Budgeting Operating Agencies	DFP-A1
- Programme Budgeting – Narrative Statement	DFP-A3
- Activity/Project Estimates of Expenditure by Items	DFP-D
- Activity/Project Reimbursable Expenditure	DFP-E
• Revenue and Trust Account Estimates	DFP-B

#### Detail Forms

These forms are numbered from **DFP-1** to **DFP-22** and cover the various expenditure items. For Example, DFP-1 is for Salaries - Item 111 DFP-2 is for Wages - Item 112

#### Selecting the relevant Forms.

It is important for each Local-level Government office to select and use only the applicable forms because some of the forms may not be relevant to their situation.

Local-level Governments under programme budgeting must base their estimates on programmes and use all, the summary forms for the purpose.

Local-level Governments under traditional budgeting should base their estimates on functions and activities **will not use** summary forms **DFP-A1 & DFP-A3**.

All Local-level Governments will use the Detail forms DFP-1 to DFP-22 that are relevant to their organisation depending on the types of expenditures to be incurred.

## **Completing the Forms.**

### **Step 1 is to complete the summary form DFP-AMR – Annual Management Report.**

The purpose of this form is to provide a descriptive account of the tasks and work plan for the Local-level Government.

The required resources and work programmes for each objective are stated in column 2.

Workload data and target dates for the expected outcomes are stated in column 3.

Progress of the expected outcomes against planned goals and target dates and the progressive costs in comparison with the original estimates will be shown in column 4.

For each Local-level Government one AMR is required in the summary. There is no need to complete separate AMR forms for each programme or function.

**Step 2 is to complete** all the **relevant forms** selected from the list of detail forms numbered from **DFP-1 to DFP 22** depending on the item of expenditure for each activity/project.

**Step 3 is to complete form DFP-D** (Consolidation of expenditure under each Project/Activity). The purpose of this form is to show in total (consolidated) expenditure estimates for each activity/project.

Figures are transferred from the detail forms DFP-1 to DFP-22 to columns 3 and 6 of DFP-D.

Expenditure for the next four years, columns 8 to 11, should be projected on the basis of available information for medium term planning.

Costs of operations and maintenance of facilities, staff requirements, travel expenses etc. should be projected as recurrent expenditure. Reasons for significant increases in comparison to the previous year should be documented.

### **Step 4 is to complete the Form DFP-E. (Reimbursable Expenditure)**

The purpose of this form is to provide definite information on the availability of resources from concessional loans and aid agreements with donor countries to provide or make funds available to be used on projects.

In the case of concessional loans, the donor countries generally meet all the costs incurred overseas and a part of the local costs. The Government is expected to meet the balance of the local costs.

Information to determine the amount of available reimbursable expenditure for the budget year and for the future year projections will be available from the Project Manager.

If there are co-financiers for a project, separate forms should be completed for each financier.

**Step 5 is to complete Form DFP-A1, DFP-A2 and DFP-A3.**

**Form DFP-A1 (Programme Budgeting)**

1. Write the Name and Number of the Local-level Government in the space provided.
2. Fill the comparative Table under the respective headings for the years stated.
3. Transfer Activity/Project details comprised in a programme from Form DFP-D to columns 1 to 8. Add the numbers filled in columns 3 to 8 and show the totals against the related programme. Add the programme totals to get the main programme total.
4. Add the main programme totals and enter in "All programmes grand total".
5. Transfer the "reimbursable expenditure total" from the Form DFP-E.
6. If all the main programmes cannot be covered in one form, use additional forms to include all main programmes.

**Form DFP-A3 (Programme Budgeting – Narrative Statement)**

Note: (a) Local-level Governments whose budgets are programme based should complete this form.

(b) This form is required to be completed for each programme.

1 Programme Objectives: - State what is expected to be produced as a result of the programme effort. Programme objectives are usually a summarised presentation of the activities and project objectives under the programme. It is a statement of the broad aims of the programme.

2 Programme Description: - Explain the activities and projects, which are grouped within the programme. The programme description differs from the programme objectives in that it indicates how the programme is undertaken rather than why.

3 All other columns are self-explanatory.

## **Preparation of Cash Flow Statements**

Local-level Governments will prepare the following cash flow statements:

- Recurrent Budget- grants inflows (as revenue) and the anticipated expenditure for the year.
- Development Budget- grants inflows (as revenues) and the anticipated expenditure for the year.

### **3.7 Budget Approval – Local-Level Government Assembly**

After completing the initial estimates the District Administrator will present the estimates to the JDP & BPC (Joint District Planning & Budget Priority **Committee**) for review and approval.

The JDP & BPC will carefully review the submission using the predetermined priorities of the district. The Committee will also check the expenditure figures to ensure that the estimates do not exceed the maximum spending target figures established for each Local-level Government.

After the estimates are approved by the JDP & BPC, the chairman of the committee will return the estimates to the head of the Local-level Government who in turn will table the Budget estimates to the Local-level Government Assembly for debate and approval.

After the Local-level Government Assembly considers and passes the Budget a copy of the approved Budget should be forwarded to the Provincial Administrator who will submit it to the Governor of the Province.

The Provincial Treasurer will assemble the approved estimates of all the Local-level Governments in the province and forward it along with the Provincial estimates to the First Assistant Secretary, Budgets Division, of the Department responsible for Financial Management for vetting and Ministerial approval.

### **3.8 SCREENING, SUBMISSION, VETTING, AND APPROVAL OF ESTIMATES**

#### **3.8.1 Screening and Submission process**

During screening stages, the District Treasurer must check that estimates comply with provisions of the Organic Law, the Public Finances (Management) Act 1995, and that the amounts in the Chart of Accounts are arithmetically accurate and consistent with amounts allowable in grants.

On completion of screening, the District Administrator, acting as a coordinating officer, will present budget estimates to the JDP&BPC for approval. The JDP&BPC will consider this submission using the predetermined priorities of the district, as a benchmark

After JDP&BPC gives approval, the JDP& PBC Chairman returns the approved budget estimates to the Head of the Local-level Government. A copy of approved budget estimates is also sent to the Provincial Administrator to be given to the Governor of the Province.

The Governor is required to lay the estimates before the Joint Provincial Planning and Budget Priority Committee for examination and endorsement.

It is important to note, that the JDP & BPC refers budget estimates to the Joint Provincial Planning & Budget Priorities Committee (JPP&BPC) for ratification. The JPP&BPC may not alter, amend or modify budget estimates referred to the committee for consideration.

It is the responsibility of the Provincial Treasurer, working in close consultation with the Provincial Administrator, to recheck budget estimates and include these estimates into the Provincial Budget.

Prior to referring the Provincial Budget to the Minister for Finance for vetting and approval, budget estimates should be submitted to the Provincial Government for incorporation into the Provincial Assembly budget.

Before being presented to the Provincial Assembly, it is a requirement under the Public Finances (Management) Act, Section 65A - that the approved LLG budget estimate be presented to the Minister for Finance for final approval.

### **3.8.2 Vetting and Ministerial Approval**

Once the estimates are endorsed by the Provincial Assembly, it is referred to the Provincial Administrator to seek Ministerial approval as per Section 65A (2) of the Public Finances (Management) Act.

Vetting processes continue to take place during preparing and consolidating budget estimates by the Local-level Government and at the time budget estimates are referred to the Provincial Treasury for incorporation into the Provincial Budget. The final step in this vetting process is the referral of budget estimates to the Minister for Finance for review, endorsement and approval.

If the estimates meet normal requirements, the Minister will endorse and return them to the Provincial Assembly for inclusion in the Provincial Budget, which will be enacted, into law.

### **3.8.3 Creation of Expenditure Votes**

After the Minister approves the budget, the Provincial Treasurer will create the Chart of Accounts in the PGAS system.

### 3.9 CHART OF ACCOUNTS STRUCTURE

#### 3.9.1 Legal Interpretation

Local-level Governments must exercise proper management of public moneys and keep proper accounts and records of financial transactions to satisfy provisions of Sections 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.

These financial reporting requirements must comply with financial instructions, directions and general administrative arrangements made by Department responsible for financial management for the maintenance of proper books and records of the Local-level Governments.

#### 3.10 Responsibility for the Chart of Accounts

The preparation of the Chart of Accounts and its accuracy is principally the responsibility of the Provincial Treasurer acting upon financial instructions issued by the Department responsible for financial management.

#### 3.11 Maintenance of LLG Chart of Accounts in the PGAS Database

Provincial Treasury shall maintain a separate Chart of Accounts for Local-level Governments.

#### 3.12 Chart for National Revenue Grants-Related Expenditure

The Chart of Accounts for LLGs in the PGAS database is to provide for grants paid to LLGs and also for recording LLG revenues collected in the Provinces.

#### 3.13 Charts of Accounts - Expenditure Codes Structure:

Division	Division	Division	
Indicator	District	District	LLG
Grant No	Function	Activity Project	Activity 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 of PIP) Expenditure.

District = a 2 - digits District/Electorate index (e.g. 01 for district one; 02 for two etc.).

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) District Infrastructure Development Grant (Section 93 at base of 100%; calculated and applied as per Schedule 3):
  - 3 District Social Services and Administrative Infrastructure Development Grant; (comprising 50% of base figure).
  - 3 District Land and Other Physical Infrastructure Development Grant; (comprising 50% of base Schedule 5).
- (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 Services Development Grant; of (Comprising 50% 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 Grant (SSG) and Mining Agreements
- (E) Other Economic Support Grants
- 8 District Support Grants (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.

### 3.14 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 not required.

It is recommended that 9" be used as the indicator of Grant Type for Local

level funds and sources where none of the indicators are used as 9". Also, remember, the Divisional Codes are 200 series and 700 series in the Chart of Accounts for National and Provincial expenditures, respectively.

### 3.15 Revenue Account Codes Structure:

National Revenue codes Structure in the provinces PGAS National Accounts database:

Rev-Head	Rev-Head	Rev-Head	Division	Division	Division
Sub – Head	Sub - Head				

#### Legend:

Rev - Head = Revenue heads [e.g. 113 (National Head) or 601 (provincial Head)]

Division = 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)

### 3.16 Local-level Government Internal Revenue Code PGAS.

Rev-Head	Rev-Head	Rev-Head	District	District	LLG
Sub-Head	Sub-Head				

#### Legend:

Dist. = a 2-digits District index (District code from where the revenue originates).

LLG = a 1-digit Local-level Government (where the revenue originates).

[The rest of the Legend is as above]

Consultation must be made with Budget Division, Public Accounts, Loans & Revenue Division and Public Accounts Division to ensure consistency and uniformity in the Chart of Accounts.

**3.17 Local-level Government Internal Revenues and Expenditure.**

Section 87 of the Organic Law provides for specific taxes and fees to be raised and collected by Local-level Governments. Other taxes and fees available to these levels of government are covered under Section 89 of the Organic Law.

Estimates of internal revenue for each Local-level Government should be made realistically and with due care as to the realisation of those projected revenues. Failure to realise such revenues will create shortfalls and consequently affect spending on planned projects, programs and activities.

## SECTION 4: REVENUE

### 4.1 Revenue Sources

Revenues available to Local-level Governments consist of **grants** provided by the National Government and **revenues raised internally** by the Local-level Governments under the *Organic Law*.

### 4.2 Revenue from Grants

Grants are funds provided with conditions or without conditions by the National Government to the Provincial and Local-level Governments in accordance with approved annual budget. The Department responsible for financial management will make the following grant transfers in accordance with Section 91 of the *Organic Law*, which provides for four (4) Types of Provincial and Local-level Governments Grants. These grant types are listed below:

- 1 Administrative Support Grant (Section 92)
- 2 Development Grants (Section 93)
- 3 Town and Urban Services Grants (Section 94)
- 4 Economic Grants (Section 97)

The above grants are guaranteed annually to the Local-level Government and thus form a sure source of revenue for the Local-level Government.

A Local-level Government may in the form of a conditional complementary support grant, receive from the National Government additional revenue in accordance with Sections 95 and 96 of the *Organic Law*. This support grant is, however, not guaranteed as is the above four types.

Based on the Local-level Government's cash flow statement submitted to Budgets Division in the Department of Treasury for the purpose, and subject to the availability of funds, these grants are released to the Local-level Government in monthly cash instalments.

It is important that these grants when received in cash, are first recognised as revenue in the accounting records kept by the Provincial/District Treasury on behalf of the Local-level Government.

### 4.3 Internal Revenue

Sections 87, 88 and 89 of the *Organic Law* provide for revenues that Local-level Governments have the power to raise and collect in taxes, fees, court fees, fines, other taxes and charges. The possible revenue sources comprise the following:

**Section 87: Taxes and Fees**

- (a) community services taxes, fees and charges
- (b) taxes on public entertainment proceeds for which admission is charged and on places kept for the purposes of such entertainment.
- (c) Fees for licenses for general trading
- (d) Domestic animal license fees
- (e) Corporation and personal head tax
- (f) Tax or fees by virtue of a delegation from the National or Provincial Government

**Section 88: Court Fees and Fines**

Court Fees and Fines are paid to the Local-level Government for any offence against laws properly enacted by Local-level Governments in accordance with the *Organic Law*.

**Section 89: Other Taxes and Charges**

Other taxes, fees or charges, including housing rents and utility charges, imposed by a Local-level law under the *Organic Law* upon prior written approval by the Commissioner General of Internal Revenue.

**Note:** *(For collection procedures and Collectors' or Receivers' records, see cash office procedures)*

Once received and/or collected, the grants and internally raised revenues become available resources (*funds*) for spending by the Local-level Government.

**Note:** *(For handling of trust receipts and payments, see cash office procedures)*

## SECTION 5: PROCUREMENT PROCEDURES

**5.1** Procurement means to obtain through purchase. Procurement of goods and services means purchase of goods and services.

**5.1.1** Purchase of goods and services must be planned in advance to allow adequate time for purchase to be made. Since Local-level Government budgetary appropriations are annual, orders for purchase shall be raised well before time to allow for delivery and payments to be made before the close of the financial year.

**5.1.2** For purchase of stores, hiring of plant and equipment or printing needs, the appropriate specialist Government agency such as Government Printing Office or National Mapping Bureau shall be used.

**5.1.3** Where goods and services cannot be purchased from the established Government suppliers, purchase can be made from the open market.

**5.2** All overseas purchases up to K2000 may be made directly by the Financial Delegate using Bank Drafts.

**5.3** District Administrators may appoint certain officers as procurement officers if purchases from the open market are substantial in quantity, value and need building up of in-house stock.

### **5.4 Approval/Authorisation of Expenditure**

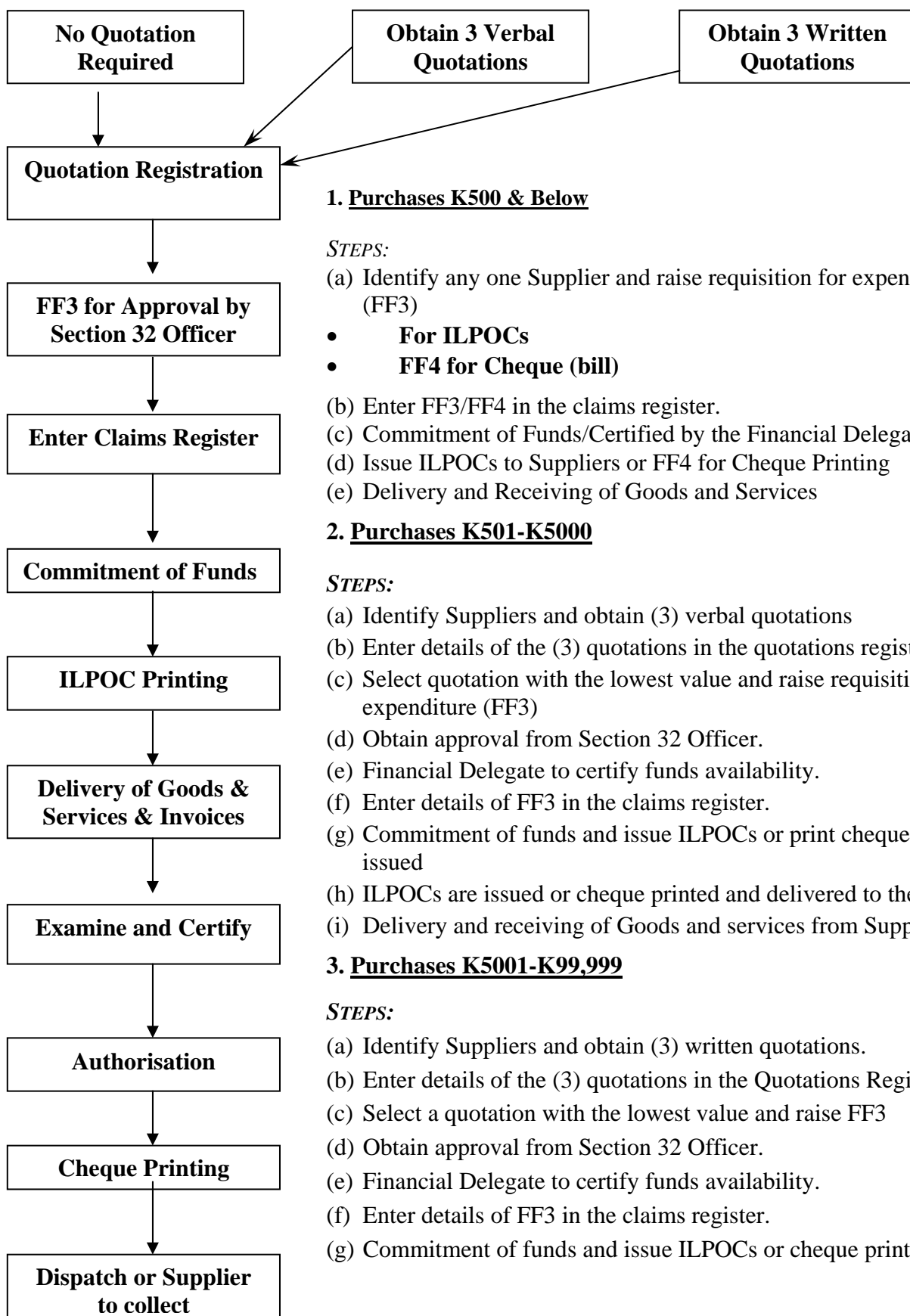
All expenditure decisions are taken by **Section 32 Officer (District Administrator)**. The appointment of Section 32 Officer is made by the Departmental Head under **Section 32 of the Public Finances (Management) Act**.

This power or authority does not override the necessity to follow the prescribed financial procedures for purchases.

All approvals of the requisitions, for expenditure will be made by the appropriate Section 32 Officer under Section 32 of the Public Finance (Management) Act. Any requisition beyond the officer's delegation must be referred to the Provincial Administrator for approval.

## FLOW CHART FOR PROCUREMENT PROCEDURES

(a) Purchases K500 and below (b) Purchases K501-K5000 (c) Purchases K5001-100,000



All Financial Delegates (Council Executive Officer) or the alternate have been authorised to approve expenditure up to K500 only.

It is unlawful to by-pass the limits on the powers given under Section 32 of the Act or other limits laid down under this part of the manual by intentionally splitting the requisitions or purchase orders.

If the claim is below K500, the requisition for expenditure with the attachments must be submitted to the financial delegate (Council Executive Officer) for pre-commitment and approval.

If it is over K500, the requisition for expenditure with the attachments must be submitted to the appropriate Section 32 Officer for approval.

## 5.5 Commitment Control

All purchase orders must be pre-committed using the appropriate accounting systems (PGAS) or manual commitment ledger under the control of the financial delegate.

## 5.6 Purchases Over K100,000

All purchases costing over K100,000 will be referred to the appropriate Supply & Tender Boards, except under certain circumstances where the tender procedures will be exempted.

**(Refer to Section 6 on this manual)**

## 5.7 Purchases estimated to cost K100,000 or Less

Depending on the value of the order to purchase it may be necessary to either obtain quotations or call for tenders.

The following procedures should be strictly adhered to before placing orders to purchase goods and services.

### 5.7.1 Quotations

(a) Purchases under K300

If the total cost of purchase is **under K300**, it is not necessary to call for quotations and purchase may be made from any supplier.

(b) Purchases estimated at K301 and under K5000

If the estimated cost is **over K300 but less than K5000 three verbal quotations** should be obtained from different suppliers and recorded in the Quotations Register.

(c) Purchases estimated at K5001 and under K100,000

If the cost **exceeds K5000 but less than K100, 000** it is essential to get **three written quotations** from different suppliers and recorded in the Quotation Register.

Under special circumstances where only one or two suppliers are available and it is not possible to obtain three quotations, this fact with relevant reasons should be noted in the Quotations Register and in the file holding the documents relating to suppliers.

### ***5.7.2 Quotations Register***

A register should be maintained at the Local-level Government office to record all the purchases requiring verbal and written quotations.

All the details including the dates of Quotation, the names and addresses of supplier's description of the goods and/or services should be recorded.

All three (3) quotations both verbal and written must be registered in the Quotations Register. This is an important register for audit verifications.

## **5.8 Requisition for Expenditure (FF3)**

After obtaining and recording the quotations in the register, select a Supplier from the three (3) given quotations and complete the FF3.

All requisitions for expenditure should be, raised by Section Heads or authorised Requisition Officer.

A register should be maintained to record all Requisitions for Expenditure (FF3).

The steps required to complete the requisition for expenditure (FF3) are clearly shown below:

### **STEP 1**

In column one (1), note the following descriptions:

(a) To.....  
(Financial Delegate)

In the space provided above insert **financial delegate**.

(b) From.....Section In the space provided

above insert the Branch or Section making the request E.g.:  
Administration or Accounts

- (c ) Department of..... In the space provided above insert the name of the Local-Level Government making the request, for example, Rigo Inland
- (d) Subject to availability of funds, purchase of the under-mentioned goods/services is approved for delivery

to.....  
In the space provided above insert Administration or Accounts (refer (b) above)

Reasons.....

.....  
In the space provided above insert Purchase of office stationery

DIV	FN	ACT	ITEM	AMOUNT
This Financial Year 573				
	01	101	143	300.00
Subsequent Financial Year				

In the above boxes, indicate DIV, FN, ACT, ITEM and AMOUNT. Under each description insert the relevant account code/vote number from which the goods/services will be charged to. An example is shown above in the box.

## STEP 2

- (a) Under **Suppliers Address** and in the space provided insert the name of the **Supplier** and the **postal address** of the Supplier. An example is shown below:
- E.g.: Air Niugini  
C/- P.O. Box 7186  
Boroko
- (b) Under column three (3) on **Particulars**, in the space provided state the particulars of the goods/services being requested.
- (c) Under column four (4) on **Quantity**, insert in the space provided the quantity expressed in number. E.g.: 10

- (d) Under column five (5) on **Rate** insert in the, space provided the unit rate (rate per unit) of the items.
- (e) Under column six (6), on **Amount** insert in the space provided the total amount of goods and services and where it says **TOTAL insert the total of all the requests on the FF3.**
- (f) Ensure that all parts are completed correctly, all supporting documents are attached and authorised by the Authorised Requisitioning Officer before submitting for authorisation by the Section 32 Officer/Financial Delegate.

## SECTION 6: TENDER PROCEDURES

Under section 39 of the *Public Finances (Management) Act 1995*, Supply and Tenders Boards are to be created. There are three categories of boards:

- National Boards (e.g., Central Supply and Tenders Board, National Pharmaceutical Tenders Board);
- Provincial Boards (Provincial Supply and Tenders Board for each Province);
- Specialist (sunset) Boards. (e.g., Gazelle Restoration Board, Jackson Airport Redevelopment Board, Bougainville Restoration Board).

The role of these Boards is to control procurement in accordance with the jurisdiction of each Board.

In accordance with **Section 40 of the *Public Finances (Management) Act 1995***, tender procedures will apply to purchase of property, stores works and services or disposal of stores if the cost exceeds K100,000. Under certain circumstances, these procedures will not be applied as provided for under **Section 40 (3) and (4) of the Act**.

### 6.1 Purchase estimated to cost over K100,000

If the purchase cost **exceeds K 100,000 but less than K3,000,000 (Kina Three Million)** Tender procedures will apply.

A submission will be made to the Provincial Supply and Tenders Board.

The submission for the Boards approval will be, accompanied by an Official Requisition Form (FF3) and approved Authority to Pre Commit (FF5A).

#### **Actions to be Taken:**

- (a) Obtain three written quotations from prospective suppliers
- (b) Select and recommend the preferred quotation to the Supply and Tenders Board.
- (c) Based on the preferred supplier raise a requisition for expenditure (FF3) and enter in the register.
- (d) Obtain approval from the Section 32 Officer for the intended purchase.
- (e) Commitment of funds and endorsed by the Financial Delegate (FF3 to be recorded in the Commitment Control Ledger). Insert the Commitment No. on the FF3 in the space provided. Where this process is computerised, the number will be machine generated.
- (f) On completion of the above requests, submit the application to the relevant Board.

**Note: The Total cost of the goods/services should not exceed the delegated limit.**

**If the purchase involves consultancy services, a submission should be made to the Consultancy Steering Committee with Department of Personnel Management in the first instance for recommendation to the appropriate Supply & Tenders Board.**

If the cost exceeds K3,000,000 but is equal to or less than K5,000,000 the submission should be made to the Central Supply and Tenders Board on recommendation by the Provincial Supply and Tenders Board.

A submission on any purchases/services over K5,000,000 will require approval by the NEC (National Executive Council). The submission will be made to NEC on recommendation by the Central Supply and Tenders Board.

## **6.2 Exemption from Tender Procedures**

- (a) Section 40 (3) and (4) of the Public Finances (Management) Act states that all purchases of goods, services and works including disposals to be funded by Provincial Government, Local-level Government, Public Body or an Approved Overseas Agency are exempted from tender procedures.
- (b) Where a Supply and Tenders Board finds that the invitation of tenders is not justified or not feasible the Board will issue a certificate to indicate that tender procedures will not be applied. **This certificate is known as Certificate of Inexpediency.**

Certificate of Inexpediency will not be issued for a transaction that has already been concluded.

- (c) Section 40(3)(c) of the Public Finances (Management) Act empowers the Minister for Finance to waive the tender requirements. Such approval can only be made under exceptional circumstances such as in the case of natural disaster or emergency.

It is important to state reasons for the request and that no purchase is to be made until such time the approval is obtained.

## **6.3 Overseas Purchases**

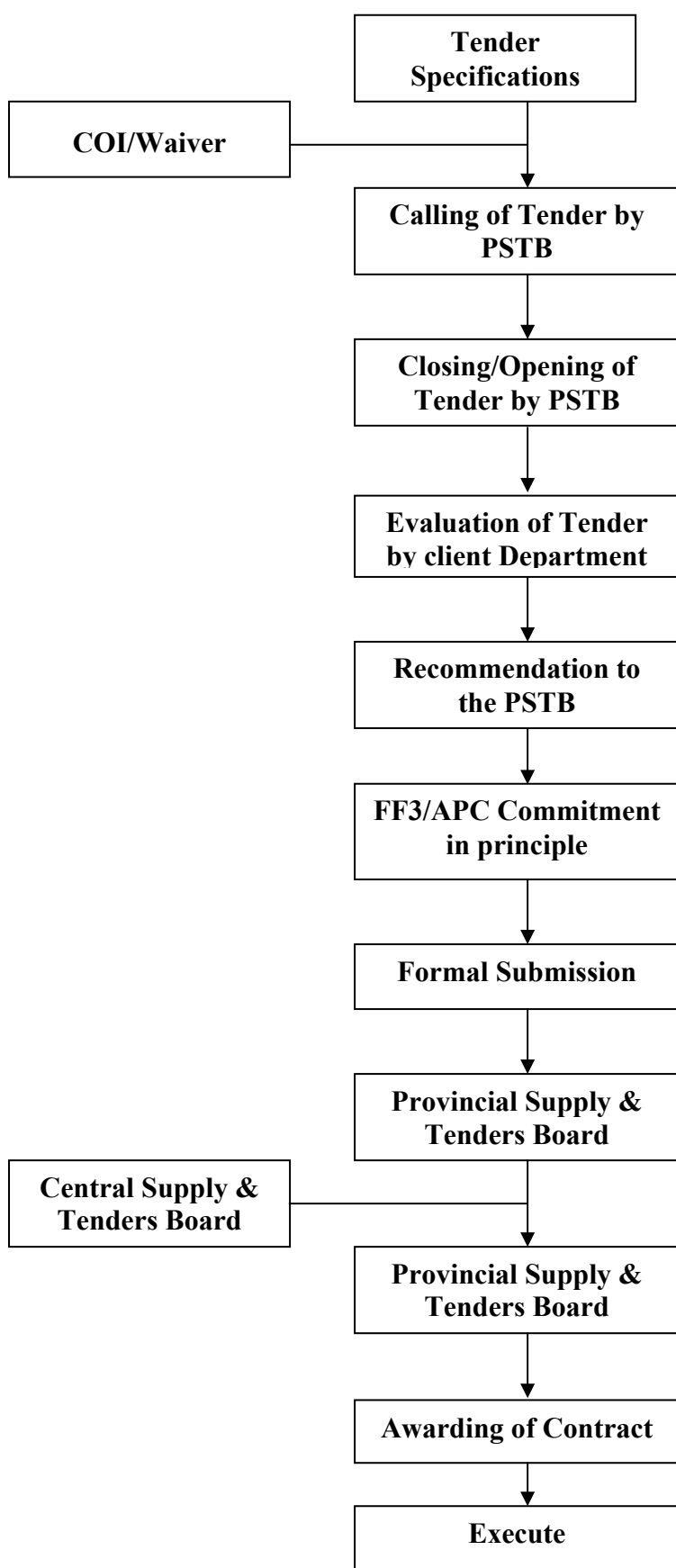
All purchases up to K2000 may be made directly by the Financial Delegate using Bank Drafts.

## **6.4 Special Procedure for Certain Classes of Expenditure**

Expenditure requiring certificate of inexpediency (COI), Ministerial waivers, and specifically excluded procurement, (e.g. District Roads, Sea, and River Transportation Improvement Programme) shall follow procedures specifically relating to them.

## FLOW CHART FOR TENDER PROCEDURES

### Works, Goods & Services (Contracts) Over K100,000



#### STEPS:

- (a) Preparation of Specification of works, goods /Services, required by implementing agent (LLG)
- (b) Public tender-advertisement in the media put out by Provincial Supply & Tenders Board.
- (c) After close of bids, open tenders and names of tender addresses (late Tenders to be rejected)
- (d) An evaluation of bids and report prepared by implementing agent.
- (e) Implementing agent recommends evaluated bids to the PSTB and to CSTB if the limit is over the delegation of PSTB.
- (f) Requisition for expenditure (FF3) is raised and funds for the value of the contract are committed to ensure funds availability.
- (g) Formal submission is made by the agent (LLG) to the Provincial Supply & Tender Board with evaluation report and recommendation.
- (h) PSTB to assess the evaluation report and approve or reject.
- (i) Approve expenditure and print ILPOCs for supply of goods, works, and services only after approval is granted by the PSTB.
- (j) Execute the contract approved by the Board.

## **SECTION 7: EXPENDITURE CONTROL**

### **7.1 Expenditure by LLGs.**

All expenditures incurred by Local-level Governments are subject to annual appropriation made by Parliament through the Appropriation Act.

### **7.2 Warrant Authority**

As soon as Parliament passes the Budget the funds are released to Local-level Governments by way of Warrant Authorities. However it should be noted that passing of the budget by itself is no express or implied authority for incurring expenditure.

The basis for expenditure by Local-level Governments is therefore the Warrant Authorities which are raised and issued by Budgets Division of the Department responsible for financial management.

### **7.3 Issuing of Warrant Authorities**

Based on Local-level Government cash flow and subject to the availability of funds, monthly warrant authorities for all grant types will be issued to the Local-level Governments.

Warrant Authorities for each Local-level Government, once processed, are released to the Provincial Administrator.

### **7.4 Remittance of Cash Components of Grants (Cash for the Local-level Government)**

Cash Transfers are made to the District Treasury Operating Bank Accounts by the Public Accounts Division on advice from the Budget Division of the Department of Treasury.

On receipt of cash, the District Administrator as the Provincial Administrator's appointed Section 32 officer shall, through the District Treasurer, issue CFC's to the LLG Manager. To exercise this function, Provincial Administrators must appoint District Administrators as Section 32 officers.

### **7.5 Financial Delegates and Cash Fund Certificate.**

The Provincial Administrator as the deemed Departmental Head shall then appoint Financial Delegates (District Treasurers) who will be responsible for implementing the expenditure decisions undertaken by the Section 32 officer through Cash Fund Certificates (CFCs).

## 7.6 Cash Fund Certificates (CFCs).

Cash Fund Certificates (CFCs) are issued to Financial Delegates periodically and carry unique reference numbers to identify each CFC Holder, with sequential serial numbers for each CFC holder.

Cash Fund Certificates bear six distinct digit serial numbers to identify Financial Delegates. The first three digits identify the LLGs and the last three digits identify the Financial Delegate.

Cash Fund Certificates are the basis of incurring obligations on behalf of the Local-level Governments.

## 7.7 Commitment Control System

The Financial Delegate (District Treasurer) is responsible for maintaining a commitment control system. Council Executive Officer should also maintain a memorandum of Commitment Control Ledger manually.

The CFCs received from the Provincial Administrator will show a vote number or account number and the amount previously authorised, now authorised, and total authorisation.

As and when the CFCs are received at the Local-level Government office, the amounts shown under "now authorised" column should be checked against the cash amount transferred to the Operating Bank Account of the Local-level Government.

Any variance in the balance should be immediately brought to the attention of the Provincial or District Treasurer. If there is no variance, the amounts should be immediately recorded in the commitment control ledgers (FF20s).

A commitment control ledger is an approved finance form and is used to keep records of all commitments, payments and will show how much funds are available per item.

How to record the CFCs in the Commitment Control Ledger is explained below:

1. On the commitment control ledger at the very top where it says YEAR.... Insert the year in which the CFC has been issued should be entered.

In the box titled "card no" a numbering sequence beginning with 1 is entered and the numbering sequence is followed for every activity.

2. On the row down, where it says "DEPARTMENT" the name of the LLG should be entered.

3. Below the "DEPARTMENT", there are two lines, one for "VOTE NO" and the other for "DESCRIPTION". The vote No. is shown in the CFC under the columns "Div", "Fn", "Act" and "Item" meaning Division, Function, Activity & Item respectively. The description is shown in the Vote Index.

For example, for item 111 the description will be "salaries" and for Item 112 the description will be "wages".

4. Along the same row there is a box to enter the CFC No. This number is shown at the top right hand corner of the CFC.
5. Further to the right, is a box with (3) columns and (4) rows as shown below: (The 4 rows are for the 4 quarters in a year)

DATE	AMOUNT	PROGRESSIVE

- a) In the first column "DATE", the date of issue of the CFC should be entered. This date is shown at the top right hand corner of the CFC.
- b) In the second column "AMOUNT", the amount shown in the second column of the CFC, "Now Authorised" should be entered.
- c) The third column is to enter the progressive total of the funds received.

When entries are made in the first line for the funds received in the 1st quarter the figure entered under the "Amount" column will be the same as the figure entered under the "Progressive" column. In the second quarter the figure shown under the "Progressive" column will be the sum of the funds received in the 1st and 2nd quarters. Similarly the progressive totals will be shown as funds are received in the 3rd and the 4th quarters.

The next line below is a detailed row starting with Date, Reference ILPOC/F.F.4, Supplier, Amount and further to right ending the description with the word Remarks. There are two parts (i) Commitment and (ii) Payments (De- commitment)

- (i) **Commitment:** These details are entered when FF3 (requisition for expenditure (to raise ILPOCs) and FF4 for travel advances/rates are received at the Accounts Section for commitment of funds.

- (ii) **Payments/De-commitment):** This part is completed after the payments are done and should be updated on a monthly basis in order to determine the funds status.

## **SECTION 8: PROCESSING PAYMENTS AND ACCOUNTS**

All claims for payments for a Local-level Government shall be processed either in a District/Provincial Treasury or at a Cash Office situated in the vicinity of the Local-level Government area.

### **8.1 Paying Offices in a District or Provincial Treasury.**

District and Provincial Treasuries will pay the following accounts:

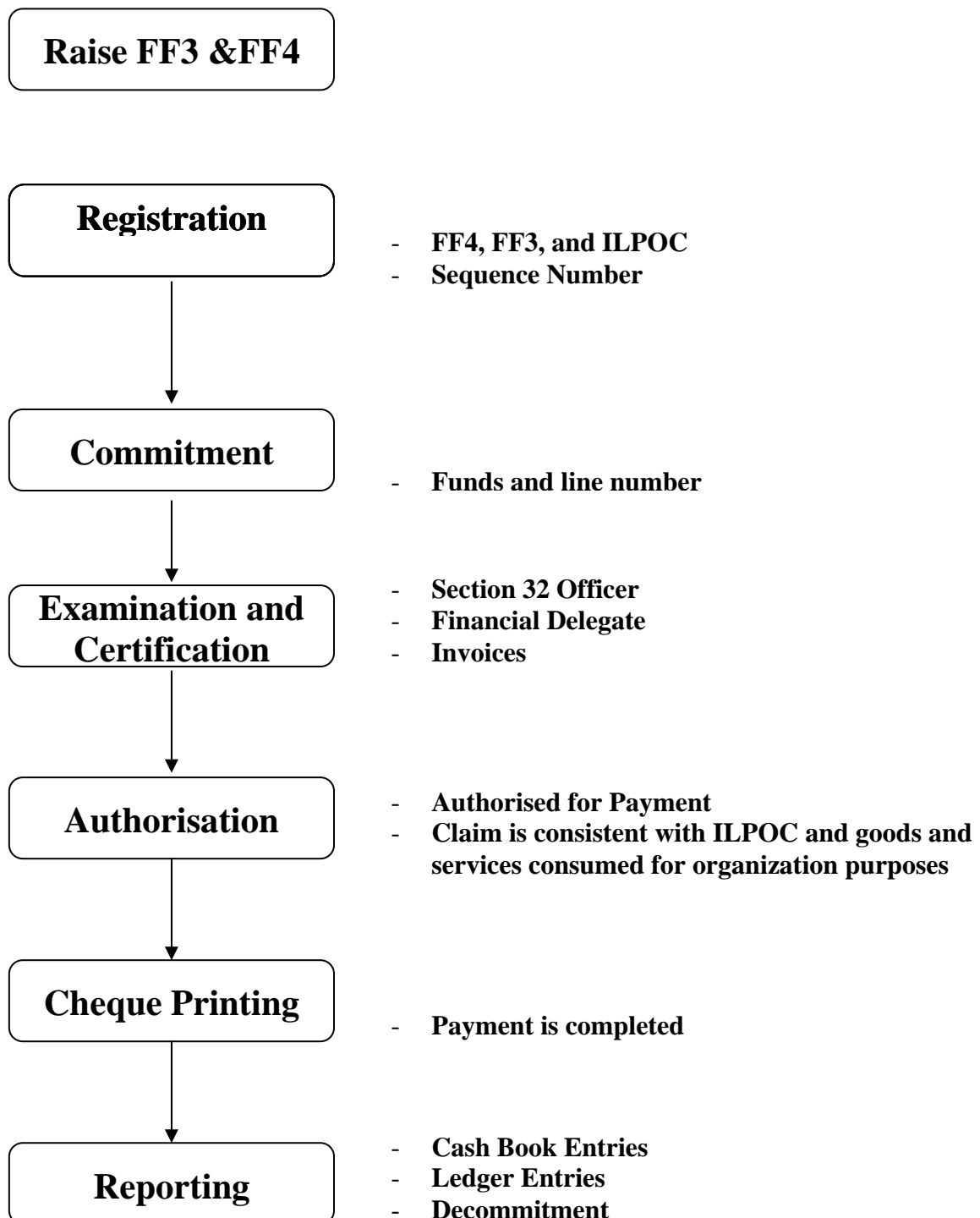
- (i) Payments chargeable to the expenditure vote
- (ii) Refunds of Revenue Chargeable to Refund Vote
- (iii) Trust Payments.

Where payments are to be made in a District/Provincial Treasury where PGAS facilities are installed it shall be mandatory for all payments to be processed through the PNG Government's Accounting System (PGAS). Local-level Government should consult the District/Provincial Treasurer for assistance should the need to use PGAS arise.

All claims for payment will be submitted to the relevant paying office on FF4 and ILPOC forms with relevant supporting invoices and documents. ILPOC forms will be submitted by the Suppliers and FF4s for advances, rates and other charges.

When these claims are received at the paying office the following processes will be carried out.

- Registration of Claims ( FF4s and ILPOC forms)
- Commitment of Claims
- Examination of Claims
- Authorisation of Claims
- Cheque printing.
- Cash book entries
- Ledger entries

**FLOW CHART FOR ACCOUNTING PROCEDURES**

## 8.2 Registration of Claims

Every claim should be entered in the Claim Register in numerical order. For example the 1<sup>st</sup> claim for year 2005 could be numbered 001/05 and this number should be noted on the voucher to indicate that the claim has been registered.

## 8.3 Commitment of Claims.

As soon as the claim is registered it is then forwarded to the commitment clerk for funds to be committed against the claim. When funds are committed, a commitment line number is given. For example the first claim to be committed in 2005 will bear commitment Line No 01/2005. As soon as the claim is committed it is then referred to the examiner for examinations.

## 8.4 Examination of Claims

This examination involves checking all the documents for accuracy and authorisation. The documents to be checked are Purchase Orders, Supplier's original invoice, goods received notes, Supplier's delivery docket, FF3, FF4, payment voucher etc. A thorough check must be made to ensure that everything is in order.

Important aspects to be checked during the examination are as follows.

- The finance forms FF3, FF4 and ILPOC have been authorised by the Section 32 Officer and endorsed by the Financial Delegate.
- The amounts are within the delegation limits.
- The orders, invoices and goods received notes match in relation to quantity, quality and value.
- The claim is properly registered and committed.
- All charges are made to the correct account codes.

## 8.5 Authorisation of Claims

After examination the claims are certified as in order for payment. The Authorising/Certifying Officer shall certify and authorise the claim for cheque printing.

## 8.6 Cheque Printing

All cheques must be PGAS generated. **No manual cheques.**

Once the claim is certified as correct a cheque will be made out to the supplier. All cheques must be crossed and endorsed as "Not Negotiable" and "account payee only." This is to ensure that only the actual payee can receive the proceeds of the cheque.

The PGAS cheque-forms should be kept in safe custody under the responsibility of the Cash Office Clerk or the District/Provincial Treasurer and cheque numbers strictly accounted for.

The bank should be advised to only accept the cheques signed by at least two of the authorised signatories. **The authorised signatories should include the LLG Manager and the Cash Officer Clerk or the District Treasurer who shall be the mandatory signatories.**

The cheques can be either mailed to the supplier's address or may be collected at the LLG office. If the cheque is to be collected the person collecting should furnish proper identification and that person's signature including the basis and details of identification should be obtained on the payment voucher in the space provided for this purpose.

### 8.7 Cash Book Entries

PGAS will automatically update the cash book on authorisation of the claim for cheque printing.

### 8.8 Ledger Entries

The corresponding entry is made in the expenditure vote in the PGAS.

In a manual system, the entry in the ledger will be made on the debit side of the ledger against the appropriate vote. (Note that the cheque is entered on the payment side (Credit) of the cashbook and is now being entered on the debit side of the ledger).

LEDGER (manual)

DATE	REF	PARTICULARS	NO: RECEIVED	NO: ISSUED	BAL	DEBIT	CREDIT	BAL

There is provision in the ledger to record the name of the vote, vote number and the amount. The particulars will be the same as the details in the payment voucher. The balance column will show the progressive expenditure to date.

## **8.9 Recording of Payments/De-commitment -Commitment Control Ledgers (FF20)**

After the payments are made, the paying officer should forward all the paid vouchers to the commitment clerk for updating of the payments made against the commitments. This should be done daily.

## **8.10 Payment of Salaries, Wages and Overtime (Non-Public Servants)**

All wages & salary payments will be made on Finance Forms prescribed by the Department responsible for financial management. The following forms should apply in payment and collection of salaries and wages.

**(a) FF5-Order to pay agent** –This form is used to authorise an agent to collect wages/salaries on behalf of the person giving authority.

**(b) FF10-Wages Sheet**-This is used to list the names of employees, hours worked, fortnightly wages, deductions, net and signature of employee and other details.

## **8.11 Wages**

Preparation of Wages Sheets (FF10) should be in quadruplicate and should show the pay period, names, and the titles of each employee, their fortnightly wage rates, tax to be deducted, other deductions and the net amount due to each employee.

The payment processing procedures will apply here after the claim form, is endorsed by the Financial Delegate.

## **8.12 Payment Procedures for wages and overtime.**

Procedures to be followed by the Paymasters and Assistant Paymasters in payment of salaries, wages, overtime and other allowances are set out below:

- (i) Cash for payment may be obtained either by cashing the wages cheque at a bank or cash office on the morning of the payday.

Ensure that the actual cash on hand balances with the total figure on the wages sheet (FF10).

- (ii) Pay Envelopes will be, prepared by the Paymaster and the Assistant Paymaster on the basis of the wages sheet.

Every employee on the wages sheet (FF10) will have an envelope with the amounts due and sealed after balancing.

All employees should be paid their correct net amounts. There should not be any over or under payment.

The distribution of the pay envelopes must be, witnessed by the Assistant Paymaster. The payment must be made to the employee on presenting I.D card. In the absence of I.D, the employee must be, identified by the Section Head responsible.

The employee on receiving the pay envelope must open the pay envelope and check the net amount in the presence of the paymaster and the assistant paymaster. The paymaster must ensure that the employee signs in the space provided in the wages sheet and that the Assistant Paymaster initials to confirm the payment.

A payment should not be made to an agent unless a proper authorisation is made on the Order to Pay Agent Form (FF5).

### 8.13 Acquittal Procedures - Wages

After all payments are made, the Paymaster and the Assistant Paymaster will reconcile the unpaid wages, overtime and other payments on hand to the relevant supporting documents such as wages sheet and overtime sheets.

The Paymaster and the Assistant Paymaster will acquit the pay sheets as paying officer and witness respectively. An example of the certification is set out below:

"We certify that the persons named in this pay sheet have been paid the amount set opposite their names- (except for those whose names are listed on the back)".

Signed (Paymaster).....

(Assistant Paymaster).....

A copy of the certification with all relevant documents should be filed.

**Note: The Paymaster will issue official receipts for unpaid wages, overtime and advances and make a deposit in the LLG Operating Bank Account within 24 hours.**

### 8.14 Payment of Salaries

Salaries of Officers of the Public Service may be paid direct to his/her bank account or he /she may collect encashable cheque. An encashable cheque can only be collected by the individual officer or by the paying officer.

Unpaid salaries should be returned to the Paying Office within 24 hours where a receipt will be issued to the Paymaster acquitting the unpaid salaries.

## SECTION 9: ADVANCES MANAGEMENT

### 9.1 Purposes

1. Advances to an officer are allowed only for the following purposes:

- (a) Maintenance and operations of a cash office – cash office advance.
- (b) Provision of counter cash – counter cash advance.
- (c) Provision of petty cash – petty cash advance.
- (d) Travelling expenses – traveling advance.
- (e) Payment of salaries wages and allowances.
- (f) Recreation leave or furlough due to the officer.
- (g) Payments that cannot conveniently be made at a cash office.

Section 32 Officers are empowered to approve advances only up to the limits of their delegation.

An officer shall not use an advance for a purpose other than that for which it was intended.

Acquittal of an advance is the personal responsibility of the holder of the advance and advances cannot be transferred from one 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.

Authorising Officers in Paying Offices are responsible to maintain proper records of all advances paid under their authorisation.

### 9.2 Imprest Advance & Counter Cash Advance

Section 10 of this manual explains further the use of the imprest advance and counter cash advance.

### 9.3 Special Advance

The District Treasurer may make advances for such special payments as land purchase, compensation etc.; on the application of the Cash Office Clerk.

## 9.4 Temporary Cash Advances (Outstation)

Temporary cash advances may be made to government officers for approved purposes only and should be recorded in the Advances Schedule (FF14). The 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.

Finance Form 108 may be used as a combined record and payment form for temporary cash advances. Such advances may include the purchase of fresh food, firewood and patrol expenses.

Agricultural officers purchasing cash crops will continue to use Produce Purchase Dockets.

## 9.5 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.

**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.**

## 9.6 Salary Advances

**9.6.1 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.

**9.6.2 Amount of Advance:** The amount of advance for payment should be authorised by the District or Provincial Administrator.

## 9.7 Advances on Overseas Travel by Local-level Government Officers

**9.7.1** Cash advances of 100% of the traveling allowances payable may be made to officers traveling overseas on official duty. The

advance will be acquitted on return to duty as detailed below.

### **9.7.2 Acquittal of Traveling Advances**

- All officers will acquit their traveling advances within 14 days of return to their duty station.
- Any case of non-compliance must be reported by the officers making the advance to the District or Provincial Administrator or the Secretary responsible for Financial Management.
- No further advance will be issued to an officer who has not acquitted the earlier advance.

### **9.8 Advance for Internal Travel**

A cash advance may be paid, in the case of internal duty travels, towards

- Allowance for meals and
- Incidental expenses.

**No advance is to be made for accommodation costs.**

Financial Delegates will be responsible for the control and management of the advances. Each Financial Delegate will maintain an Advance Register for advances made to officers. The Advance Register will contain 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 of acquittal.
- 7 Remarks.

As soon as an officer's tour programme is approved, it should be sent out to the Financial Delegate concerned on Finance Form 3.

The Financial Delegate will, subject to availability of funds, take the following steps:

(i) **Issue ILPOC for Accommodation only**

Issue an ILPOC to the officer to cover the 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 Traveling Allowance**

Prepare FF4 in triplicate for the meal allowance and incidental expenses for the sum arrived at by applying the rates shown in the Department of Personal Management Circular Instruction.

The cash advance should be charged to the departmental travel vote concerned.

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".

The Paying Office will process the FF4 for payment and forward the cheque to the Financial Delegate with the duplicate FF4.

While forwarding the FF4 to the Paying Office and on receipt of the cheque, entries should be made in the Advance Register.

As soon as the cheque is received from the Paying Office, the duplicate FF4 should be attached to the triplicate, entry made in the Register and the cheque delivered to the officer proceeding on tour, who will sign the Register in token of having received the advance.

Within seven days of return from duty travel, the officer concerned will acquit advance by submitting an acquittal form (FF 16). He should also at the same time 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 in support.

**NO SECOND ADVANCE IS TO BE MADE WHEN AN ACQUITAL OF THE FIRST ADVANCE IS OUTSTANDING.**

## **9.9 Recovery from Salary or other Payments due:**

- (a) Payment of the advance is subject to the condition that should the officer concerned fail to acquit the advance within the prescribed time

or fail to refund any balance due, the amount due will be recoverable from the salary of the officer concerned in not more than three consecutive instalments or any other payments due to him.

This condition should be brought to the notice of the staff by a general departmental circular and also specifically at the time when 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.

### **9.10 Review of Advances Register**

Financial Delegates will review the Advances Register regularly to make sure that all advances are being acquitted.

### **9.11 Extension of Stay**

In certain instances officers on duty travel may have to extend their stay beyond the period originally scheduled.

If the original itinerary is properly planned, such cases of unscheduled extension of stay will not normally arise. However, in exceptional circumstances when an extension of stay becomes unavoidable, the following procedure will apply:

- (a) The officer concerned will contact the Departmental Financial Delegate at the duty tour 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 the 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 to the Financial Delegate who originally processed the tour programme, so that the Advances Register is updated.

### **9.12 Excess of Surplus Advance**

Should any advance prove to be excessive, the surplus must be repaid.

### **9.13 Advances Register**

As stated in paragraph 5 above, the authorising officer shall keep a record of all advances, which he has authorised.

Each register shall record the date of issue, the amount advanced, the purpose for which the advance is made and the date of repayment.

The date of repayment will be recorded in the register and all outstanding advances regularly reported in accordance with procedures laid down.

Regular scrutiny of the Advances Register will be undertaken by the officers responsible for their maintenance as well as inspecting officers and prompt action taken to ensure acquittal and any repayment necessary.

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 or District Treasury.

### **9.14 Petty Cash Advances**

The object of the Petty Cash Advances procedures is to eliminate credit purchases of small values on ILPOCs. Local-level Governments should assess their requirements in relation to the incidence of small value transactions and establish small Petty Cash Advances (or floats).

### **9.15 Amount of Petty Cash Advance**

The float should be K50, K100, or K200 depending on the volume and frequency of transactions expected to be dealt with by the advance holder. The amount of the advance should be approved by the Provincial Treasurer.

### **9.16 Initial Funds to Operate Floats**

When a float is approved, money will be drawn on an FF4 form, charging the expenditure vote Item 135 (other operational expenses)

### **9.17 Expenditure from Petty Cash Advance:**

Expenditure, not exceeding K50 at any time, can be incurred from the advance. Receipts will be required (unless unattainable) from all items of expenditure. The receipts should be attached to the Petty Cash Vouchers

**9.18 Reimbursement:**

Reimbursement should be claimed from the Financial Delegate concerned on an FF4 form giving an analysis of the expenditure by vote on the FF4 form to facilitate proper accounting. The reimbursement claim should be supported by original Petty Cash Vouchers and receipts.

**9.19 Petty Cash Advance Book:**

A Petty Cash Advance Book should be maintained by every advance holder and should be open to inspection by the Internal Audit Section or Auditor-General's staff or Finance Inspection Division.

The Petty Cash Advance Book should be kept as an imprest system for the purpose of completing the FF4 for reimbursement.

**PAPUA NEW GUINEA FINANCE FORM 16 DUTY TRAVEL ADVANCE****ACQUITTAL FORM TO BE COMPLETED BY ADVANCE HOLDER**

1. Name of Advance Holder \_\_\_\_\_
2. Designation \_\_\_\_\_
3. Department \_\_\_\_\_
4. Location \_\_\_\_\_
5. Amount of Advance K \_\_\_\_\_
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 (i.e., meal allowance and incidentals) on the basis of the actual tour programme.

	No.	Amount
Complete Days	_____	_____
Part Days - Meals	_____	_____
- Incidentals	_____	_____
		<b>K</b> _____

(c) Amount due for refund by the Officer

In case refund is due, the amount should be Paid at the nearest Cash Office and receipt Attached to this form. State Official Receipt No. \_\_\_\_\_

I declare the particulars stated above are correct.

\_\_\_\_\_  
Advance Holder

**ACTION BY FINANCIAL DELEGATE**

- 1 Is the amount shown in item 8 (b) above correct?
- 2 Is an Official Receipt attached in support of refund?
- 3 Have entries been made in the Register of Advances?
- 4 Other remarks.

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

## **SECTION: 10. PROCEDURE FOR CASH OFFICE FINANCES AND ADVANCE SYSTEM**

### **10.1 Establishment of Cash Offices and Appointments**

Cash Offices shall be established upon written recommendation by the District Administrator and approved by the Provincial Administrator in consultation with the Provincial Treasurer.

Where established, the Cash Office shall be under the control of the Provincial or District Treasurer.

Appointment of Cash Office Clerk will be the prerogative of the District or Provincial Treasurer.

Sub-Cash Offices may be established at the discretion of the District and /or Provincial Administrator in consultation with the Provincial Treasurer.

### **10.2 Establishment of Imprest Advance**

A Provincial Government shall provide from within its own funds, the required float or Imprest Advance.

The amount of the Imprest Advance for cash office operations will be mutually determined and agreed upon by the Provincial Administrator, Provincial Treasurer and the Provincial Government authorities for which they must make provisions in the **Provincial Budget as part of the Trust Estimates.**

### **10.3 Issuing of Imprest Advance and Accounting Treatment**

The initial entry required to create and make provision for the Imprest Advance is to raise a claim payable to the Advance Holder.

- **Debit - Advance vote**
- **Credit - Cash Book (Provincial Government)**

As soon as the cheque is issued an Official Receipt (FF132) will be raised; using the following accounting entries;

- **Debit -Cash Book; and**
- **Credit -Advance Ledger (Advance Holders name)**

A trust vote will be created in the PGAS system with the initial debit to the Advance Holder. The Cash Book Ledger will carry a credit balance to the value of the Imprest Advance.

The District or Provincial Treasurer shall maintain separate Manual Advance

Ledgers (FF96) for each Cash Office payments for reconciliation purposes.

- **Debit – Expenditure**
- **Credit – Cash Book**

#### **10.4 Receipts of Imprest Advance and Accounting Treatment**

When the Cash Office Clerk receives the Imprest Advance by cash he/she shall write an Official Receipt (FF132) indicating the name of the Advance Holder on the receipt form and immediately record the receipt on the Receipt Schedule (FF12) and update (FF96).

Collected Cash in lieu of revenue should not become part of the Imprest Advance. Revenue collected should be kept separate and recorded on Finance Form 1 (FF1) – Collector's Statement as soon as receipts are issued.

#### **10.5 Payments out of Imprest Advance**

The Cash Office Clerk shall ensure that all payments of accounts from the Imprest Advance is recorded on the Payment Schedule Finance Form 11 (FF11) in duplicate and also recorded in the Advance Register to keep track of advance movements.

The accounting entries will be;

- **Debit - Expenditure (FF11)**
- **Credit - Cash Book**

The Cash Office Clerk must provide summaries of all Cash Office transactions using Finance Form 13 (FF13) and any excess cash to the Provincial / District Treasury Office on a timely basis for the purpose of updating the relevant accounts.

The accounting for moneys paid out of the Imprest Advance on (FF11) and received on (FF12) should be completed on Statement of Receipts and Payments (FF13). Deficiencies are to be documented for appropriate recovery actions.

For proper accounting and financial reporting, it is necessary that the Advance Holder's records reflect the correct expenditure and revenue votes.

The Imprest Advance is to cater for Government's expenditure and payments at Cash Office; e.g., such as payments against encashable cheques / Trust payments, etc.

### 10.5.1 Acceptance of cheques at the Cash Office

- a) No personal / third party cheques will be accepted by the Cash Office Clerk.
- b) Cash Office Clerk will pay cash from the Imprest Advance only. **No cash shall be paid out from the revenue collected.**
- c) Cash Office Clerk shall debit the Cash In Transit (CIT) Finance Form 31 (FF31).
- d) Cash Office Clerk shall forward the cheques together with (CIT) Form (FF31) and other supporting documents to the District or Provincial Treasurer.
- e) District / Provincial Treasurer shall deposit the cheques into the Provincial Government Operating Account and credit Cash in Transit (CIT).

### 10.6 Reimbursement of Imprest Advance

Cash Office Clerk shall complete a summary of all expenditure on Finance Form 11(FF11) and Receipts on Finance Form 12 (FF12) with a completed Finance Form 13 (FF13) and forwarded to the District / Provincial Treasurer.

When District / Provincial Treasurer receives the FF11, FF12 and FF13 they shall extract, analyse and raise journal entries against respective expenditure votes in the appropriate PGAS data base.

- **Debit – Expenditure**
- **Credit - Advance**

The Provincial / District Treasurer must reconcile the individual advance ledger cards with the PGAS advance records periodically. After the reconciliation, corrective actions are to be taken immediately to clear outstanding advances.

After posting of the journal entries District / Provincial Treasurer shall raise a claim for reimbursement;

The accounting entries will be;

- **Debit -Advance; and**
- **Credit - Appropriate Cash Books (LLG, Prov, Nat Gov't & Trust)**

District / Provincial Treasurer shall forward the reimbursed cash to the Cash Office.

## **10.7 Hand over / Takeover of Imprest Advance**

In the event that the Imprest Advance Holder moves to a new position, he/she must acquit the advance in full before it is transferred to the new Advance Holder. The Provincial / District Treasurer should ensure that the old advance given to the outgoing officer is acquitted in full.

The outgoing Advance Holder must acquit the Advance by submitting the details of the final reimbursement on Finance Form 13 (FF13). Upon receiving the final reimbursement statement (FF13), the District or the Provincial Treasurer must raise Requisition for Expenditure (FF3) and General Expense Form (FF4) to draw a cheque to replenish the Advance to the new Imprest Advance Holder.

## **10.8 GRANT RELATED RECEIPTS & PAYMENTS IN CASH OFFICES**

### **10.8.1 Issuance of Warrant Authority and Cash Fund Certificates**

As soon as the Cash Fund Certificate is issued by the Provincial Administrator the following procedures should be followed:

- a) Based on the Warrants issued, the Provincial Administrator will issue Cash Fund Certificates (CFCs) to appointed CFC Holders for Local-level Government (Council Executive Officers) for spending within the limits of the Cash Fund Certificates.
- b) Grant related payments in Cash Office will be from CFCs provided for the purpose by the concerned Local-level Government via the District / Provincial Treasury.
- c) Local-level Government Council Executive Officer will maintain Manual Commitment Ledgers and Manual Revenue Ledgers to follow normal procedures.
- d) At the point of requiring payments to be made, the Council Executive Office (CEO) shall refer the claims to the Cash Office to be paid.
- e) The Cash Office Clerk will then make the necessary payments
- f) It is mandatory for all Local-level Government claims and cheques to be processed through the PGAS database, which shall be maintained by the District / Provincial Treasury.
- g) As soon as the payment process is completed the Cash Office Clerk will extract the payment vouchers and forward these to the LLG Council Executive Officer for decommitment and updating of manual commitment ledgers.

## 10.9 Trust Payments

When claims raised by respective Government Agencies: e.g. Court House for Child Maintenance or Bail Refunds are received, the following accounting process shall be followed:

- a) Where Provincial / District Treasury are unable to pay the Child Maintenance or Bail Refund, the claims shall be received and paid at the Cash Office.
- b) When the payments are completed the Cash Office Clerk will summarise all the payments on Finance Form 11 (FF11)
- c) Cash Office Clerk will forward the completed FF11 together with supporting documents to the District / Provincial Treasury Office.
- d) District / Provincial Treasury Office as part of the reimbursement will raise journal entries against respective expenditure trust votes in the PGAS National database.
- e) District / Provincial Treasury will raise a claim against the Provincial Treasury Operating Account and reimburse Cash Office for the Equivalent Cash.
- f) Provincial Treasury will submit a reimbursement claim to Waigani Public Accounts (WPA) to reimburse Provincial Treasury Operating Account for the trust payments.

### 10.9.1 Reporting

- a) Cash Office Clerk will summarise the receipts and payments on FF11, FF12 and FF13.
- b) Cash Office Clerk will forward the reimbursement claim to the District or Provincial Treasury Office with the original supporting documents.
- c) District / Provincial Treasury will analyze receipts and payments against revenue and expenditure votes / items and raise journal entries and post into the respective PGAS database (LLG, Provincial / National Government).
- d) For LLGs the process completes or ends with the issuance of new Cash Fund Certificates.
- e) For any expenditure incurred at Cash Office for Provincial or National Government, the Provincial/District Treasurer will analyze the expenditure and raise journal entries and post into the appropriate database to bring the expenditure into account.

- f) District / Provincial Treasury will raise a claim equivalent to the total of the expenditure to reimburse the expenditure incurred at the Cash Office.

#### 10.10 Temporary Counter Cash Advance

- a) Where an Imprest Advance system cannot be used for reasons of security and other risks, a Counter Cash Advance may be issued to an authorised officer from the Imprest at the discretion of the Imprest Advance Holder for normal Cash Office payments.
- b) The amount of the Counter Cash Advance will be determined and shall be issued by the Cash Office Clerk and Provincial / District Treasurer to the Advance Holder and will be recorded on Finance Form 14 (FF14) by the issuer.
- c) All payments of accounts from the Counter Cash Advance will be recorded on Payments Schedule Finance Form 11(FF11) in duplicate.

The accounting entries will be;

- **Debit – Expenditure (FF11); and**
- **Credit – Cash (by the Advance Holder).**

- d) The Advance Holder (officer receiving the advance) will personally be responsible for the safe custody of the advance, for any deficiencies in the Counter Cash Advance and for acquittal of the advance.
- e) A new Counter Cash Advance to the same person will not be made for any purpose while the previous one remains outstanding except where reasonable grounds are given for the delay in acquittal.
- f) After the reconciliation of the Counter Cash Advance, corrective actions are to be taken immediately to clear outstanding advances.

#### 10.11 Revenue collection

- a) All revenues will be collected only at the Cash Office. The Cash Office Clerk will maintain separate receipt books for each level of government. PGAS generated receipt must be used where PGAS system is operated.
- b) Cash Office Clerk will receipt collection into the correct Revenue Head e.g. (LLG, Provincial or National Government).
- c) Cash Office Clerk will forward a completed Collectors Statement (FF1) with all the duplicate of the receipts and other supporting documents to respective Receiver of Public Moneys (RPM) at District / Provincial

Treasury.

- d) At each Cash Office, the Cash Office Clerk will be required to maintain separate cash boxes for revenue collected for each level of government.
- e) Three separate money bags containing separate collections must be forwarded to the District or Provincial Treasury for depositing into the respective bank accounts.
- f) District / Provincial Treasurer will raise journal entries to enter the Collectors Statements into the respective database e.g.; (LLG, Provincial & National Government)
  - **Debit – Cash**
  - **Credit – Revenue Heads/Trust**
- g) It is mandatory to ensure that cash collected at the Cash Office is not used to pay any expenditure.

#### **10.12 Cash Office Security and Procedural Control**

The following security and procedural controls will operate in each Cash Office:

- a) The Cash Office will contain sufficient barriers to inhibit access from outside to cash office. This will typically include steel bars on all windows and customer enquiry windows with no external door access to the Cash Office.
- b) A computer with printer will provide PGAS based receipts. Manual receipts should be avoided (except where generated PGAS receipt is infeasible and approval has been given by the FAS Public Accounts responsible for District Treasury operation)
- c) Cashier will have access to a locked cashiers draw to secure that portion of the cash used for normal operation. Different cashiers must not operate out of the same cashiers draw at the same time.
- d) Each Cash Office will have a safe subject to key and combination lock security. This safe will be securely fastened to a concrete slab floor or other secure foundation.
- e) Cashiers will have access to a locked cashiers metal cash box to secure cash not needed for normal operation and to secure cash overnight.

- f) This metal box will always be located in the Cash Office safe.
- g) The District Accountant will confirm daily at the end of the day the reconciliation of the cash held by a Cashier with PGAS.
- h) The District Treasurer will confirm the locking of cash into the safe immediately after balance each day.
- i) The District Accountant and District Treasurer will separately have access to either the safe key or the combination for the safe. The combination on the safe will be changed no less frequently than each 2 (two) months.

## 10.13 ANNUAL ACCOUNTS

### 10.13.1 Legal Requirements

Section 114, Sub-Sections (1) of the Organic Law requires each Local-level Government to submit full statements of both the financial position and the financial affairs of the Local-level Government for each year.

Sub-Section (2) stipulates that non-compliance with the provisions of Subsection (1) shall empower the Minister responsible for

Finance matters in consultation with the Minister responsible for Provincial and Local-level Government matters, to withhold from payment to a Provincial or Local-level Government until compliance is secured, half of the funds appropriated for that year for the Provincial or Local-level Government area.

Sub-Section (3) The statement referred to in Subsection (1) shall be accompanied by a full audit report.

Sub-Section (4) A copy of the statement referred to in Subsection (1) and of the audit report shall be made available to the National Economic and Fiscal Commission.

### 10.14 Audit Requirements

- a) It is required under **Section 6** of the Public Finances (Management) Act, that all Accountable Officers are to maintain full and proper accounts and records of public monies or stores or public property in their possession. Under **Section 9 of the Act**, the Departmental Head responsible for financial management or a Finance Inspector has the right of full and free access to such accounts and records of all Accounting Officers to inspect and inquire.

- b) Annual Financial Statements produced for Local-level Governments will be examined by the Auditor General and an audit opinion issued in respect of these statements. In accordance with Section 117 Subsection (8) of the Organic Law on Provincial & Local-level Governments, copies of the audited financial statements are to be sent to the National Economic and Fiscal Commission to satisfy its information requirements.

## SECTION 11:      **BANK RECONCILIATION & PROCEDURES**

All bank accounts operated by Government departments including Provincial and Local-level Governments **MUST** be reconciled and all relevant statements should be prepared at the end of every calendar month.

This is a legal requirement as directed in the Finance Instruction 2/97 dated 16<sup>th</sup> October 1997.

District Treasurers and Provincial Treasurers will be held responsible for any failure to comply with this important reporting requirement at the District and Provincial levels respectively.

Bank reconciliation statements with authenticated (certified) copies of bank statements and cashbook summary must be forwarded to the Public Accounts Division of the Department of Finance & Treasury within 14 working days after the end of every calendar month.

District Treasurers will forward such statements to provincial treasurers for on forwarding to the Public Accounts Division.

How to do Bank Reconciliation and prepare the relevant statements is clearly explained in the following pages.

### **11.1 What is a Bank Reconciliation?**

It is a method of reconciling the balance shown in the Bank Statement and the balance as per the Cash Book at any given date.

In this context, the word **reconcile** means, identifying the reasons for the difference between the closing balances shown in the two documents (Bank statement and the Cash Book.)

**It is important to note that the balances that are being compared must be as at the same date.**

For example, if the reconciliation is for the month of March 2000, the balance shown in the Bank statement as at 31<sup>st</sup> March 2000 should be reconciled with the balance shown in the Cash Book as at 31<sup>st</sup> March 2000.

### **11.2 Requirement for Bank Reconciliation**

Let us consider the two documents involved in Bank Reconciliation. These two (2) documents are:

- (a)    The Bank Statement
- (b)    The Cash Book

### 11.3 The Bank Statement

This is a record kept by the bank of all the transactions going through a bank account.

In addition to the name of the account and the account number a bank statement will show the following.

- 1 An opening balance.
- 2 A closing balance.
- 3 Debits (Payments/Outgoings)
- 4 Credits (Receipts)

The opening balance (sometimes called the brought forward balance, B/F) is the balance at the beginning of the month, this balance should be exactly same as the closing balance shown in the statement for the previous month.

The closing balance is the balance on the last day of the month. This will be the balance that will be reconciled with the closing balance shown in the Cash Book.

For instance the opening balance for the month of March 2000 is the closing balance at the end of February 2000.

The first thing to check before doing a bank reconciliation for the month of March 2000 is that the opening balance shown in the statement for March is exactly same as the closing balance shown in the statement for February 2000 (the previous month).

Now let us consider the Debits (payments) and the Credits (receipts) shown in the bank statement.

The figures shown in the debit column are all payments – money going out of the account.

The figures shown under the credit column are all receipts – money coming into the account.

A simple bank statement will appear as below.

**Papua New Guinea BANKING CORPORATION Account Name :- XYZ LLG**

**Office operating Account Number: - 00123456 Statement for the month of – March 2000**

<b>DATES</b>	<b>DETAILS</b>	<b>(Receipts) DEBIT K</b>	<b>(Payments) CREDIT K</b>	<b>BALANCE K</b>
01.03.00	Balance B/F			<b>(Cr) 10,000</b>
03.03.00	Chq No. 0001	2,000		8,000
06.03.00	Chq No. 0002	1,000		7,000
09.03.00	Grants Recd		20,100	27,100
20.03.00	Bank fees	100		27,000
31.03.00	Balance Carried Forward			<b>(Cr) 27,000</b>

For Bank reconciliation purposes the balance to be compared with the cashbook balance as at 31.03.2000 is the closing balance of K 27,000(Cr)

**11.4 The Cash Book**

This is the record kept in your office to enter all the transactions going through the Bank account.

The cashbook also has a DEBIT column and a CREDIT column.

All the money received (Receipts) are entered in the Debit column, and

All the payments (Outgoings) are entered in the Credit column.

NOTE :- Entries in the cashbook are done in the opposite way to what the Bank does, because a deposit by a Bank client is a liability or credit on the Bank.

	<b>Bank Statement</b>	<b>Cashbook</b>
Payments (Outgoings)	DEBIT	CREDIT
Receipts	CREDIT	DEBIT

This happens because both the Bank and the account holder are following the double entry book keeping principles.

In double entry book keeping an increase in assets (Cash in this case) is debited and a decrease in assets (Cash) is credited. The bank is recording from the opposite point of view and therefore the entries are in the opposite side from the cash book.

To avoid any confusion caused by this, simply ignore the words debits and credits and treat them as receipts and payments.

While reconciling simply compare the receipts shown in the bank statement with the receipts shown in the cashbook and the payments (Outgoings) shown in the bank statement with the payments shown in the cashbook without any concern for whether they are under the debit column or under the credit column.

Now that we have looked at the two documents involved in the Bank Reconciliation let us go ahead and do the preliminary work required in Bank Reconciliation.

The rest of the work that needs to be done is given below in 9 steps.

Steps 1 to 8 cover the preliminary work required to do a successful reconciliation and Step 9 shows how to do the reconciliation.

## **11.5 Bank Reconciliation Steps**

Just follow the 9 steps carefully to successfully prepare a Bank Reconciliation Statement.

### **Preliminary Steps**

#### **STEP 1**

- a) Make sure that all the cheques drawn up to the last working day of the calendar month are entered in the cashbook. The best way to ensure this is to take all the cheque butts and tick them all one by one against the entries in the cashbook. If any of the cheques have not been entered in the cashbook , update the cashbook by entering those cheques showing the correct dates shown on the cheque butt and/or the supporting voucher.
- b) Make sure that all the receipts up to the last day of the month are entered in the cashbook.

This is done by checking all the bank deposit slips and the warrants/CFCs etc. received during the month against the entries under the receipt column in the cashbook. If any of those are not entered, update the cashbook again by entering those receipts showing the actual date of receipts.

**DO NOT CLOSE THE CASHBOOK AT THIS STAGE** because when you go through the rest of the steps in Bank Reconciliation you may find more items that need to be entered in the cashbook before balancing and closing the Cashbook for the month.

Keep the Cashbook open and go to Step 2.

## STEP 2

Check the opening balance in the bank statement for the current month with the closing balance shown in the statement for the previous month. These two figures must be exactly same to the last toea. This proves that the opening balance in the bank statement is correct.

## STEP 3

Keep the bank statement and the cashbook side by side and tick off all the matching entries. That is all the entries that appear in both the documents (Bank Statement and the Cashbook) are matched and ticked off.

**NOTE :-** At this stage you may find some cheques appearing in the bank statement not appearing in the cashbook for the current month. These are cheques drawn in the previous months and will be shown on the list of unpresented cheques attached to the reconciliation done for the previous month. These cheques should be ticked off in the bank statement and in the list of unpresented cheques prepared for the previous month and not in the cashbook. If any more cheques remain unticked in the list of unpresented cheques for the previous month those cheques should be included in the list of unpresented cheques for the current month.

## STEP 4

Note down all the unticked items in the bank statement. These are unticked because they are not appearing in the cashbook.

Examples of such items are,

1. Bank charges, fees, interest on loans etc debited by the Bank. The person writing up the cashbook will not be aware of these until the bank statement is received.
2. Direct deposits into the account and you are yet to receive the advice

from the party who deposited the funds into the account.

## STEP 5

Enter all the items noted in step 4 into the cashbook. Outgoings like charges and fees will be entered in the payment side of the cashbook and funds received will be entered in the receipt side of the cashbook.

Now the cashbook is ready to be balanced and closed for the month.

Balance the cashbook by adding all the receipts for the month to the opening balance and deducting all the payments/outgoings. The net balance is the closing balance that will be reconciled with the closing balance shown in the bank statement.

Now you can prepare a Cashbook Summary and it will appear as below.

XYZ LLG Operating Account Cashbook Summary for the month of

March Balance Brought forward K 100

Add Total receipts during the month K 20,100

Less Total payments during the month K 6,200

Balance carried forward K14,000

## STEP 6

Go through the cashbook and note down all the unticked entries in the cashbook.

These are unticked because they are not appearing in the bank statement.

These entries will be either,

1) Unpresented cheques.

**OR**

2) Receipts entered in the cashbook but yet to be banked.

Prepare a list of those unpresented cheques.

NOTE:- At this stage remember to include in the list, all the cheques still unticked in the list of unpresented cheques prepared at the end of the previous month. (refer to step 3)

If there were any receipts in the cashbook not appearing in the bank statement prepare a list of these entries as well. (These are generally called "bank deposits not credited")

Now you have two schedules,

One is a list of cheques drawn but yet to be presented to the Bank by those parties to whom the cheques were given. (**Schedule of unpresented cheques**)

And the other is a list of unrealised credits.( Schedule of deposits not credited) The schedule of unpresented cheques will be in the following format.

**List of unpresented cheques as at.....**

<b>Date</b>	<b>Cheque No.</b>	<b>Payee's Name</b>	<b>Amount</b>
(1)	(2)	(3)	(4)

In column (1) you will enter the date on which the cheque was drawn.

In column (2) you will enter the cheque Number. In column (3) you will write the name of the person or the organisation to whom the cheque was made payable. In column (4) you will enter the amount for which the cheque was drawn. The list of deposits not credited will be in the following format.

**Deposits not credited as at .....**

<b>Date</b>	<b>Details</b>	<b>Amount</b>
(1)	(2)	(3)

In column (2) you will enter the name of the person or organisation from whom the funds were received.

## STEP 7

There may be contra entries in the bank statement. This happens when the Bank makes corrections of wrong entries made by human error or when

cheques are dishonoured.

Contra entry means, there will be an entry on the receipt side as well as on the payment side for exactly the same amount and the description in the details column will be something to the effect that it is a reversal or correction of a wrong entry with some sort of cross-reference. But if it is a dishonoured cheque the description will be "Dishonoured cheque number or unpaid item number."

If it is a simple correction of error by the bank all you need to do is to put a mark "C" against the two entries instead of a tick. "C" means Contra.

That is all you need to do and these entries will not affect your reconciliation exercise as long as you ignore all the entries against which you put the mark "C". If it is a dishonoured cheque you will make a corresponding entry in the cashbook on the payments side (contra of a debit entry).

If a cheque received from someone is dishonoured, you will make the entry on the payment side of the cashbook because initially when the cheque was received you would have entered it as a receipt.

If a cheque drawn by your office is dishonoured for some reason, you will make the entry on the receipt side of the cashbook because when the cheque was drawn you would have entered it on the payments side.

Once the entries are made tick them off in the bank statement and in the cashbook.

## **STEP 8**

Now you go through the bank statement and the cashbook once again and answer the following questions.

1) Is there either a tick or a (C) marked against every entry in the bank statement?

2) Are all the unticked entries in the cashbook included in one of the two schedules prepared in step 6 ?

If the answers to the above 2 questions are "YES" that means you have correctly followed Steps 1 to 7 and the Bank Reconciliation Statement you are going to prepare in the next step will definitely balance provided that you have correctly added your Receipts and Payments in the Cash Book.

## **STEP 9 -RECONCILIATION**

Now you have got all the figures necessary to do the Bank Reconciliation.

## **11.6 Reconciliation Statement**

Doing the Bank reconciliation is simply filling the blanks in Part A of the MONTHLY FINANCIAL STATEMENT.

In this statement the deposits not credited are called outstanding deposits. The figures shown in Schedule 1 prepared earlier should be entered in this section. The unpresented cheques shown in Schedule 2 will be entered in the column titled "Unpresented Cheques".

## **11.7 Attachments to the Reconciliation Statement**

1) Copy of Bank Statement 2) Cashbook Summary ( As shown in step 5 )

And finally forward the Bank Reconciliation Statement and a copy of the 2 attachments shown above to the Provincial Treasurer for on forwarding to the Public Accounts Division of the Department of Finance & Treasury.

## **11.8 Unpresented Cheques**

If a cheque is in the unpresented listing for two months follow up to see that the cheque has not been lost or stolen. It may be necessary to stop payment on the cheque and issue a new cheque.

## **11.9 Use of PGAS System for Bank Reconciliation**

Where the PGAS system is operational it is to be used to complete the Bank Reconciliation i.e. the matching of issued cheques with presented cheques, determination of the unpresented cheque list, the posting of fees and charges and processing of dishonoured cheques and stale cheques.

The actual bank reconciliation needs be completed in the prescribed formats and sent monthly to Public Accounts Division: Assistant Secretary Accounting for review.

## SECTION 12: FIXED ASSETS MANAGEMENT

To ensure accountability, safekeeping and disposals of assets all Local-level Governments are required to maintain proper accounts and records on all acquisitions and disposals of all assets. This includes maintaining of Assets Register.

### 12.1 Meaning of Fixed Assets (also called Non-current Assets)

All tangible assets owned or newly acquired with a life expectancy of more than one year and of significant value. It is essential to keep a record of these assets in a register. This record is called a **FIXED ASSETS REGISTER**.

### 12.2 Types of Assets

This register should be divided into sections for the following different types of assets.

- 1 (a) Land (b) Buildings
- 2 Furniture & Fittings
- 3 Office Equipment – (Computers, Photocopy machines etc.)
- 4 Motor Vehicles
- 5 Marine Vessels
- 6 Plant & Machinery
- 7 Tools & Equipment
- 8 Others

If there are several items in stock it will be necessary to have separate registers for different classes of assets.

### 12.3 Fixed Assets Register

The sole purpose of maintaining the register is for the safe custody of valuable assets. The information such as maintenance history and costs will be useful in making replacement decisions.

If an asset is expensive to maintain, it may be prudent to replace it rather than spending heavily in maintenance and repairs.

When assets are disposed of, all the details of the method of disposal should be recorded in the register.

Since only “cash basis” accounting system is being used presently there is no need to calculate depreciation or to do any revaluation at this stage.

## 12.4 Details of Fixed Assets on Records

The following Details should be recorded for each item of asset.

- 1 Date of purchase.
- 2 Identifying particulars (serial number/model number)
- 3 Quantity.
- 4 Unit cost (and total cost if more than one item of the same type in stock)
- 5 Life expectancy.(estimate)
- 6 Maintenance requirements (preventive maintenance e.g. Regular service for cars)
- 7 Maintenance history.(corrective maintenance)
- 8 Physical location.
- 9 Officer responsible.
10. Disposal details. (If sold, at what price, who authorised the sale etc)

## 12.5 Disposal of Fixed Assets

Any disposal of an asset must be recorded in the Board of Survey Register designed for the purpose with information of opening balance, receipt, disposal and value by quantity and cost. A technical report on the asset disposed must be attached to the Board of Survey Register and filed.

## 12.6 Physical Inspection of Fixed Assets

### Inspection

If an asset register is not in place the starting point will be a physical INSPECTION of all the existing assets. Responsible officers should carry out the physical stock take and all the information required (as listed above) should be entered in the Fixed Assets Register.

In the case of some old assets certain information such as date of purchase may not be available. The word "unknown" could be written in the column for "date of purchase".

However when new assets are acquired after the register is set up, all the information listed above should be recorded as soon as the asset is received.

### Annual Inspection

At the end of every year a physical verification of all the assets should be carried out by responsible officers and cross-checked with the records shown in the Fixed Assets Register.

Any discrepancies should be highlighted and investigated to establish the reasons for the shortage. A Board of Survey form (FF103) is contained in volume two (2) of the Financial Management Manual.

## **SECTION 13: LOSSES, DEFICIENCIES & OVER PAYMENT OF MONIES, OBSOLETE & UNSERVICEABLE STORES**

### **13.1 Loss/Deficiency of Public Monies Through Fraud and Misappropriation**

Where there has been a loss or deficiency of public monies due to misappropriation or fraud, the LLG should make every effort to recover in full the loss or deficiencies from the person responsible either by cash payment and/or withholding monies due as soon as the loss is known.

Loss or Deficiency of public monies is a physical loss by an accountable officer.

### **13.2 Overpayments**

Where there is loss or deficiency of public monies not due to fraud or misappropriation the person responsible will make good the loss or deficiency. The Local-level Government should proceed to recovery actions immediately.

### **13.3 Recovery of Loss or Deficiencies**

Recovery can be made from the refunds of Superannuation or Other Benefit Funds. Before action is taken to seek recovery of debts in whole or in part from the State services, LLG should ensure that proper evidence is available to support the claim.

### **13.4 Reporting and Writing Off**

Once the loss is known, the following steps should be taken immediately:

- (a) if the loss is through fraud, theft or robbery
  - Report the matter to the Police and request for investigation to be carried out and also advise the Auditor General and the Chief Inspector.
  - Submit a report on the loss within 14 days of the occurrence to the Auditor General and Chief Inspector.
- (b) In other cases,
  - Advise Auditor General and Department responsible for financial management on Losses/Deficiencies up to K100.
  - Losses and Deficiencies exceeding K100

- Advise the Auditor General and Chief Inspector.
- Submit a loss report within 14 days of occurrence to the Auditor General and the Chief Inspector.
- After taking all necessary actions, submit a report with appropriate recommendations to Department responsible for financial management.

### **13.5 Register of Losses**

A register must be maintained to record all losses and deficiencies of public monies, irrecoverable amounts of revenue, debts and overpayments.

### **13.6 Write – Off**

#### **Approval for write-offs can be obtained from**

- (1) The Minister for Finance,
- (2) Secretary for Finance
- (3) Provincial Administrator
- (4) Provincial Treasurer

A submission on losses or deficiencies of public monies arising from theft, robbery, fraud or other cases ranging from K1,000 to K3,000 can be made to the Provincial Administrator or First Assistant Secretary, Public Accounts.

Approval to write off Losses from overpayment, irrecoverable revenues and debts ranging from K1,000. to K5,000. can be obtained from Provincial Treasurer to the value of K1000, FAS Public Accounts to the value of K5,000.

A written submission has to be made for each and where write-off sought exceeds delegated limits, 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.

### **13.7 Disposals of Stores (Including Fixed Assets)**

Stores including fixed assets with values of K500 and above shall not be disposed of declared unserviceable or obsolete until such time as they have been inspected by Board of Survey.

A submission should be made to the Board listing all disposals to be made and on receipt of the submission, the Board will inspect, report and will make recommendation to appropriate Authority who has delegated powers to write-off.

## SECTION 14: FINANCIAL REPORTING

Local-level Governments are required to submit certain reports to the Provincial Treasurers for on forwarding to the Department of Finance.

There are two kinds of reports. *Monthly reports and Annual reports.*

### 14.1 Monthly Reports

Monthly Financial reports shall comprise one comprehensive statement. This statement is called "*Monthly Financial Statement*" broken up into three parts in the standard statement, Parts "A", "B" and "C".

#### **Part A: Bank Reconciliation.**

The guidelines to complete this part of the statement and the required attachments are given in the "*BANK RECONCILIATION*" **refer to Section 11 of the manual.**

#### **Part B: Trial Balance.**

These are summary balances from the General ledger.

This part of the statement has a Debit column and a Credit column. Once this part is completed the totals of these two columns should be exactly the same.

All the different types of ledger accounts are listed in this part. The balances of these ledger accounts are summarised and the totals are entered in the respective lines. For example the total of all the revenue ledger accounts such as the various grant revenues and all the internally raised revenue accounts will be summarised and the total of this summary will be entered against the heading "Revenue Ledger Account".

Similarly all the expenditure accounts such as salaries and wages, vehicle running expenses etc will be added together and the total will be entered against the heading "Expenditure Ledger Account".

All the ledger accounts listed in the statement may not be used in some Local-level Governments. In that case just write "NIL" against that heading.

#### **Part C: Funds Statement**

This part is simple to complete. All the figures required in this part are already there in Part B of the statement. Simply copy the figures from Part B and this part of the statement will balance. The balance shown in line 5 ("*CURRENT FUNDS*") will be exactly the same as the total shown in the last line.

## 14.2 Other Monthly Statements

It is mandatory for Local-level Governments to furnish monthly statements of accounts for:

- Grant related expenditure;
- Expenditures for other Cash Fund Certificates;
- National revenues collected in the Local - level 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. Where manual records are maintained, it may be extracted from the manual commitment ledger and manual revenue ledger. These monthly reports including the account source listing must be sent to the Provincial Treasurer, for on forwarding to Public Accounts Division, within 7 working days of month end

## 14.3 Content and Accuracy

These financial statements should incorporate monetary transactions for Local-level Governments and the cash offices, which have been duly checked and verified by the District Treasurer and or the Provincial Treasurer.

The 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 the assigned duties and may lead to disciplinary action under the contract of employment.

This Monthly report should be submitted within 14 days after the end of every calendar month.

## 14.4 Annual Financial Reports

The Annual Financial Statement that shall be used to produce the Local-level Government full statement of the Financial position and of the affairs of the Local-level Government is outlined below:

- A. Statement of Local-level Government Account Balances**  
Statement of year-end Provincial Account Balances represented by year-end bank balances. This statement shall be supported by a Bank Reconciliation Statement.
- B. Summary of Receipts and Payments** A summary operating statement recognising the revenues actually received and expenditure

actually paid.

- C. Provincial Receipts and Payments of Trust Funds** A summary of all trust fund revenues actually received and expenditure actually paid.
- D. Statement of Sources and Application of Cash** A summary cash flow statement showing sources of revenue and where these funds were applied. The statement also shows a reconciliation of changes in bank balances to the net movement of the cash flow statement.
- E. Statement of Local-level Government Financial Investments** Schedule of all term deposits, debentures and similar instruments held by the Government.
- F. Statement of Direct Investment, Capital Contributions, Equity, Options and Rights** Schedule of all shareholdings and related investments held by the Government.
- G. Statement of Local-level Government Lending** Schedule of all funds lent by the Government, including on-lent loans funds.
- H. Statement of Borrowings** Schedule of all funds borrowed or loaned.
- I. Statement of Loans Guaranteed by the Local-level Government**  
  
A list of borrowings which have been guaranteed by the Government.
- J. Statement of receipts Classified Under Heads of Revenue Estimates** Schedule of revenues received and presented in accordance with budget appropriation classifications.
- K. Statement of Expenditure Classified Under Heads of Appropriation** Schedule of expenditure actually paid and formatted in accordance with budget appropriations.

The details of the Annual Financial Statements Format description are attached in this manual.

## 14.5 Presentation of the Annual Financial Statements

The presentation of the Annual Financial Statements shall comprise:

- a) A Local-level Government President's Statement on the Local-level

Government's Budget performance.

- b) A Council Executive Officer's Statement on Financial operation of the Local-level Government for the fiscal year.
- c) A Local-level Government and Treasury Accounting Organisation Chart.
- d) Description of the Government Accounting System which includes:
  - Legal Framework
  - Composition of the Local-level Government Accounts
    - Consolidated Revenue Fund
    - Trust Fund
  - Accounting Principles and Practices
  - Accounting Organisation
- e) The Annual Financial Statement (A-K) refer to Appendix 1

#### **14.6 Submission of Local-level Governments Accounts**

It is mandatory for Provincial/District Treasurers to prepare and furnish the Annual Financial Statements for each fiscal year as required under Section 114 of the Organic Law on Provincial Governments and Local-level Governments.

The Provincial Treasurer will be held responsible for any failure to comply with these reporting requirements.

## **SECTION 15: ACCOUNTABLE/FINANCE FORMS**

### **15.1 Accountable / Finance Forms**

All Local-level Governments shall use relevant Finance Forms contained in volume two (2) of the Financial Management Manual.

The following accountable forms shall be commonly used by Local-level Governments and Cash Offices;

- (a) Integrated Local Purchase Order and Claim Form (FF4A)
- (b) Official receipt (FF132)
- (c) Debit Note (FF133)
- (d) Daily Receipt Statement to record receipts from Rural Development Bank of PNG (AD 45A)
- (e) Requisition of Stores (DOS 10)
- (f) Cheque Form
- (g) Requisition for Expenditure (FF3)
- (h) General Expense (FF4)
- (i) Payments Schedule (FF11)
- (j) Receipts Schedule (FF12)
- (k) Statement of Receipts and Payments (FF13)
- (l) Advances Schedule (FF14)
- (m) Cash in Transit (FF31)
- (n) Advances Ledger (FF96)
- (o) Commitment Ledger

### **15.2 Accountable Forms Register**

Accountable Form Register should be maintained to record all accountable forms received and stored, that these forms are to be kept in safe custody.

## **SECTION 16: SAVINGS BANK TRUST ACCOUNT (SBTA)**

- 16.1** This account is operated to provide agency banking services for Bank of South Pacific (BSP). The main purpose of this account is to provide service to the people in remote locations where banking facilities do not exist. As and when banking facilities are established the cash offices at those District Offices will cease to operate as an agency for BSP and the Saving Bank Trust Accounts will also cease.

### **16.2 ACCOUNTS WHICH MAY BE OPENED**

Passbook accounts may be opened for one or more persons, a person trustee for another, clubs or societies. Passbook accounts are not to be opened to receive proceeds of business takings. A supply of new account passbooks will be held at the agency for issuing when a new account is opened. A minimum deposit of K20 is required for all new accounts. Instructions must be followed carefully when opening accounts with cheques. The minimum new account deposit for students or children under 16 years of age is K2.

### **16.3 TRANSACTIONS**

Deposits may be accepted in either cash or cheque form but particular care must be made to ensure that cheques are actually banked to the payee's account.

Withdrawals up to K500 per fourteen days may be paid if a signature or keyword is registered. Withdrawals in excess of K500 per fourteen days must be referred to the ledger branch for authorisation. Money can be withdrawn at any agency provided prior arrangements have been made. Deposits will be accepted at any branch or agency without prior arrangement.

All transactions are to be entered on the Daily Statement of Business (i.e. record of business transacted) as they are taken.

If malpractice is suspected: impound the passbook immediately and contact your parent branch immediately. **DO NOT ALLOW WITHDRAWALS IN THESE CASES UNLESS AUTHORISED BY THE PARENT BRANCH.**

### **16.4 CASH ARRANGEMENTS**

Agents use their own funds for Agency banking business (K5,000.00 minimum)

Each Agency has a "Cash Limit" established by the First Assistant Secretary responsible for District Treasury.

## 16.5 REMITTANCES TO BRANCHES

If the cash on hand at any agency, exceeds the "cash limit" by more than 20% (to the nearest K100), the **WHOLE OF THE EXCESS** (in even Kina) must be remitted to the branch, together with cheques received as deposits and Daily Cash Statements (form SD 466).

The advice of Cash Remittance (Form SD23) must be completed

Should there be any undue delay in receiving the official receipt, the branch must be contacted immediately.

Cheques remittance must be crossed with the stamp provided.

## 16.6 ADVICE OF CASH REMITTANCE

Advice of Cash Remittance (form SD 23) must be completed for all cash remitted or delivered to the branch. The duplicate advice must be retained at the Agency as a record of the remittance. When remittance is by listed registered mail, the registration receipt is to be attached to the duplicate form SD 23. The original advice (form SD 23) must be dispatched to the branch by the same mail as the remittance, but in a separate unregistered envelope.

For remittances delivered personally by the Agent/Assistant Agent, the original advice (form SD 23) must be presented at the branch at the same time as the remittance. Agent must ensure that the remittance is acknowledged promptly by the branch.

## 16.7 ACKNOWLEDGEMENT OF REMITTANCES

When remittances are delivered by the Agent, a receipt on form SD 93 is to be obtained from the branch **at the time of lodgment**. Under no circumstances should an Agent disregard this requirement. For all other remittances the branch will post a receipt (form SD 93) to the Agent. When received, it should be attached to the duplicate copy of the relative Daily Statement of Business (SD 466). If the receipt (form SD 93) for remittances is not received after sufficient time has elapsed for its return by post, the matter should be taken up with the branch as a matter of urgency, by telegram, telephone or radio telephone.

## 16.8 NEW ACCOUNTS - TYPES OF ACCOUNTS THAT MAY BE OPENED

The following passbook accounts may be opened at all Agencies.

- (a) Individual accounts - Passbook issued by Agent. One new account form (M2a) and two authority forms (SD18G) are to be completed and forwarded to the branch for acceptance. One accepted copy of the Customer Record Card will be returned to the Agent for future identification purposes.
- (b) Two or more persons jointly (Joint A/Cs).
- (c) Trustee Accounts provided the account is not used as a business account - Passbook issued by Agent.
- (d) Societies - Passbook issued by Agent. (SOCIETY ACCOUNTS CANNOT BE OPENED FOR SOCIETIES ENGAGED IN PUBLIC TRADING OR FORMED FOR BUSINESS PROFIT PURPOSES).
- (e) Accounts for Incorporated Business Groups – But note, passbooks are only to be issued by Parent Branch.

Should a request be received for an account to be opened which is not covered above then you should first refer the matter to your Parent Branch before opening the account.

## 16.9 OPENING A NEW ACCOUNT - WITH CASH

Satisfactory identification of any person wishing to open an account must be made by the agent before opening the account.

The Banks requirements for Personal Identification are any **one of**: -

- (a) An Agency may open an account based on a confirmation of identification from a reputable commodity buyer (e.g. vanilla, copra, coffee) known to the Bank. Or
- (b) An Agency may open an account with the identification of the person opening the account is confirmed by:
  - (i) Personal Identification by agent or well known to the agent.
  - (ii) Written identification on M2a by an established depositor of at least 24 months). CARE being exercised that account information e.g. occupation, period open, average balance (exceeding K500.00), indicates depositor's reliability. The established depositor must have been previously identified.

- (iii) Letter of identification - Must be on an original letterhead from a valued and reliable company or firm account and signed in accordance with the operating authority. Letter must not be dated more than 14 days old. A specimen signature of the depositor being identified must be included on the letter. This method of identification is NOT ACCEPTABLE for marksmen accounts. The letter will be attached to the M2a.
- (iv) A current passport.
- (c) The following may be accepted in cases whether they are supported by "(ii)" above, however, the average balance may be less than K 500.00.
  - (i) Current credit card.
  - (ii) Current Drivers License over 12 months old.
  - (iii) A minister of religion
  - (iv) A provincial police commander or police commanding officer.

Any other means of identification must be referred to the Parent Branch before an account is opened.

Full details of identification should be recorded on the reverse of the new account form (M2a) and the agent will then sign his name.

If depositor cannot sign his name, it will be necessary for him to put his mark on the forms and a secret word (keyword) obtained. His mark will be recorded as follows. "X" Mark Keyword "Fred"

The depositor must be informed of the importance of remembering his secret word (keyword) and keeping the information to himself, and advised that he will be required to give it when withdrawing from the account.

NOTE: Originals of documentation will be attached to M2a.

#### **16.10 OPENING A NEW ACCOUNT - WITH A CHEQUE (OR CASH AND CHEQUE)**

If a person wishes to open a new account with a cheque the person must be identified as the rightful owner of the cheque before the account is opened.

The presenter of the cheque must sign on the reverse of the cheque in the presence of the agent and the agent will compare this signature with the signature on the identification provided.

DETAILS OF THE DOCUMENTARY EVIDENCE PRODUCED SHOULD BE

WRITTEN ON THE REVERSE OF THE NEW ACCOUNT FORM AND THE AGENT WILL THEN SIGN HIS NAME.

Where the agent has any doubts that the presenter of the cheque is not the rightful owner he must refuse acceptance of the cheque and refer the matter to the parent branch.

Where an account is opened with a cheque, the agent will issue a receipt to the customer for the amount of the first deposit but the passbook will be held by the Agent until enough time has been allowed for the cheque to be cleared.

### **16.11 JOINT ACCOUNT - MORE THAN ONE PERSON**

#### **(a) All Must Sign or Both Must Sign - Personal Accounts**

Accounts may be opened in the joint names of two or more persons entitled to make a deposit. New Account Form (M2a) must be completed and signed by all the persons applying to open the account.

If it is desired that all parties to the account must sign each withdrawal form, their specimen signatures or secret words (keywords) must be supplied on two authority forms (SD18G). No notation regarding the method of operation is to be made in the passbook.

All forms are to be sent to the branch for acceptance. Branch will return one SD18G to the Agent which is to be retained for future identification purposes.

#### **(b) Either to Operate - Any Two to Sign - Personal Accounts**

When the depositors wish the account to be operated in some way other than all the parties to the account signing, 2 authority forms (SD 4) signed by all parties must be completed in addition to New Account Form (M2a). In such cases, forms SD 18G are not required. If more than one party is to sign withdrawals the authority will be amended and initialed by all parties.

All forms are to be sent to the branch for acceptance. Branch will return one SD4 to the Agent which is to be retained for future identification purposes.

#### **(c) Society Passbook Accounts**

Society passbook accounts may be opened for societies, groups, organisations such as charities and religious bodies etc, not formed for public trading or business profit.

Passbooks held at your agency should be used when opening this type of

account. Completion of forms will be done in the following manner, i.e. Authority form (SD 6A) in duplicate is to be attached to the new account form (M2a). Both forms must be signed by all the persons operating on the account.

Upon receipt of these forms the parent branch will then return duplicate of authority forms (SD 6A) for your reference to identify depositors.

(d) Incorporated Business Group Passbook Accounts

In remote areas where the Bank is not represented by a Branch or a Service Branch, you may open passbook savings accounts for Incorporated Business Groups.

The following forms are required:

- New Account form M2a
- Certificate of Incorporation
- Authority (SD6c) in duplicate

The agent is to ensure that all forms have been fully completed, The Agent is to sign on the reverse of both authority forms (SD6c) with a certificate identifying the Management Committee.

All documentation, forms etc are to be forwarded to the parent branch for examining **BEFORE THE PASSBOOK IS ISSUED**. (Note : Passbooks for this type of account are only issued by the parent branch). Providing all documentation is complete, the parent branch will forward the new passbook, verified authority (SD6c) and original Certificate of Incorporation to the Agent.

The passbook and Certificate of Incorporation are then to be forwarded to the business group.

Business groups opening these types of accounts are to be informed that should the transaction activity become excessive, consideration may be given to transferring the account to a cheque account.

## 16.12 COMPLETION OF SOCIETY AUTHORITIES (SD 6A)

All authorities (SD 6A) accepted must be taken in two copies. Society Authorities are taken when a new society, group or organisation account is opened or when there is to be a change in the signatories allowed to operate on the account.

If a signatory of a Society cannot sign his name steps outlined in these instructions are to be followed. It will be necessary for him to put his mark on

the forms and a secret word (keyword) together with personal particulars obtained.

The signatory must be informed of the importance of remembering his secret word (keyword) and keeping the information to himself, and advised that he will be required to give it when withdrawing from the account.

### **16.13 TAKING A DEPOSIT - CASH**

Money together with deposit slip and passbook will be handed to Agent. If depositor cannot make out the deposit slip the Agent may do it for him. It will be necessary for depositor to place his mark on the form and the Agent will sign his own name as witnessing the mark. After verifying the amount of cash against the amount recorded on the deposit slip, it is most important to ensure that cash is cleared from the counter immediately.

### **16.14 TAKING A DEPOSIT - WHERE CHEQUES ARE INCLUDED**

Steps outlined in paragraph 16.31 "Acceptance of Cheque Account Deposit" must also be observed

Where the Agent has any doubts that the presenter of a cheque is not the rightful owner he must refuse acceptance of the cheque and refer the matter to the parent branch.

### **16.15 PAYING A WITHDRAWAL**

Withdrawals of **UP TO K 500** per fourteen days may be paid by the Agent provided he is satisfied with all of the following -

- (i) that depositor's identification is in accordance with a specimen signature or keyword registered at Agency.
- (ii) sufficient time is allowed for a cheque previously deposited to have been cleared before any payment is made against it.
- (iii) sufficient cash is held to pay the withdrawal and sufficient cash will still be held after payment of the withdrawal to meet normal requirements.
- (iv) Passbook is perused, particularly last five entries to ensure :-
  - . Additions/subtractions are correct.
  - . All entries have been initialed and bank/agency stamped correctly.

- . Passbook does not appear to have been altered illegally such as passbook balance increased by customer in an attempt to steal from the bank.

## **16.16 PAYING A WITHDRAWAL WHEN PRIOR NOTICE REQUIRED**

PRIOR NOTICE OF THE WITHDRAWAL IS REQUIRED BY THE BANK WHEN -

- (i) account is to be closed; **or**
- (ii) amount of withdrawal is higher than K300; **or**
- (iii) no signature is held at the Agency

### **Action by Agent**

- (a) Obtain passbook from depositor and complete SD 11 (authorised withdrawal) for amount required;
- (b) issue receipt SD 17 to depositor for the balance in the passbook;
- (c) forward form SD 11 together with passbook by first available mail direct to branch.

Inform depositor the probable date that money will be available (i.e. the expected date that withdrawal will be returned by the branch to the Agency).

If everything is in order, the parent branch will authorise payment and will stamp and sign the back of the withdrawal form SD 11. Withdrawal form and relative passbook will then be returned to the Agency.

When the authorised withdrawal is returned and depositor calls, the depositor must complete the receipt at the foot of the form SD 11 by signing. Also record the date and amount of the withdrawal on the SD 11.

If depositor cannot sign the Agent will complete the bottom of the form SD 11 and obtain his keyword which will also be recorded at the bottom of the form.

## **16.17 PAYING A WITHDRAWAL ON BEHALF OF MARKSMEN**

If a signatory to a passbook account cannot sign a withdrawal form, then the following steps have to be taken:

- (a) The person must make his or her mark on the withdrawal form.
- (b) Provide the secret or key word verbally to the Agent.

The Agent will confirm from the Customer Record Card the correctness of the secret or key word. The agent will then:

- (a) Complete a withdrawal form for the amount requested by the depositor.
- (b) Sign on the reverse of the form that this is a maker man account.
- (c) And confirm by way of signature on the face of the withdrawal form that the Cash Officer has provided the correct amount of cash to the depositor and that all other passbook entries are correct.

#### **16.18 CLOSING OFF DAY'S WORK**

- 1 The day's work must be balanced each day.
- 2 The District Accountant will be responsible for the completion of the balance, which includes the completion of the balance in the form required by the Bank.
- 3 The cash office Cashier should not derive the balance.
- 4 The cash office Cashier must count the cash under his or her control and be ready to confirm the corrections of that cash holding with the balance derived by the District Accountant.
- 5 The District Accountant will count the cash each day of the cash office cashier and by signing and dating confirm that this balance has been undertaken.
- 6 In the event that a discrepancy in the cash exists then the cash will also be counted by the District Treasurer and the District Treasurer will confirm the cash holding and the amount of the discrepancy.
- 7 The District Treasurer will in addition check the balance derived by the District Accountant as well as receiving all bank transactions to isolate the source of the discrepancy.
- 8 If the discrepancy is found and it is necessary to contact a depositor, the bank branch will be notified by the District Treasurer and the District Treasurer will make contact with the depositor by telephone. If it is not possible to make contact by the telephone, the District Treasurer and the District Accountant will visit the depositor.
- 9 The District Treasurer will provide a report on the deficiency to the First Assistant Secretary responsible for the operation of District Treasuries.
- 10 In the event that the Cash Office Cashier has acted with due diligence,

it will not be necessary for that Cashier to make a payment to rectify the deficiency.

- 11 In the event, that the Cash office Cashier has acted without proper diligence then that Cashier will be required to make a payment to rectify the deficiency.

#### **16.19 SECRECY**

All dealings with customers must be on a **strictly confidential** basis and under no circumstances is an agent permitted to discuss customers' financial affairs with the general public.

All staff involved in running the Agency will sign a declaration of Secrecy (SD88).

#### **16.20 CHANGE OF ADDRESS**

If a depositor changes his address, a memo (SD 49) is to be signed by the depositor showing the new address and the account number. The agent will then change the address in the back of the passbook and send memo to the parent branch.

#### **16.21 CHANGE OF NAME BY MARRIAGE**

When a depositor notifies an Agent of a change of name, form SD 19 is to be completed showing the new name. **Care: 2 new specimen signature cards will also be taken.**

Depositor's old signature on SD19 will be compared with the one on old SD18G or SD4.

Agent will then issue a receipt SD 17 for the final balance recorded in the passbook. Passbook, together with the completed form SD 19 and signature cards will be sent to the ledger branch. New and old passbook and one signature card will be sent to the Agency by the branch.

#### **16.22 RECEIPTS FOR PASSBOOKS (SD 17)**

Agents will find that sometimes they have to get passbooks from depositors and send them to the branch (e.g. for audit). Each time a passbook is obtained from a depositor it is most important that a receipt (SD 17) is handed to the depositor showing such particulars as ledger branch, account number, final balance and the reason why the passbook

is being sent.

## **16.23 DEPOSITORS PASSBOOKS**

Details of passbooks held by Agents must be recorded in the Passbooks Temporarily Held - Agencies register (SD95A). Passbooks held at the agencies must at all times be locked away in a safe place. When a depositor collects the passbook, the depositor must sign in the register. Agent is to initial the register to verify the signature and note the date collected in the register.

An Agent is required to forward any passbook to the branch which has been held unclaimed at the Agency for two months or longer.

## **16.24 TRANSFER OF PASSBOOK ACCOUNTS - ARRANGED THROUGH AN AGENCY**

Should a customer require his account to be transferred from one branch to another branch of the Bank, the following steps will be taken.

### **a) Account in the Name of One Person**

Depositor will sign his name or, if unable to write, put his mark on Transfer of Account forms (SD 14B) (Original and duplicate) and 2 Signature Slips (SD 18G). If depositor is unable to write, his keyword will also be recorded on all forms together with personal particulars.

### **b) Account Where all Must Sign for Withdrawals**

Each depositor will sign his name, or if unable to write, place his mark on Transfer of Account Forms SD 14B (original and duplicate) and 2 Signature Slips SD 18G. Should any depositor be unable to write, his keyword will be obtained and recorded on all forms together with personal particulars.

### **c) Account for Two or More People where less than all Depositors are Required to Sign for Withdrawals**

Each depositor will sign his name or, if unable to write, place his mark on Transfer of Account Forms SD 14B (original and duplicate) and 2 Signature Slips SD 4. Should any depositor be unable to write, his keyword will be obtained and recorded on all forms, together with personal particulars.

As soon as all forms have been signed Agent will complete the forms and hand the third copy (Yellow) of Transfer of Account form SD 14B to depositor making sure that Agent's signature appears on yellow copy and agency stamp placed where indicated. The completed transfer forms SD 14B (original and duplicate) and SD4's or 18G's together with the passbook must be sent to the branch for processing.

## **16.25 TRANSFER OF AN ACCOUNT FROM ANOTHER BANK**

The following commercial banks operate in Papua New Guinea:

Papua New Guinea Banking Corporation  
ANZ Banking Group (PNG) Ltd  
Westpac (PNG) Ltd  
Bank of South Pacific Limited  
The Bank of Hawaii  
Maybank

Persons presenting passbooks belonging to banks other than the Papua New Guinea Banking Corporation must have these passbooks transferred to the Bank of South Pacific before they are able to use the Agency.

When a passbook of another bank is presented, arrangements should be made in the following manner for transfer of the account to the Bank of South Pacific:

- Using a BSP withdrawal form, cross out Bank of South Pacific and write in the name of the Bank shown in the passbook.

## **16.26 TRANSFER OF AN ACCOUNT FROM ANOTHER BANK (cont'd)**

- After the words on the withdrawal form "amount in words", write 'Balance of Account'.
- Obtain the depositor's signature on the form (mark, keyword and personal particulars if depositor is unable to sign).
- Complete new account form M2a and two signature cards:-  
  
SD 18G -(for single and joint all must sign accounts) **or**  
  
SD 4 -(for joint either to operate accounts) **or**  
  
SD 6A - (society accounts) - obtain keyword and personal particulars

if depositor is unable to sign.

- Issue depositor with a receipt (SD17) for his other bank passbook and signed withdrawal form.
- Send forms and passbook to your parent branch.
- A new PNGBC passbook together with the other bank cancelled passbook will be sent to you by the branch later.

#### **16.27 REGISTERING DEPOSITORS SIGNATURE AT BRANCH OR AGENCY (EXISTING ACCOUNTS)**

- A. When a depositor requests that his signature be registered at the Agency, or at another branch or agency, form SD 18A will be used.

The following steps will be taken :

- i) Depositor will sign his name on the form or if he is unable to write, his keyword will be obtained and recorded in the appropriate place
- ii) Agent will complete the rest of the form, **ensuring that depositor's personal particulars and address are recorded on the reverse**. The branch or agency at which the signature is to be registered and date will be recorded on the back page of depositor's passbook.
- iii) Send signature card to the branch shown in the passbook.

- B. The following steps will be taken when a verified signature SD 18A is **received** from a branch :

- i) Check that Signature Card SD 18A has been stamped by the branch and signed by a branch officer.
- ii) File signature card in branch alphabetical order for future reference to identify depositor.

#### **16.28 DECEASED DEPOSITORS**

When notification of the death of a depositor is received from a relative or the next of kin of the deceased.

The District Treasurer should obtain the deceased's passbook or passbooks and any other documents to assist in finalising of matters on behalf of the deceased's estate.

## **16.29 STATIONERY**

A stock of New Account Passbooks may be supplied to Agent by their parent branch. Agents are to ask the parent branch by memo (SD49) for more when the stock gets low.

For all other items of stationery Agent will forward Requisition form SD 20/20A to the parent branch.

## **16.30 CONTINUATION PASSBOOKS (WHEN PASSBOOK IS FULL)**

At the time an entry is made on the last line of the final page of a passbook, a receipt for the passbook on form SD 17 (see instruction 21) should be completed and handed to the depositor.

The passbook should be sent to the branch. A continuation passbook will be prepared and returned to the Agency.

The depositor should be asked to return to the Agency to collect his new passbook and his old passbook.

Should the depositor have a permanent postal address, a memo (SD 49) to the branch should show this address (P O Box number) and ask for the passbooks to be sent by mail direct to the depositor's address.

## **16.31 ACCEPTANCE OF CHEQUE ACCOUNT DEPOSITS AND ENCASHMENT OF CHEQUES**

Cheque account business should, if possible, be undertaken at a Branch or Service Branch of the Corporation.

In many cases, however, it is impossible for cheque account customers of the Corporation to attend a Branch or Service Branch and in these cases agencies may accept cheque account business on the following conditions :

### **(i) Cheque Account Deposits**

Cash and cheques may be accepted for credit of a cheque account.

**CHEQUES DRAWN IN FAVOUR OF A PERSON OR COMPANY WHO IS NOT THE PERSON OR COMPANY NAMED ON THE DEPOSIT SLIP MUST NOT BE ACCEPTED FOR CREDIT OF THE ACCOUNT UNLESS THE AGENT HAS NO DOUBTS AS TO RIGHTFUL OWNERSHIP.**

e.g. CHEQUES PAYABLE TO ELCOM, BP'S, STEAMSHIPS, A LOCAL GOVERNMENT COUNCIL ETC MUST NOT BE ACCEPTED FOR CREDIT OF A PERSONAL ACCOUNT.

IF CHEQUES APPEAR TO HAVE BEEN ALTERED IN ANY WAY THEY ARE NOT TO BE ACCEPTED. REFERENCE IS TO BE MADE TO THE PARENT BRANCH.

- . Cash should be carefully counted and the amount shown on the cheque account deposit slip ticked.
- . Cheques should be ticked off on the reverse of the deposit slip and addition of cheques and/or cash and cheques should be carefully checked. Full details of cheques deposited must be written on daily statement (if not enough space used SD66a in duplicate).
- . There is no passbook with a cheque account and a receipt on the butt of the deposit slip should be given by stamping and initialing this butt.
- . The deposit slip should be recorded on the daily statement as a deposit, noting -
  - . C/A and Seven figure account number in the passbook number column;
  - . branch where cheque account is conducted;
  - . full name of the account; and
  - . the total amount of the deposit.

(ii) Encashment of Cheques

Every care should be taken in cashing cheques, even where the person presenting a cheque for encashment is well known to the agent. Because of the risks of fraud, constant vigilance on the part of agents is essential.

Requests to cash BSP cheques at your agency should be firstly sent to your branch for approval. CHEQUES SHOULD BE CASHED FOR BSP CLIENTS ONLY except request to cash Bank of PNG cheque for salaries paid to public servants may also be cashed, provided the cheque is opened, otherwise in order and the person presenting the cheque for cash has been identified as the payee and identification has been recorded on the reverse of the cheque.

Public servants who present cheques for cash should be encouraged to have salaries electronically deposited to their pass book account.

AGENTS MUST TAKE FULL RESPONSIBILITY FOR ANY CHEQUES CASHED WITHOUT THIS APPROVAL and will be required to make good any losses which may occur as a result of the return of such a cheque.

Every effort must be made to ensure that the presenter of the cheque is

the rightful owner.

As a general rule cheques, irrespective of amount, which are made payable to firms, companies or societies should not be cashed by agents without reference. Cheques bearing bank stamps of any kind are to be referred.

Cheques over twelve months old are legally "Stale", valueless and are **not** to be cashed, (or deposited) under any circumstances.

Post dated cheques should not be cashed (or deposited) Cheques attended in any way should not be cashed (or deposited). Cheques with differences between the amount in figures and the amount in words should not be cashed (or deposited)

Cheques which are cross "not negotiable" should not be cashed and should be deposited only to the Bank Account of the Payee detailed on the cheque.

**FULL NAME , ACCOUNT NUMBER , ADDRESS AND SIGNATURE OF THE PERSON RECEIVING THE MONEY ARE TO BE NOTED ON THE REVERSE OF ALL CHEQUES CASHED**

A cashed cheque should be recorded on the daily statement of business as a withdrawal noting C/C in the passbook number column; bank and branch on which the cheque is drawn; full name of the drawer and account number; and the amount of the cheque should be extended in the withdrawal column.

## 16.32 LOST PASSBOOK

If a passbook is reported lost the following procedure is to be followed.

- 1) Complete form SD 239. The form is to be completed as fully as possible and signed by the depositor and agent. (If the passbook is in more than one name all parties to the account must sign the form). If depositor is unable to sign, his mark and personal particulars are to be endorsed on the notice.
- 2) Complete 2 new Signature Cards, SD 18G. (For less than all to sign joint accounts complete 2 Signature Cards, SD 4; society passbook accounts complete SD 6A in duplicate; include mark and personal particulars if necessary).
- 3) Note on the signature card. **DO NOT PAY ANY FURTHER WITHDRAWALS WITHOUT REFERENCE TO YOUR PARENT BRANCH.**
- 4) Advise the Depositor that a charge of K10.00 will be debited to the

account by the branch for the replacement passport. If the passbook balance is K10.00 or less, the account will be closed. Ask customer to check again thoroughly for the Lost Passbook.

- 5) Send the Notice of Loss Of Passbook, SD 239, and new Signature Cards to your parent branch.
- 6) Ask the customer to come back after 14 days and let you know if he has found the book. If he comes back and tells you it is still missing, write to the branch and they will send a new book.

### 16.33 Action by Bank of South Pacific

#### Weekly:

The BSP branch at District/ Provincial capital will put together on each Friday all SD9c forms received from the cash office during the week and take action as follows:

If the total withdrawals exceed total deposits during the week, send an advance to District Treasurer immediately with a list of all supporting SD9c's and make a deposit to the "settling account" for the agency.

If the deposits exceed withdrawals, send a claim advice to District Treasurer for the excess (on FF4) with a list of all supporting SD9c's and District Treasury will process the payment to BSP by charging to SBTA if necessary i.e. to avoid the "settling account" being in overdraft. The payment will be processed within 7 days of the receipt of the claim.

It will usually be the case that the Bank will make a withdrawal from the "settling account" established for the agency.

#### Monthly:

On the last Friday of each month, Bank of South Pacific branch will Compile a report (SD124 form) and send it to District Treasury office. SD 124 form will list:

- \* Deposits and withdrawal totals by each cash office.
- \* Weekly settlement figures (Deposits minus withdrawals or withdrawals minus deposits) for the month.

SD124 will be supported by a separate listing for each cash office and a machine listing for each SD9c showing:

- (i) No. of deposits -----

Amount -----  
No. of withdrawals -----

- (ii) Serial number of SD9c .....
- (iii) Serial numbers of missing SD9c if any.

### 16.34 Action by District Treasurer

#### Weekly

- (i) Check duplicate SD9c's received from the cash offices and see that there is no missing serial number (call for explanation immediately if any number is missing) and that there is no alteration or overwriting of figures.
- (ii) File SD9c's for cash office in date order.
- (iii) Check SD9c's against reimbursement claims and cash in transit vouchers (for cheque) from the respective cash offices, when they are received. If there are disagreements, investigate.
- (iv) When the weekly settlement account is received from Bank check SD9c particulars provided by the Bank against the duplicate held at District Treasury office.
- (v) Process the cheque for payment within one week or ensure that the "settling account" for the agency is not overdrawn.

#### Monthly

Check SD124's from the Bank against: -

- (i) SD9c's from the Cash Offices during the month under report  
and;
- ii) Payment made to or money received in settlement from the BSP branch during the month

If the right procedure has been followed, there should be no debit balance in SBTAs for the District Treasury in the Province. If there is a debit balance at the month end investigate immediately.

### 16.35 Dishonoured Cheques:

If cheques are dishonoured, the bank will return such cheques to – **District Treasury concerned** for follow up action.

- (a) Contact the depositor as soon as possible, call for the bank passbook and enter the value of dishonoured cheque as a withdrawal after obtaining a signed withdrawal form on the basis of notice of dishonour and correct the closing balance. Then hand the dishonoured cheque to the customer. The withdrawal form with a copy of the notice of dishonour should be sent with SD9c to the bank.
- (b) Should the customer pay cash or rectify the cause of dishonour, the cash or cheque received must be treated as a fresh deposit.

Note 1. If the customer has left the area or cannot be contacted within a month, inform the Parent Branch, but retain the dishonoured cheque.

Note 2. The District Treasury is liable if the reasonable efforts to avoid loss of funds through a dishonour have not been taken.

**ANNEXURE 1      FOR DETAILS CASH BOOK, AND TRUST CODES FOR DISTRICT TREASURY**

**ANNEXURE 2      ACCOUNTING ENTRIES REGARDING TO SBTA TRUST, POSTAL SERVICE, AND ENCASHING CHEQUES**

**SECTION 17: EXTRACTS FROM RELEVANT LAWS**

- 1     **Section** 211 (1) The Constitution
- 2     **Section** 117 Public Finance (Management), Act
- 3     **Section** 209 The Constitution
- 4     **Section** 210 The Constitution
- 5     **Section** 105 A The Organic Law
- 6     **Section** 105 A (6) The Organic Law
- 7     **Section** 112 The Organic Law
- 8     **Section** 10 Public Finances (Management), Act
- 9     **Section** 13 (1) Public Finances (Management), Act
- 10    **Section** 15 Public Finances (Management), Act
- 11    **Section** 11 Public Finances (Management), Act
- 12    **Section** 33 The Organic Law
- 13    **Section** 33 (a) (1) The Organic Law
- 14    **Section** 33 (a) (3) The Organic Law
- 15    **Section** 38 (1) (a), (2) LLG Administration, Act
- 16    **Section** 86 The Organic Law
- 17    **Section** 87 The Organic Law
- 18    **Section** 88 The Organic Law
- 19    **Section** 89 The Organic Law
- 20    **Section** 92 (1) to (4) The Organic Law
- 21    **Section** 93 (1) (a), (6) The Organic Law
- 22    **Section** 94 (1) (a) The Organic Law
- 23    **Section** 95 The Organic Law
- 24    **Section** 65 (2) (a) The Organic Law
- 25    **Section** 102 The Organic Law
- 26    **Section** 112 The Organic Law
- 27    **Section** 114 The Organic Law
- 28    **Section** 114 (1) (2) (3) (4) The Organic Law
- 29    **Section** 71 Public finances (Management), Act
- 30    **Section** 91 (1) (a) (b) (d) The Organic Law
- 31    **Section** 96 The Organic Law
- 32    **Section** 97 The Organic Law
- 33    **Section** 32 Public Finances (Management), Act
- 34    **Section** 40 (3) (c), (4) Public Finances (Management), Act
- 35    **Section** 6 Public Finances (Management), Act

## APPENDIX A - STATEMENTS A TO K AND STATEMENT OF DEBTORS

### STATEMENT "A"

**LOCAL LEVEL GOVERNMENT *ABC***  
**LLG ACCOUNTS**  
**STATEMENT OF PUBLIC ACCOUNTS BALANCES**  
**AS AT 31<sup>st</sup> DECEMBER**

	NOTES	2007 K'000	2006 K'000
LLG Fund	3	0.00	0.00
Trust Fund (Statement "C")		0.00	0.00
		<b>0.00</b>	<b>0.00</b>
<b>BANK BALANCES</b>			
Bank of .....	10.1	0.00	0.00
Bank of .....	10.2	0.00	0.00
		<b>0.00</b>	<b>0.00</b>
<b>FINANCE OPERATING ACCOUNTS</b>			
Investment (Statement "E")		0.00	0.00
		0.00	0.00
		<b>0.00</b>	<b>0.00</b>

The notes attached hereto form parts of these accounts and are to be read in conjunction with them.

**Provincial Administrator**

**Provincial Treasurer**

## STATEMENT "A" NOTES

1. The accounting policies and practices followed in the preparation of Public Accounts are based on concepts embodied in the Public Finances (Management) Act, other relevant Acts of the Parliament, and policies and practices evolved over the years.

Revenue consists of all receipts other than trust receipts and excludes amounts receivable. Expenditure consists of all charges to budgetary appropriations for goods and services received and paid for before the end of financial year and refunds of revenue collected in previous years. Goods and services received in one year but paid for in a subsequent year are brought to account in the year of payments.

All assets including investments acquired are charged to expenditure in the year the payment is made. Liabilities or financial obligations to outside organization or individuals outstanding at the end of the year are not brought into account. Financial obligations relating to the Public Debt are shown in Statement "H".

### 2. Changes in Accounting Policies and Practices

Accounting policies and practices used in the preparation of the accounts are consistent with those applied in former years.

### 3. Consolidated Revenue Fund

	<b>2007</b> K'000	<b>2006</b> K'000
3.1 Accumulated Balance as at 1 <sup>st</sup> January	0.00	0.00
Add: Prior year adjustment	<u>0.00</u>	<u>0.00</u>
	0.00	0.00
Add: Surplus/(Deficit) for the year as per Statement "B"	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>

### 4. The Trust Fund

	<b>2007</b> K'000	<b>2006</b> K'000
Accumulated Balance as at 1 <sup>ST</sup> P January	0.00	0.00
Add: Receipts during the year	<u>0.00</u>	<u>0.00</u>
	0.00	0.00
Less: Payments during the year	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>

A Schedule of Trust Fund Accounts showing the legal authority is shown in Statement C

## 5 General

Losses and deficiencies of the Public Monies and Property reported to or detected by the Inspection Branch of the Department of Treasury totaling to K xx,xxx.xx are listed in Appendix 1

## 6 Investments, Capital contributions and equity option Rights

Investments, Capital contributions and equity option Rights held as at 31st December, 2000 are listed in Statement "F". During the year the following investment movements occurred.

	<b>2007</b>	<b>2006</b>
	K'000	K'000
Opening Investment as at 1 <sup>st</sup> January	0.00	0.00
Acquisition / (Disposal)	0.00	0.00
Closing Investment as at 31 <sup>st</sup> December	<u>0.00</u>	<u>0.00</u>

## 7 Local Debt

Borrowing and Public Debts are summarised in Statement "G"

## 8 Local Lending

Statement "G" shows details of lending for 2000 and the balance outstanding as at 31<sup>st</sup> December, 2000.

## 9 Advances Guaranteed by the Government

Under Section 37 of the Public Finances (Management) Act and other Acts, the Government may guarantee the repayment of principal and interest on loans to Statutory and Other Bodies.

Advances guaranteed by the Government for which there existed a contingent liability as at 31<sup>st</sup> December, 2000 are listed in Statement "I"

## 10 Bank Balances

	<b>2007</b>	<b>2006</b>
	K'000	K'000
<b>10.1 Bank of</b>		
General Account (Name of LLG)	0.00	0.00
Operating Account (Name of LLG)	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>
<b>10.2 Bank of</b>		
Account 1	0.00	0.00
Account 2	0.00	0.00
Account 3	<u>0.00</u>	<u>0.00</u>
	<u>0.00</u>	<u>0.00</u>

**STATEMENT "B"**

**LOCAL LEVEL GOVERNMENT ABC  
SUMMARY OF RECEIPTS AND PAYMENTS  
YEAR ENDED 31st DECEMBER .....**

	Notes	2007	2007	2007	2006
		ESTIMATE	REVISED	ACTUAL	ACTUAL
RECEIPTS		K'000	K'000	K'000	K'000
<b>LLG REVENUE</b>					
.....		X	X	X	X
.....		X	X	X	X
.....		X	X	X	X
<b>TOTAL LLG REVENUE</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GRANT REVENUE</b>					
<i>Administrative Support Grant</i>		X	X	X	X
<i>Infrastructure Grants</i>		X	X	X	X
<i>Town &amp; Urban Service Grants</i>		X	X	X	X
<i>Staffing Grants</i>		X	X	X	X
<i>District Support Grants</i>		X	X	X	X
<i>Other Support Grants</i>		X	X	X	X
<i>Village Services</i>		X	X	X	X
<b>TOTAL GRANT REVENUE</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL REVENUE</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER RECEIPTS</b>					
<i>Loan servicing from on lent funds</i>		X	X	X	X
<b>TOTAL OTHER RECEIPTS</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>BORROWINGS</b>					
<i>Loan funds received</i>		X	X	X	X
<b>TOTAL BORROWINGS</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RECEIPTS</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RECURRENT EXPENDITURE</b>					
<i>Health</i>		X	X	X	X
<i>Economic</i>		X	X	X	X
<i>Education</i>		X	X	X	X
<i>Law &amp; Order</i>		X	X	X	X
<i>Infrastructure</i>		X	X	X	X
<i>Community Services</i>		X	X	X	X
<i>Debt Servicing</i>		X	X	X	X
<i>Miscellaneous</i>		X	X	X	X
<b>TOTAL RECURRENT EXPENDITURE</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DEVELOPMENT EXPENDITURE</b>					
<i>Grants to NGOs for projects</i>		X	X	X	X
<b>TOTAL DEVELOPMENT EXPENDITURE</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENDITURE</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS REVENUE / (EXPENDITURE)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**STATEMENT "C"**

**LOCAL LEVEL GOVERNMENT ABC  
PROVINCIAL RECEIPTS AND PAYMENTS OF TRUST FUNDS  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER .....**

PARTICULARS	BAL. AS AT 1/1/2000 K'000	RECEIPTS K'000	PAYMENTS K'000	BAL. AS AT 31/12/2000 K'000
TOTAL				

**STATEMENT "D"**

**LOCAL LEVEL GOVERNMENT ABC LLG ACCOUNTS STATEMENT OF SOURCES AND  
APPLICATION OF CASH  
YEAR ENDED 31<sup>st</sup> DECEMBER.....**

	<b>2007</b>	<b>2006</b>
<b>SOURCES OF FUNDS</b>		
Total Revenue as per Statement "B"	X	X
Decrease in Trust Fund Investments	X	X
Temporary Borrowings	X	X
Prior Year Adjustments	X	X
Trust Receipts as per Statement "C"	X	X
<b>TOTAL SOURCES</b>	<b>0.00</b>	<b>0.00</b>
<b>APPLICATIONS OF FUNDS</b>		
Total Expenditure as per Statement "B"	X	X
Increase in Trust Fund Investments	X	X
Increase in Advances	X	X
Increase in Cash – In – Transit	X	X
Repayment of Borrowings	X	X
Trust Payments as per Statement "C"	X	X
<b>TOTAL APPLICATIONS</b>	<b>0.00</b>	<b>0.00</b>
<b>NET INCREASE/(DECREASE) IN FUNDS</b>	<b>0.00</b>	<b>0.00</b>
<b>INCREASE / (DECREASE) IN FUNDS MADE UP OF:</b>		
Increase / Decrease in Balances with BPNG	X	X
Increase / Decrease in Balances with PNGBC	X	X
Increase / Decrease in Balances with ANZ Bank	X	X
Increase / Decrease in Balances with BSP	X	X
Increase / Decrease in Balances with Bank Overseas	X	X
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

### STATEMENT "E"

## LOCAL LEVEL GOVERNMENT ABC

## LLG ACCOUNTS

**STATEMENT OF LLG FINANCIAL INVESTMENT AS AT 31<sup>ST</sup> DECEMBER .....(KINA IN THOUSAND)**

<b>INVESTMENT</b>	<b>TYPE</b>	<b>FACE VALUE AS AT 01.01.2000</b>	<b>COST OF INVESTMENT K'000</b>	<b>RATE OF INTEREST</b>	<b>DATE OF MATURITY</b>
<b>TOTAL LLG FINANCIAL INVESTMENT</b>					

### STATEMENT "F"

## LOCAL LEVEL GOVERNMENT ABC

## LLG ACCOUNTS

**STATEMENT OF LLG DIRECT INVESTMENT, CAPITAL CONTRIBUTION, EQUITY, OPTIONS AND RIGHTS AS AT 31<sup>ST</sup> DECEMBER .....(KINA IN THOUSAND)**

[illegible]

## STATEMENT "G"

## LOCAL LEVEL GOVERNMENT ABC

## LLG ACCOUNTS

**STATEMENT OF LLG LENDING AS AT 31<sup>ST</sup> DECEMBER .....(KINA IN THOUSAND)**

<b>LOAN REFERENCE PURPOSE OF LOANS</b>	<b>OPENING BALANCE AS AT 01.01.2000  K'000</b>	<b>LENDING DURING THE YEAR 2000  K'000</b>	<b>PRINCIPAL REPAYMENT RECEIVED 2000  K'000</b>	<b>BALANCE AS AT 31.12.2000  K'000</b>	<b>INTEREST COMMITMENT FEES RECEIVED 2000 K'000</b>	<b>INTEREST RATE P.A%</b>
<b>TOTAL LLG FINANCIAL INVESTMENT</b>						

## STATEMENT "H"

## LOCAL LEVEL GOVERNMENT ABC

## LLG ACCOUNTS

**STATEMENT OF BORROWINGS AS AT 31<sup>ST</sup> DECEMBER .....**

[illegible]

**STATEMENT "I"**

**LOCAL LEVEL GOVERNMENT ABC**  
**LLG ACCOUNTS**  
**STATEMENT OF LOANS GUARANTEED BY THE LOCAL LEVEL GOVERNMENT**  
**BALANCE OF ACCOUNTS AS AT 31<sup>ST</sup> DECEMBER.....**

Lender	Borrowers	Loan Details	Original Amount			Balance Outstanding	
			Currency	Currency Amount	(K'000)	Currency	(K'000)

**STATEMENT "J"****LOCAL LEVEL GOVERNMENT ABC****LLG ACCOUNTS****RECEIPTS CLASSIFIED UNDER HEADS OF REVENUE ESTIMATES****YEAR ENDED 31<sup>ST</sup> DECEMBER.....****LOCAL REVENUE**

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>HEAD TOTAL</b>				

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>HEAD TOTAL</b>				

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>HEAD TOTAL</b>				
<b>LLG REVENUE TOTAL</b>				

**GRANTS****NATIONAL GOVERNMENT GRANTS**

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>GRANTS TOTAL</b>				

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>AGENCY TOTAL</b>				

**STATEMENT "J"**

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>AGENCY TOTAL</b>				

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>AGENCY TOTAL</b>				
<b>REVENUE TOTAL</b>				

**LOAN SERVICE RECIPITS****LOAN SREVICE RECEIPTS**

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>TOTAL INTEREST</b>				

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
Repayment of funds on lent to.....				
<b>AGENCY TOTAL</b>				
<b>INTERNAL REVENUE TOTAL</b>				

**FINANCING****BORROWING:**

DESCRIPTION OF SUB-HEAD	ORIGINAL ESTIMATES 2000(K)	REVISED ESTIMATES 2000(K)	ACTUAL RECEIPTS 2000(K)	ACTUAL RECEIPTS 1999(K)
<b>HEAD TOTAL</b>				
<b>FINANCING TOTAL</b>				
<b>TOTAL RECEIPTS</b>				

**STATEMENT "K"**

**LOCAL LEVEL GOVERNMENT ABC**

**LLG ACCOUNTS**

**EXPENDITURE CLASSIFIED UNDER HEADS OF APPROPRIATION YEAR ENDED 31<sup>ST</sup> DECEMBER .....**

ITEM DESCRIPTION	INITIAL APPROPRIATION 2000	REVISED APPROPRIATION 2000	ACTUAL EXPENDITURE 2000	OVER OR UNDER
<b>RECURRENT EXPENDITURE</b>				
DIVISION:				
FUNCTION:				
ACTIVITY/PROJECT:				
<b>RECURRENT EXPENDITURE TOTAL</b>				

ITEM DESCRIPTION	INITIAL APPROPRIATION 2000	REVISED APPROPRIATION 2000	ACTUAL EXPENDITURE 2000	OVER OR UNDER
<b>DEVELOPMENT EXPENDITURE</b>				
DIVISION:				
FUNCTION:				
ACTIVITY/PROJECT:				
<b>DEVELOPMENT EXPENDITURE TOTAL</b>				
<b>GRAND TOTAL EXPENDITURE</b>				

**LOCAL LEVEL GOVERNMENT ABC  
LLG ACCOUNTS  
REPORT OF LOSSES AND DEFICIENCIES  
AS AT 31<sup>ST</sup> DECEMBER.....**

**APPENDIX 1**

Losses and deficiencies of Public Monies  
And Property reported to or detected by the  
Inspection Branch of the Department of  
Treasury

	2000 (K'000) (xxx) (y.yy) (z.zz)	1999 (K'000) (xxx) (y.yy) (z.zz)
Losses and deficiencies		
<u>Less:</u> Amounts recouped		
Amount subject of referrals to the Public Prosecutor 31.12.2000	a.aa	a.aa

**STATEMENT OF DEBTORS AS AT 31<sup>ST</sup> DECEMBER.....**

<b>NAME</b>	<b>AMOUNT</b>	<b>Days over due</b>

**DISTRICT TREASURY O/ Acct CASH BOOK CODES and TRUST CODES**
**ANNEXURE 1**

Sr. No.	ACCOUNT NAME	BRANCH LOCATION	Cash book Code		Permanent Advance Code		SBTA BSP Code		Cash - In Transit Code		Other Advance Code	
1	Alotau District	Alotau	32-	601	31-	601	36-	201	31-	301	31-	401
2	Esa'ala District	Alotau	32-	602	31-	602	36-	202	31-	302	31-	402
3	Samarai Murua District	Alotau	32-	603	31-	603	36-	203	31-	303	31-	403
4	Kiriwina Good Enough	Alotau	32-	604	31-	604	36-	204	31-	304	31-	404
5	Central Bougainville District	Buka	32-	605	31-	605	36-	205	31-	305	31-	405
6	North Bougainville District	Buka	32-	606	31-	606	36-	206	31-	306	31-	406
7	South Bougainville District	Buka	32-	607	31-	607	36-	207	31-	307	31-	407
8	Daulo District	Goroka	32-	608	31-	608	36-	208	31-	308	31-	408
9	Goroka District	Goroka	32-	609	31-	609	36-	209	31-	309	31-	409
10	Henganofi District	Goroka	32-	610	31-	610	36-	210	31-	310	31-	410
11	Kainantu District	Goroka	32-	611	31-	611	36-	211	31-	311	31-	411
12	Obura-Wanenara District	Goroka	32-	612	31-	612	36-	212	31-	312	31-	412
13	Unggai-Beni District	Goroka	32-	613	31-	613	36-	213	31-	313	31-	413
14	Lufa District	Goroka	32-	614	31-	614	36-	214	31-	314	31-	414
15	Okapa District	Goroka	32-	615	31-	615	36-	215	31-	315	31-	415
16	Namatanai District	Kavieng	32-	616	31-	616	36-	216	31-	316	31-	416
17	Kavieng District	Kavieng	32-	617	31-	617	36-	217	31-	317	31-	417
18	Kerema District	Kerema	32-	618	31-	618	36-	218	31-	318	31-	418
19	Kikori District	Kerema	32-	619	31-	619	36-	219	31-	319	31-	419
20	Talasea District	Kimbe	32-	620	31-	620	36-	220	31-	320	31-	420
21	Kandrian District	Kimbe	32-	621	31-	621	36-	221	31-	321	31-	421
22	Middle Fly District	Kiunga	32-	622	31-	622	36-	222	31-	322	31-	422
23	South Fly District	Kiunga	32-	623	31-	623	36-	223	31-	323	31-	423
24	North Fly District	Kiunga	32-	624	31-	624	36-	224	31-	324	31-	424
25	Kokopo District	Kokopo	32-	625	31-	625	36-	225	31-	325	31-	425
26	Pomio District	Kokopo	32-	626	31-	626	36-	226	31-	326	31-	426
27	Rabaul District	Kokopo	32-	627	31-	627	36-	227	31-	327	31-	427
28	Gazalle District	Kokopo	32-	628	31-	628	36-	228	31-	328	31-	428
29	Chuave District	Kundiawa	32-	629	31-	629	36-	229	31-	329	31-	429
30	Karamui-Nomane District	Kundiawa	32-	630	31-	630	36-	230	31-	330	31-	430
31	Kerowagi District	Kundiawa	32-	631	31-	631	36-	231	31-	331	31-	431
32	Sinasina-Yonggamugi District	Kundiawa	32-	632	31-	632	36-	232	31-	332	31-	432
33	North Wahgi	Kundiawa	32-	633	31-	633	36-	233	31-	333	31-	433
34	Gumine District	Kundiawa	32-	634	31-	634	36-	234	31-	334	31-	434
35	Kundiawa-Gembogl District	Kundiawa	32-	635	31-	635	36-	235	31-	335	31-	435
36	Bulolo District	Lae	32-	636	31-	636	36-	236	31-	336	31-	436
37	Finschaffon District	Lae	32-	637	31-	637	36-	237	31-	337	31-	437
38	Huon Gulf District	Lae	32-	638	31-	638	36-	238	31-	338	31-	438
39	Kabwum District	Lae	32-	639	31-	639	36-	239	31-	339	31-	439

**DISTRICT TREASURY O/ Acct CASH BOOK CODES and TRUST CODES**
**ANNEXURE 1**

Sr. No.	ACCOUNT NAME	BRANCH LOCATION	Cash book Code		Permanent Advance Code		SBTA BSP Code		Cash - In Transit Code		Other Advance Code	
40	Lae District	Lae	32-	640	31-	640	36-	240	31-	340	31-	440
41	Markham District	Lae	32-	641	31-	641	36-	241	31-	341	31-	441
42	Nawae District	Lae	32-	642	31-	642	36-	242	31-	342	31-	442
43	Menyamy District	Lae	32-	643	31-	643	36-	243	31-	343	31-	443
44	Nawae-Siassi District	Lae	32-	644	31-	644	36-	244	31-	344	31-	444
45	Manus District	Loirengau	32-	645	31-	645	36-	245	31-	345	31-	445
46	Bogia District	Madang	32-	646	31-	646	36-	246	31-	346	31-	446
47	Middle Ramu	Madang	32-	647	31-	647	36-	247	31-	347	31-	447
48	Sumkar District	Madang	32-	648	31-	648	36-	248	31-	348	31-	448
49	Usino-Bundi District	Madang	32-	649	31-	649	36-	249	31-	349	31-	449
50	Madang District	Madang	32-	650	31-	650	36-	250	31-	350	31-	450
51	Rai Coast District	Madang	32-	651	31-	651	36-	251	31-	351	31-	451
52	Kagua-Erave District	Mendi	32-	652	31-	652	36-	252	31-	352	31-	452
53	Komo-Magarime District	Mendi	32-	653	31-	653	36-	253	31-	353	31-	453
54	Koroba-L/Kopiago District	Mendi	32-	654	31-	654	36-	254	31-	354	31-	454
55	Nipa-Kutubu District	Mendi	32-	655	31-	655	36-	255	31-	355	31-	455
56	Tari-Pori District	Mendi	32-	656	31-	656	36-	256	31-	356	31-	456
57	Ialibu-Pangia District	Mendi	32-	657	31-	657	36-	257	31-	357	31-	457
58	Imbonggu District	Mendi	32-	658	31-	658	36-	258	31-	358	31-	458
59	Mendi District	Mendi	32-	659	31-	659	36-	259	31-	359	31-	459
60	Angalimp-S/ Wahgi District	Mt. Hagen	32-	660	31-	660	36-	260	31-	360	31-	460
61	Mul-Baiyer District	Mt. Hagen	32-	661	31-	661	36-	261	31-	361	31-	461
62	Dei District	Mt. Hagen	32-	662	31-	662	36-	262	31-	362	31-	462
63	Jimi District	Mt. Hagen	32-	663	31-	663	36-	263	31-	363	31-	463
64	Tambul-Nebilyer District	Mt. Hagen	32-	664	31-	664	36-	264	31-	364	31-	464
65	Hagen District	Mt. Hagen	32-	665	31-	665	36-	265	31-	365	31-	465
66	Ijivitari District	Popondetta	32-	666	31-	666	36-	266	31-	366	31-	466
67	Sohe District	Popondetta	32-	667	31-	667	36-	267	31-	367	31-	467
68	Moresby Nth West District	Port Moresby	32-	668	31-	668	36-	268	31-	368	31-	468
69	Moresby South District	Port Moresby	32-	669	31-	669	36-	269	31-	369	31-	469
70	Abau District	Port Moresby	32-	670	31-	670	36-	270	31-	370	31-	470
71	Goilala District	Port Moresby	32-	671	31-	671	36-	271	31-	371	31-	471
72	Kairuku Hiri District	Port Moresby	32-	672	31-	672	36-	272	31-	372	31-	472
73	Rigo District	Port Moresby	32-	673	31-	673	36-	273	31-	373	31-	473
74	Moresby Nth East District	Port Moresby	32-	674	31-	674	36-	274	31-	374	31-	474
75	Aitape-Lumi District	Vanimo	32-	675	31-	675	36-	275	31-	375	31-	475
76	Telefomin District	Vanimo	32-	676	31-	676	36-	276	31-	376	31-	476
77	Vanimo-Green District	Vanimo	32-	677	31-	677	36-	277	31-	377	31-	477

**DISTRICT TREASURY O/ Acct CASH BOOK CODES and TRUST CODES**
**ANNEXURE 1**

Sr. No.	ACCOUNT NAME	BRANCH LOCATION	Cash book Code	Permanent Advance Code	SBTA BSP Code	Cash - In Transit Code	Other Advance Code
78	Kandep District	Wabag	32- 678	31- 678	36- 278	31- 378	31- 478
79	Lagaip-Porgera District	Wabag	32- 679	31- 679	36- 279	31- 379	31- 479
80	Wabag District	Wabag	32- 680	31- 680	36- 280	31- 380	31- 480
81	Wapenamanda District	Wabag	32- 681	31- 681	36- 281	31- 381	31- 481
82	Kompiani-Ambun District	Wabag	32- 682	31- 682	36- 282	31- 382	31- 482
83	Ambunti-Drekikir District	Wewak	32- 683	31- 683	36- 283	31- 383	31- 483
84	Angoram District	Wewak	32- 684	31- 684	36- 284	31- 384	31- 484
85	Maprik District	Wewak	32- 685	31- 685	36- 285	31- 385	31- 485
86	Wewak District	Wewak	32- 686	31- 686	36- 286	31- 386	31- 486
87	Wosera-Gawi District	Wewak	32- 687	31- 687	36- 287	31- 387	31- 487
88	Yangoru-Saussia District	Wewak	32- 688	31- 688	36- 288	31- 388	31- 488
89	Nuku District	Wewak	32- 689	31- 689	36- 289	31- 389	31- 489
	<b>TOTAL</b>						

**INDIVIDUAL TRANSACTIONS AND RELATED TRUST CODES TO BE USED IN DISTRICT TREASURY**

PAYMENT OF PERMANENT ADVANCE TO CASH OFFICES	→	Permanent Advance Code
SAVING BANKS DEPOSIT AND WITHDRAWAL BY CASH OFFICES	→	SBTA BSP Code
CHEQUES RECEIVED IN CASH OFFICES HANDED OVER TO DISTRICT TREASURY OFFICE	→	Cash - In Transit Code
POSTAL SERVICES AND OTHER TRUST PAYMENTS	→	Other Advance Code
BAIL REFUND AND CHILD MAINTENANCE	→	Trust Suspense 36-31

NOTE : TRUST ENTRIES IN PGAS

	DEBIT	CREDIT
PGAS	41 - ***	31 - ***
PGAS	32 - ***	32 - ***
PGAS	46 - ***	36 - ***