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Statistics Department



PAPUA NEW GUINEA

**TECHNICAL ASSISTANCE REPORT ON THE
GOVERNMENT FINANCE STATISTICS MISSION**
(October 13–24, 2014)

Prepared by Barend de la Beer

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ACRONYMS

AGO	Auditor General's Office
BoPNG	Bank of Papua New Guinea
CoA	Chart of Accounts
COFOG	Classification of the Functions of Government
DoF	Department of Finance
EPD	Economic Policy Division
FMD	Financial Management Division
FY	Fiscal year
GFS	Government finance statistics
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
GL	General ledger
ICT	Information and communications technology
IFMS	Integrated Financial Management System
IPBC	Independent Public Business Corporation
IRC	Internal Revenue Commission
MPs	Members of parliament
NEFC	National Economic and Fiscal Commission
NRA	National Roads Authority
NTRD	Non-Tax Revenue Division
PFTAC	Pacific Financial Technical Assistance Centre of the IMF
PGAS	Provincial Government Accounting System
PNG	Papua New Guinea
SPID	Structural Policy and Investment Division
TA	Technical assistance
TAMD	Trust Accounts Management Division
WPA	Waigani Public Account

EXECUTIVE SUMMARY

In response to a request from the Papua New Guinea (PNG) authorities, IMF staff conducted a government finance statistics (GFS) technical assistance (TA) mission from October 13–24, 2014. The mission was financed by the government of Japan under the Japan Administered Account for Selected IMF Activities and is part of a three-year GFS capacity development project for selected Asia and Pacific Island countries. Under this project, a series of five missions to PNG are envisioned over two years; this mission was the fourth.

The first mission under this project (conducted in May 2013) was a two-week in-country formal training seminar on GFS concepts for data suppliers, compilers, and users in PNG. Twenty-eight officials from the Ministry of Finance, Bank of Papua New Guinea, Internal Revenue Commission, and National Statistics Office attended the training. The second mission (November 2013) built upon the initial work by providing hands-on training to newly hired staff on GFS concepts, specifically focusing on the classification of institutional units. The mission also reviewed current data compilation practices and explored the availability of source data for use in the compilation of GFS and public sector debt data in PNG.

The April 2014 mission continued work on GFS and Classification of the Functions of Government tables for inclusion in the 2015 budget process, expansion of debt data coverage, and the classification of institutional units; and undertook work to augment aid revenue collection and provided formal training to officials from the Department of Finance, both with a view to improving source data available to GFS compilers. The October 2014 mission continued work with the Integrated Financial Management System (IFMS) team to complete preparatory work, enabling automation of the GFS in the system for budget and reporting purposes.

The national budget of PNG is currently presented on *A Manual on Government Finance Statistics, 1986* basis. Work to migrate the budget to the format of the *Government Finance Statistics Manual 2001 (GFSM 2001)*, and its update, *GFSM 2014* started during previous missions with the goal of including the updated GFS tables in the FY2015 budget. While the authorities postponed implementation to FY2016, the mission was pleased to note the continuing commitment to migrate budget presentations to the updated GFS standard.

Based on classification work completed with the PNG GFS team, the mission created mapping instructions and sample reports to assist the IFMS team in developing automated standardized reports for budget and reporting purposes. The draft master file was left with the Economic Policy Division (EPD) for review, changes, approval, and formal submission to

the Secretary of Finance for implementation in the IFMS before the next budget rollout (FY2016). (*Benchmark action*)¹

The mission reviewed the draft table of balance sheet transactions compiled by the authorities. The table contains incomplete and unreconciled data and development work will continue with the assistance of remote TA from the IMF team. (*Benchmark action*)²

The mission reviewed and made further amendments to the aid revenue data collection questionnaire prepared during the April 2014 mission. The questionnaire will be used by the Aid Management Division in the FY2016 budget process to collect aid data from donors for purposes of budget preparation and reporting, which will also be beneficial for the balance of payments and the *System of National Accounts*. (*Benchmark action*)³

Completing the public sector delineation is challenging due to the limited institutional operational information and with many audits—the results of which aid in the classification process—incomplete and delayed. Oversight functionality has recently become a priority for the authorities, with a new accountability framework launched in April 2014. This mission is hopeful that this new framework will improve the availability of source data, beginning in 2015.

The mission noted the authorities' continued efforts in improving overall financial management and controls within the Department of Finance. Improvements particularly in the areas of Trust Account management, public financial management strategy and enforcement, and the rollout of the IFMS more broadly across ministries and the government as a whole are ongoing. These ongoing medium- and long-term improvements will have significant positive impacts on the ability of the EPD to produce timely, accurate, and complete *GFSM 2001/14* data.

The mission highlighted the release of the *GFSM 2014* pre-publication draft and noted that all work done in country to date has been consistent with the updated manual. Limited, if any, additional work is anticipated in PNG as a result of changes made in the updated *GFSM*.

The mission would like to thank staff of the Treasury, EPD, Structural Policy and Investment Division, Budget Division, and Finance departments for their hospitality and cooperation, which greatly contributed to the success of the mission (Appendix I includes a list of officials with whom the mission met).

¹ See DM5 document #5556816.

² See DM5 document #5556818.

³ See DM5 document #5556819.

I. INTRODUCTION

1. The main objective of the first technical assistance (TA) mission, conducted in May 2013, was to deliver a two-week formal training seminar on government finance statistics (GFS) concepts. The seminar content included the impending changes arising from the update to the *Government Finance Statistics Manual 2001 (GFSM 2001)* framework, the *GFSM 2014*. This TA need was identified in the *GFSM 2001* migration plan developed by the Papua New Guinea (PNG) representatives during the GFS training seminar for selected Pacific Island countries, held in June 2012. The second mission (November 2013) focused on providing on-the-job training to newly hired staff, drafted the institutional unit classifications, and explored the availability of source data required for a comprehensive GFS compilation. The focus of the April 2014 mission was Classification of the Functions of Government (COFOG) and preparing budget tables according to *GFSM 2001* (and its update, *GFSM 2014*), public sector debt, and classification of institutional units.

2. PNG currently compiles *GFSM 2001* data for budgetary central government using audited financial statements as source data. Additional work is required to improve coverage on donor-financed projects and in-kind transactions. Compiling GFS data is also necessary to meet requirements for the production of national accounts data. Main tasks undertaken by this mission were

- Continued working with the Structural Policy and Investment Division (SPID) to update the draft institutional unit classifications for the public sector;
- Finalized compilation requirements for GFS output reports and continued working with the Integrated Financial Management System (IFMS) team to facilitate automation of the GFS compilation and reporting process by producing a draft master file including GFS coding for all revenue, expense, financial assets and liability, and COFOG national codes for the IFMS team;
- Completed the review of the Aid Revenue questionnaire in conjunction with the National Planning Department and to have the final version ready for rollout during the 2016 budget process (starting May 2015);
- Continued work with the Financial Management Division (FMD) on mapping of asset and liability codes in deriving a financial balance sheet;
- Investigated availability of additional source data to expand timeliness and periodicity of GFS data; and
- Reviewed and updated the *GFSM 2001* (and its update, *GFSM 2014*) migration plan (Appendix II).

3. Section II presents the institutional and data coverage of general government and public sector in PNG; Section III presents the accounting and statistical systems; Section IV

presents open issues and compilation notes; and Section V presents proposed next steps and the migration plan for PNG.

II. INSTITUTIONAL AND DATA COVERAGE OF GENERAL GOVERNMENT AND PUBLIC SECTOR

4. There are four levels of government in PNG: central, provincial, district, and local. Central government elections result in members of parliament (MPs) being elected to the national legislature. The Prime Minister is selected by a vote of the MPs. At the provincial level, the MPs compose the provincial legislature for the region they represent. The Provincial Governor is elected by the MPs of the provincial legislature. The local councils are elected. The head of the local council is currently selected in the same fashion as the Provincial Governor. However, there is a proposal set forth which would establish the chair of the local council as an elected position, rather than one which is selected by the council members themselves. District administrations are also composed of MPs. The National Capital District (Port Moresby) combines functional aspects of both local councils and provinces.

5. The local level of government is primarily funded by transfers from the central government. They are also permitted to levy a land tax and fees for water and sewage. Provincial government revenues are also primarily transfers from the central government; they are entitled to levy sales taxes (though they do not), business licenses, and building permits. The central government levies sales, income, and other taxes. They also own all natural resources in the country and, thus, are entitled to collect all related natural resource revenue. The central government has a policy whereby they buy an ownership stake in each project ongoing in the country.

6. The structure of state-owned enterprises (SOEs) in PNG is quite complex. The government's shares in SOEs are held in trust by the General Business Trust which is, in turn, held in trust by the Independent Public Business Corporation (IPBC). Dividends, although earned and declared, are rarely, if ever, returned to the Treasury Department. Rather, the IPBC is often used as an implementation tool for government policy. Dividends earned by the government of PNG are retained by IPBC to fund projects for which it has been assigned responsibility to implement. Generally, such projects are capital in nature. Of note, currently the upgrade to the Highlands Highway as well as the construction and upgrade of venues for the 2015 Pacific Games are being implemented by IPBC on behalf of the central government. The structure of IPBC is included in Appendix III.

7. There are three government ministries involved in public financial management and financial oversight for the government of PNG, its SOEs, and statutory authorities.

8. The Treasury Department currently has several divisions, which are subdivided into branches. As part of the 2014 budget process, the Treasury Department is undertaking structural reform which will result in significant changes to the existing organizational

structure. Currently, the Economic Policy Division (EPD) is responsible for the general direction of fiscal policy, fiscal forecasting, budget outturn reporting, and GFS compilation. The SPID is responsible for overall investment policy, including competition policy. The SPID monitors the performance of all government entities created under the Corporations Act of 1997 (referred to as SOEs). The SPID also monitors any government bodies and statutory authorities under the management of SOEs. Debt management and reporting is conducted by the FMD. The budgeting process is the responsibility of Budget Division. The Treasury Department also issues all warrants authorizing funds disbursements from the central government.

9. The Finance Department is responsible for the financial accounting system and related business processes, including data capture, as well as the monitoring of Statutory Authorities, Trust Accounts, and non-tax revenue collections. Transferring of funds authorized by warrants and the overall management of the consolidated revenue fund (Waigani Public Account (WPA)) are also tasks assigned to the Finance Department.

10. The Planning Department oversees the development budget, including capital expenditure and donor-funded projects. Currently, the central government presents its budget on *A Manual on Government Finance Statistics, 1986* basis.

III. ACCOUNTING AND STATISTICAL SYSTEMS

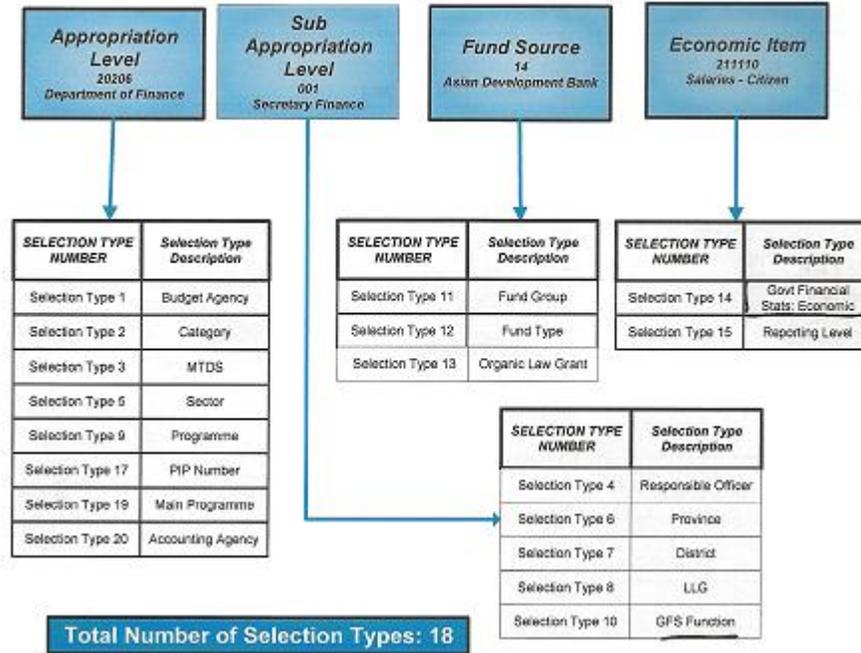
11. An accrual-based accounting system, including an integrated Chart of Accounts (CoA) exists. The IFMS contains appropriate system controls required to ensure timely reliable source data for most of budgetary central government as well as provincial governments. The system includes fields for both GFS and COFOG codes and standardized reporting can be developed to facilitate the efficient production of annual and subannual GFS reports. The General Ledger (GL) Chart Structure is shown in Figure 1.

12. The business processes required to fully leverage the capabilities of the IFMS are not yet in place. Month-end closing procedures are not always respected; most government entities are still using the legacy system Provincial Government Accounting System (legacy financial accounting system) for their day-to-day accounting operations and providing a download from that system for upload into IFMS by the GL team. The stated business process requires submissions by the 10th day after the end of the month. Many submissions are not received and/or loaded into IFMS by the GL team on a timely basis. IFMS is currently only rolled out to three government departments.

13. Rollout to three more government departments is planned in the near future (site assessments have been completed) with the target of another 10 to be added by the end of 2015. Information and communication technology (ICT) infrastructure within Port Moresby is the single biggest constraining factor to these rollouts. Without a reliable internet

link to the server, adding departments not co-located with the Department of Finance (DoF) will not be possible.

Figure 1. Papua New Guinea: General Ledger Chart Structure



Source: Papua New Guinea DoF.

- Update April 2014: Accelerated rollout has been made a priority by the newly appointed (October 2013) Secretary of Finance. Additionally, the DoF has engaged the Pacific Financial Technical Assistance Centre (PFTAC) public financial management experts to provide TA with a view to improving overall public financial management in PNG; the DoF has taken steps to implement the recommendations of PFTAC.
- Update October 2014: The mission met with PFTAC financial management information systems and ICT experts who were on the ground at the same time as the GFS mission; the PFTAC mission conducted a PNG DoF ICT health check and made a report available to the authorities in this regard.⁴ General ICT, financial systems operation support, and IFMS implementation advice will also be provided by Mr. Jim Ramsey. The mission was informed of the DoF's strategy to reorganize the IFMS and ICT Divisions and appoint a Chief Information Officer, which will greatly contribute to the coordination and oversight of the functions in both financial systems and ICT operations. Three more IFMS rollouts were planned for national agencies during the missions' visit.

⁴ See DM5 document #5556821.

14. Although a consolidated revenue fund exists, entities created as Statutory Authorities, Statutory Bodies, and SOEs are permitted to create trust accounts. These trust accounts are essentially separate bank accounts, most often held in private sector banks, where monies are transferred and retained by departments, ministries, statutory authorities, and SOEs. This structure of financial management presents a challenge to measuring government assets and compiling public sector debt statistics.

- Update April 2014: Additional resources have been assigned to the Trust Accounts Management Division (TAMD). Oversight activities have increased, with the number of trust accounts being reduced from over 700 to fewer than 400 since November 2013, primarily through the closing of inactive/old accounts. Additional work is required in this area.
- Update October 2014: The TAMD has established a compliance team which is focusing on imbalances in accounts and reconciling financial data. This work will enable the migration of data for the last three financial years to the IFMS. The GFS EPD team, through the Secretary of Finance, needs to formally request outstanding information on trust accounts which was requested in various missions from the TAMD. (*Benchmark action*)

15. The complexity of government structure and lack of enforced oversight creates a challenge to ensuring appropriate coverage in GFS data. Data for statutory authorities classified as part of budgetary central government is a significant gap for completeness in revenue and expense (and expenditure) compilation. Entities like the National Roads Authority (NRA), which collects taxes on behalf of the government and retains them in a trust account rather than remits them back to the WPA, fall into the aforementioned category of statutory authorities.

16. The Auditor General's Office (AGO) is the legislated auditor for all government units in PNG. The AG is responsible for conducting financial statement audits for the 22 provinces, over 300 local and district level governments, as well as 35 central government units. Timeliness of audits is significantly impacted by limited resources within the AGO, as well as the overall lack of skilled financial managers across the public sector of PNG. The mission found that the most recently available central government public accounts audit was for fiscal year (FY) 2009. The AGO informed the mission that while the FY2010 audit was complete and ready for tabling in parliament, FY2011 and FY2012 had not yet commenced as the financial statements had not yet been provided by the government. Legally, government units are required to present financial statements for audit within six months of the end of the reference period.

17. In general, the structural legislative requirements required to facilitate effective financial management and oversight exist in PNG. All public sector entities are subject to annual audit by the AGO and periodic reporting to responsible ministers is specified within enabling legislation for both statutory authorities and SOEs. There are, however, gaps in the

application of the Public Financial Management Act reporting requirements due to exceptions included in the enabling legislation of some public sector entities. The enforcement of existing reporting requirements is weak and it was not clear to the mission team that all parties understand their responsibilities.

- Update April 2014: FY2010 audit was tabled since the last mission. Other years remain outstanding.
- Update October 2014: FY2011 audit was tabled since the last mission. Other years remain outstanding.

18. SPID has had little success in obtaining required financial reports from the SOEs. These enterprises simply refuse to provide the information and there appears to be no consequences for failure to comply. Additionally, SPID has limited staff to oversee the SOEs. The mission was pleased to learn that under planned reforms, staffing in SPID's oversight unit will increase. Increased resources in SPID should enable the team to build the relationships necessary to encourage timely reporting from the SOEs.

- Update October 2014: Completing the public sector delineation is challenging due to the limited institutional operational information and with many audits—the results of which aid in the classification process—incomplete and delayed. The mission again engaged the AGO in providing the outstanding information where it exists.

19. There is no effective operational management by the Statutory Authorities Monitoring Group in the DoF. There is only one staff member currently assigned to this group. A project has been undertaken by the unit to improve oversight of the statutory authorities including: (i) a new monitoring framework is under development and planned to be in place by September 2014; (ii) proposed improvements to the Public Financial Management Act, which will see reporting requirements apply to all public sector entities, to help close the current legislative gaps; (iii) enhanced reporting requirements to include annual budget, performance plan, financial statements, and subannual internal management reports; and (iv) increased staffing in the Statutory Authorities Monitoring Group to six. A pilot rollout to 10 entities of the new framework is planned for 2014. The proposed reporting requirements focus only on annual reporting, which will not satisfy the ongoing requirements of GFS reporting in PNG.

- Update April 2014: Statutory Monitoring Group has engaged three new staff since the November 2013 mission. The newly appointed (October 2013) Secretary of Finance has prioritized this work over the coming 12 months. Additional work is required to improve enforcement and oversight.

20. Staffing in the Treasury Department for GFS compilation and oversight responsibilities is inadequate for the level of effort required to complete these tasks in a timely manner. Currently, only one team member is assigned to GFS compilation. This represents a significant business risk. The oversight team in the Treasury Department (SPID)

has increased its staffing since the May 2013 mission, which is a positive first step. Additional resources will be required to continue improvements in monitoring of SOEs.

- Update April 2014: One new staff member has been engaged by the Treasury and added to the GFS compilation team. In addition, one additional existing Treasury staffer has been added to the GFS compilation team (three local staff in total are now engaged in GFS compilation).
21. The DoF requires additional resources in its oversight functional area; currently, no staff is engaged in these activities on a regular basis.
- Update April 2014: See updates in paragraphs 13, 14, and 19. Additional work is still required but positive steps have been taken.

IV. OPEN ISSUES AND COMPILATION NOTES

22. In general, there is a high level of interest and enthusiasm for the GFS update within the Treasury and Planning Departments. EPD, SPID, Budget, and Planning areas were well represented at the in-country training held in May 2013. The DoF, as the custodian of much of the outturn data (IFMS and Statutory Authorities), is not currently engaged in the GFS project. They were not represented at the May 2013 training, although all relevant areas of finance were invited (Non-tax Revenue, IFMS Technical Team, GL, Statutory Authorities Monitoring). To ensure the success of the implementation of *GFSM 2001*, it is essential that the DoF is engaged and committed to fulfilling its role as custodians of financial data for the central government.

- Update April 2014: The mission provided a two-day seminar in GFS concepts to 25 participants, primarily DoF staff. This seminar helped to further the understanding of key DoF personnel on how their work directly impacts GFS compilation. Issues of systems access and oversight controls were identified by participants as impediments to improving the timeliness, accuracy, and completeness of their data work. These issues were highlighted to the Secretary of Finance by this mission and also through the Public Expenditure and Financial Accountability process recently undertaken by the DoF.
- Update October 2014: The Acting Secretary of Finance indicated that a draft report will be released by the end of October 2014. The report was not yet available at the time of the missions' departure.

23. The complexity of government structure and lack of enforced oversight creates a challenge to ensuring appropriate coverage in GFS data. Data for statutory authorities classified as part of budgetary central government is a significant gap for completeness in revenue and expense (and expenditure) compilation.

- Update April 2014: The mission was pleased to note progress in overall financial management and controls within the DoF since the last mission. These ongoing medium- and long-term improvements will have significant positive impacts on the ability of EPD to produce timely, accurate, and complete *GFSM 2001* data.

24. A gap in revenue and expenses (primarily investment, taxes, and transfers) exists where entities like the Mineral Resource Authority collect investment and tax revenues on behalf of the government and then transfer those funds to the household sector (landowners). Similarly, the Internal Revenue Commission (IRC) is directly transferring almost \$2 billion Kina annually to the provinces—the related Value Added Goods and Services Tax revenue and grants expense are not recorded in the budget or related outturn.

25. The detailed revenue classifications and proposed presentation were reviewed and recommended changes have been implemented. There remains one outstanding question: *Recoveries from Prior Years*. In discussions with the Non-Tax Revenue team, it was asserted that the recovery accounts generally represent the return of unspent monies to the WPA at the end of the fiscal year. This does not represent revenue under the *GFSM 2001* framework, but rather as a return of Funds as a Balance Sheet transaction. Further investigation to ensure that the original transfers out to the ministries is not recorded as expenses needs to be completed to ensure expense (Expenditure) is not overstated. To accomplish this, a detailed listing of the returned funds should be obtained from the Non-Tax Revenue and Cash Management Units of the DoF and compared to the expenses recorded in the *GFSM 2001* expense table for the applicable ministries.

- Update October 2014: The mission engaged the Non-Tax Revenue team by requesting details for transactions allocated under *Recoveries from Prior Years* for the most recent fiscal year; details only revealed journal entries made between accounts and not actual transactions on recoveries. The mission recommends further investigation of the item code(s) to identify individual ministerial transactions that represents the recoveries.

26. Discussions with the Non-Tax Revenue team revealed that the “allocation” process for Non-Tax Revenue is behind schedule. When revenue is received by the government, the cash is deposited into the WPA and the revenue is recorded in a Suspense account in IFMS. A daily process is meant to occur whereby these revenues are allocated to the appropriate non-tax revenue category. This task has not been completed for some time and the Non-Tax Revenue Division (NTRD) has dedicated one staff member to getting this information up to date (2013 remains incomplete).

27. The mission and EPD team also met with the National Economic and Fiscal Commission (NEFC) to explore the availability of data for provincial governments. The NEFC furnished copies of their expenditure review reports and indicated that they rely on Provincial Government Accounting System (PGAS) data submitted directly to them from the provinces for their monitoring and oversight work. The NEFC had developed a

recommended common budget and reporting template which it attempted to roll out to the provinces in 2010. The proposed model included both central government grants and own source revenue and related outlays. The recommended reporting, while not entirely detailed, would provide sufficient information for the compilation of the provincial government subsector in GFS. As voluntary uptake has been unsuccessful, the NEFC recommended to the EPD that this format be written into the budget requirements. The mission team agrees this would be an efficient and effective stop-gap measure to obtain required provincial data until such time that IFMS is rolled out to all jurisdictions. It is recommended to follow this up with the Budget Division with a goal to roll out the data collection template as part of the 2016 budget process.

28. The mission discussed data collection issues with SPID. Some new, useful data has been brought to the attention of the mission (Statement F of the Public Accounts). Further work is expected in this area during the next mission. Note that the primary focus is on obtaining data to complete the compilation of public sector debt statistics.

29. The mission also learned that the Statutory Authorities Monitoring Unit has added staff. This will facilitate work during the next mission.

V. PROPOSED NEXT STEPS

November 2013 mission

30. The next mission is proposed to occur during the first two weeks of April 2014. During that mission, the team proposes to focus its efforts on public sector debt compilation and drafting of the Expenditure tables in the *GFSM 2001* format. To prepare for this mission, the team proposes the following tasks be completed by the Department of Treasury before the April 2014 mission:

- a. Budget/EPD
 - i. Complete review of expense classifications. The Budget Division will provide the IMF with a copy of the complete CoA. The IMF will assist in reviewing the current classifications remotely.
 - ii. Draft updated expense tables.
 - iii. Work with IFMS team to determine when requests for updates need to be submitted to ensure that GFS classifications and reports will be included in IFMS when required to facilitate the work of the Treasury.
- b. Planning
 - i. Attempt to split development budget into its current and capital expenditure components. The detailed splits should align with the recurrent portion of the budget.
 - ii. Where possible, identify in-kind transactions within the development budget.

c. SPID

- i. Continue work on Institutional Unit Classifications. Additional financial statements have been requested from the AGO. They need to be reviewed and the classification Excel file updated to reflect any changes to the classifications.

d. Debt Management

- i. Compile a draft set of public sector debt statistics tables (gross and net debt). This requires exploring the capabilities of the Commonwealth Secretariat Debt Recording and Management System to produce the public sector debt statistics tables as well as liaising with the central bank to determine the availability of monetary data for use in the net debt calculations.

31. Authorities are encouraged to nominate representatives to attend the next GFS training seminar for Pacific Island countries, to be held in the region in August 2014.

32. Follow-up TA missions are scheduled for April and September 2014.

April 2014 mission

33. The next mission is proposed to occur during the second two weeks of August 2014 (subsequently moved to October 2014). During that mission, the team proposes to focus its efforts on finalization of the Institutional Unit Classifications (SPID), finalizing any data issues for the Budget 2015 *GFSM 2001* tables (Revenue, Expenditure, COFOG, Financial Balance Sheet (EPD)), and continuing work to expand coverage to the complete budgetary central government, provincial, and general government subsectors and sectors (Finance – Trust Accounts, GL Management, and Statutory Authorities Monitoring). To prepare for this mission, the team proposes the following tasks be completed by the Department of Treasury and DoF before the next mission:

a. TAMD

- i. Provide the complete list of existing trust accounts, identifying which accounts are budget funded and the accounts which are “own-managed” and indicating which government department/agency/commission/authority/province owns the trust account.
- ii. Provide a sample of the monthly reporting compilation for budget-funded and own-managed accounts.
- iii. Provide the cash stock (balance) of all trust accounts as at December 31, 2013.
 - Update October 2014: The TAMD informed the mission that a compliance team was established, which is working through a process of cleaning the data for history years as the IFMS team only wants to upload clean data in the financial system for budget funded trust accounts. The team is in the process of recruiting additional resources to assist in this area and to get the trust accounts to become fully IFMS-compliant. At present, there are about 60–80 budget funded trust accounts in PNG. The TAMD was

not able to provide the mission with information requested during previous missions even after numerous requests. The Treasury EPD will, through the Secretary of Finance, formally request the information from the TAMD.

b. Aid Management Division

- i. Approve the final Aid Revenue template for circulation as part of the 2015 Budget process.
- ii. Present the template (purpose and concepts) to donors at the next regularly scheduled donor effectiveness meeting (May 2014).
- iii. Collect 2015 aid revenue budget data using the new template.
 - Update October 2014: The mission reviewed the Aid Revenue template compiled during the April 2014 mission and made further amendments to it. The final draft was discussed with the First Assistant Secretary and National Planning staff and the template was accepted as the final draft for implementation in the FY2016 budget roll out.

c. EPD

- i. Finalize expense and expenditure classifications and desired table presentation for inclusion in the Budget 2015 process.
- ii. Identify all changes required in IFMS (CoA updates, coding changes) to facilitate the accurate production of GFS data; work with Budget Division to have these changes implemented.
- iii. Obtain requested trust data from TAMD. Analyze cash stock data, identifying budget and own managed cash stock as at December 31, 2013. Prioritize own-managed trust accounts for additional data follow-up (transaction data). The purpose of this analysis is to assist in expanding coverage of GFS data to the complete budgetary central government subsector.
- iv. Obtain wages and salaries data, by entity, from the pension managers (funds). This information, while essential for GDP, will be quite useful for the expansion of GFS coverage to the entire budgetary central government and extrabudgetary units.
- v. Obtain, from the GL Management Unit (Accounting Standards) details on the provincial data loaded into IFMS. Key questions to obtain desired information include:
 - 1) What is the level of data (detail) available in PGAS?
 - 2) Does PGAS include provincial own source revenue?
 - 3) Is there a mapping document which identifies what detail is loaded from PGAS into IFMS (and what is excluded)?
 - 4) Can the PGAS loaded queries be altered? What effort is required to do this (how many hours/days)?

vi. Finalize review and comparison of entities included in IFMS and those loaded by PGAS.

- Update October 2014: The mission met with the Acting Secretary of Finance and IFMS (financial accounting system) team members on the automation of the GFS in IFMS. The Secretary and the team were supportive of the process. A draft master file with all the coding from IFMS CoA for revenue, expense, asset, liabilities and COFOG to GFS and draft example presentation tables was provided to all team members for review and comment before implementation.

d. SPID

- i. Continue work on Institutional Unit Classifications. Additional financial statements have been requested from the AGO. They need to be reviewed and the classification Excel file updated to reflect any changes to the classifications.
- ii. Request additional data, specifically pertaining to extrabudgetary units and debt levels for all units included in the quarterly dashboard, from IPBC. Provide any additional debt data obtained to FMD.
 - Update October 2014: The mission continued to work with SPID in trying to finalize institutional unit classification in PNG. This process, however, has proven to be challenging due to the availability of financial data and audited financial statements which may assist in the classification of the units in the absence of sector information available. The mission was able to follow up with the AGO the importance of supplying of this information in completing the process. The AGO indicated that they will provide the outstanding information, where it exists. The Treasury EPD also expressed their willingness to engage the AGO through the Secretary of the Treasury to get the necessary information to complete the task. The latest draft institutional unit classification table is included.⁵

e. FMD (Debt Management)

- i. Complete the compilation of the Financial Balance Sheet for inclusion in the Budget 2015 process and submit to EPD.
- ii. Compile the Statement of Contingent Liabilities (including amounts disclosed in Budget 2014) for inclusion in the Budget 2015 process and submit to EPD.
- iii. Split debt charges and interest expense and, working with Finance departments, implement these changes in IFMS.
- iv. Follow up on progress on the drafted debt guarantee policy.
 - Update October 2014: Work started by the FMD, Debt Division, in mapping liabilities for the central government to the *GFSM 2001/14* format. Work in this area

⁵ See DM5 document #5556824.

proves to be challenging due to incomplete information and unreconciled source data. Communication was sent to the Bank of Papua New Guinea (BoPNG) on public sector debt (state-owned enterprises), but data supplied has proven to be incomplete. Further engagement between data suppliers and compilers (EPD, FMD Debt, Cash Management Division, SPID, and BoPNG) are required. The drafted debt guarantee policy is reported as work in progress and has not yet been completed. The meeting with the FMD, Debt Division, revealed a strategic focus on reconciling IFMS with the Commonwealth Secretariat Debt Recording and Management System and published data as there are a number of integrity issues with data. The division also indicated that they will put a request through for additional assistance and expertise from the Australian Treasury in the fields of Financial Management and Public Sector Debt and Policy to assist in compiling a financial balance sheet for PNG. This assistance, combined with continued IMF support, and a focus on data reconciliation by FMD Debt, Cash Management Division, and the BoPNG are necessary steps to resolve the identified inconsistencies. The Debt Division started work on compiling a list of contingent liabilities but has indicated to the mission that public sector debt reconciliation deserves a higher priority at present. The mission also learned that one of the longer established human resources will leave the division in the 2015 fiscal year for studies and this will impact on the activities of the unit going forward.

f. IMF Team

- i. Provide guidance on the valuation and recording of subscriptions to the FMD.
- ii. Analyze budget, IFMS expenditure, and COFOG data to identify subsidies (on products and on production).
- iii. Analyze expenditure and COFOG data to identify infrastructure spending (as previously identified by Planning in Volume 3 of the Budget).
- iv. Analyze expenditure and COFOG data for feasibility to present by subsector.
- v. As requested, review expense/expenditure classifications and presentation for table finalization.

October 2014 mission

34. The next mission is proposed to occur during February 2015. During that mission, the team proposes to focus its efforts on finalizing any data issues for the Budget 2016 *GFSM 2001/14*) tables (Revenue, Expenditure, COFOG, Financial Balance Sheet (EPD)), continuing to work on Institutional Unit Classifications (SPID), and continuing work to expand coverage to the complete budgetary central government, provincial, and general government subsectors and sectors (Finance – Trust Accounts, GL Management, and Statutory Authorities Monitoring). To prepare for this mission, the team proposes the following tasks be completed before the next mission:

- i. Review and resolve outstanding issues noted in the consolidated coding file. Finalize the coding and formally communicate and forward the file to the IFMS team for implementation, enabling preparation of budget tables (2016) in the *GFSM 2001/14*.
- ii. Finalize the budget summary presentation tables and detail agency tables in the *GFSM 2001/14* format for inclusion in the 2016 budget.
- iii. GFS team, via the Secretary for the Treasury, to formally request
 - a. The Secretary of Finance to release information on trust accounts requested in various missions.
 - b. The AGO to prepare and release information to the SPID of the Treasury required to complete the institutional unit classifications.
- iv. The GFS team to work with
 - a. The Department of Finance Trust Accounts Division to build a reporting template to collect information on trust accounts.
 - b. The BoPNG, FMD Debt Division, and SPID to develop a template and framework for collecting public sector debt source data.

Appendix I. List of Officials Met during the Mission

Name	Surname	Position	Email	Agency	
David	Sovo	Aussell	Development Budget Officer – Public Investment Program	sovo_aussell@planning.gov.pg	Department of National Planning
Stanley	Yekep	AS Statutory Bodies Monitoring Branch	stanley_yekep@finance.gov.pg	Finance – Statutory Authorities	
Christopher	Pilyo	SPID – Treasury	christopher_pilyo@treasury.gov.pg	Treasury – SPID	
Ephraim	Danny	EPD Treasury	ephraim_danny@treasury.gov.pg	Treasury – EPD	
Herman	Pahau	Statistics Officer	herman_pahau@treasury.gov.pg	Treasury – Debt	
John	Uware	FAS Financial Management Division	john_uware@treasury.gov.pg	Treasury – Debt	
Joseph	Paschalis	EPD Treasury	joseph_paschalis@treasury.gov.pg	Treasury – EPD	
Manu	Momo	First Assistant Secretary Treasury	manu_momo@treasury.gov.pg	Treasury – EPD	
Mathew	Rabui	EPD Treasury	mathew_rabui@treasury.gov.pg	Treasury – EPD	
Tamara	Hartwich	EPD Adviser	tamara_hartwich@treasury.gov.pg	Treasury – EPD	
Vaieke	Vani	Economist – EPD Treasury	vaieke_vani@treasury.gov.pg	Treasury – EPD	
Hans	Margis	Budget Officer	hans_margis@treasury.gov.pg	Treasury – Budget Division	
Nancy	Lelang	Acting Assistant Secretary Treasury – Fiscal Forecasting	nancy_lelang@treasury.gov.pg	Treasury – EPD	
Gerald	Mogia Junior	Treasury Economist – Outturn Reporting	gerald_mogia@treasury.gov.pg	Treasury – EPD GFS	
Heau	Kengasa	IFMS Project Manager	heau_kengasa@finance.gov.pg	Finance – IFMS Team	
Ruth	George	Acting Assistant Secretary – Treasury	ruth_george@treasury.gov.pg	Treasury – Debt Management	
Nino	Saruna	Senior Budget Advisor	nino_saruna@treasury.gov.pg	Finance – IFMS Team	
Gibson	Niawang	Acting Assistant Secretary – Treasury	gibson_niawang@treasury.gov.pg	Treasury – SPID	
Samson	Mek	Economist – Treasury	samson_mek@scalix.treasury.gov.pg	Treasury – SPID	
Jim	Kerwin	Technical Advisor No longer with Treasury – Departed end-September 2014	james_kerwin@treasury.gov.pg	Treasury – IFMS Team	
Eddy	Galele	Advisor	eddy_galele@scalix.finance.gov.pg	Finance – IFMS Team	
William	Maihua	IFMS Budgeting Team	william_maihua@scalix.finance.gov.pg	Finance – IFMS Team	
Tim	Green	Acting Budget Advisor	tim_green@finance.gov.pg	Finance – IFMS Team	
Joe	Tomi	Accounting Team Leader	joe_tomi@scalix.finance.gov.pg	Finance – IFMS Team	
Margaret	Tenakai	First Assistant Secretary	margaret_tenakai@finance.gov.pg	Finance – Non-Tax Revenue	
Alex	Le	Advisor SPID	alex_le@treasury.gov.pg	Treasury – SPID	
Rodney	Rickard	Advisor Finance	rodney_rickard@finance.gov.pg	Finance – Statutory Authorities	
Ian	Nicholas	Advisor SPID	inicholas@treasury.gov.pg	Treasury – SPID	

Name	Surname	Position	Email	Agency
Andy	Viu	Deputy Auditor General	avui@ago.gov.pg	Auditor General's Office
Wayne	Jones	Senior Advisor	wjones@ago.gov.pg	Auditor General's Office
Rhoda	Karl	Assistant Secretary	rkarl@treasury.gov.pg	Treasury – EPD
Simon	Potter	Advisor	spotter@treasury.gov.pg	Treasury – Debt Management
Cathy	Ali	Acting Assistant Secretary	cathy_ali@scalix.finance.gov.pg	Finance – Trusts
Chris	Waiya	Assistant Secretary	chris_waiya@finance.gov.pg	Finance – Frameworks
Chris	Paul	Assistant Secretary	chris_paul@scalix.finance.gov.pg	Finance – General Ledger
Stephen	Nukuitu	Acting Deputy Secretary	steven_nukuitu@finance.gov.pg	Finance – Operations
Linda	Taman	First Assistant Secretary	linda_taman@planning.gov.pg	Department of National Planning
Kayelle	Drinkwater	Senior Budget Advisor	kayelle_drinkwater@treasury.gov.pg	Treasury – Budget Division
Andres	Rehbein	Adviser to IFMS	andres.rehbein@agilebt.com	Finance – IFMS Team
Dr. Ken	Ngangan	Acting Secretary of Finance	ken_ngangan@finance.gov.pg	Department of Finance
Magdelyn	Kuari	Economist Forecasting	magdelyn_kuari@treasury.gov.pg	Treasury – EPD
Rizwan	Khan	IFMS Adviser	rizwan_khan@finance.gov.pg	Finance – IFMS Team
Kamal	Chand	IFMS Adviser	kamal_chand@finance.gov.pg	Finance – IFMS Team
Jonathan	Greenland	EPD Adviser	jonathan_greenland@treasury.gov.pg	Treasury – EPD
Laurin	Janes	Planning Adviser	laurin_janes@planning.gov.pg	Department of National Planning
Brian	Thomas	EPD Adviser	brian_thomas@treasury.gov.pg	Treasury – EPD
Earau	Iru	Snr. Data Management & Stats Officer	earau_iru@treasury.gov.pg	Treasury – Debt Management
Jeffrey	Walua	Acting Assistant Secretary	jeffrey_walua@treasury.gov.pg	Treasury – Debt Management
Stewart	Bennett	Adviser Debt Management	stewart_bennett@treasury.gov.pg	Treasury – Debt Management
Peter	McCray	Team Leader for Finance Strongim Gavman Program	peter_mccray@finance.gov.pg	Department of Finance
Jim	Ramsey	IMF Financial Management Systems and ICT expert - PFTAC	jramsey@ardua.com	PFTAC

Appendix II. Papua New Guinea: Migration Plan

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>1. Coordination of GFS reforms This task involves coordinating the government's adoption of <i>GFSM 2001</i>, including managing the project, developing understanding of <i>GFSM 2001</i>, seeking appropriate assistance, delegating responsibilities and reporting on progress of adoption.</p>	Expenditure Branch (EPD)	Presentation to EPD on GFS - Completed – August 2012	<p>a. A more technical presentation to EPD, including the Fiscal Tables presentation under <i>GFSM 2001</i> format.</p> <p>b. Monthly updating of workplan and coordination of project</p>	<p>Early 2013</p> <p>Monthly</p>
<p>2. Classification of institutional units under <i>GFSM 2001</i> A comprehensive, definitive list of government institutions should be developed and classified in accordance to the GFS Institutional classifications (according to those that carry out government functions and those that are market enterprises). This is the first step in GFS, but will also be necessary for improved National Accounts and other Government Statistics. This classification exercise needs to include SOEs, authorities, Boards, Funds (e.g., Sovereign Wealth Funds and Super funds), provinces (e.g., in some countries provincial and local level governments do not meet the classification for institutional unit and therefore may be part of central government).</p>	EPD (Expenditure Branch) to do brief and Presentation SPID/Budget /EPD to undertake classification exercise	A partial list, but not up to date and not distinguishing between authorities that carry out government or market functions. IFMS does not have statutory authorities classified under the current <i>GFSM 2001</i> institutional classifications.	<p>a. EPD to brief T Secretary cc SPID- giving an outline of what <i>GFSM 2001</i> is, why we need adopt it, our progress to date and what we still need to do (seek green light for presentation).</p> <p>b. EPD to give presentation to SPID/Budget Division/EPD on the above mentioned. Get SPID to assist in the classification of institutional units.</p> <p>c. SPID/Budget Division/EPD to develop a comprehensive list of the general government sector, and the public sector as defined in <i>GFSM 2001</i> institutional classification. This will include determining whether PNG's statutory authorities are either public corporations or part of general government. Authorities must be grouped into ones that carry out government or market functions.</p> <p>d. TA from IMF could provide additional guidance on borderline cases.</p> <p>e. Update October 2014 – Further work and TA required, approx 50 units still not classified. Challenges with obtaining administrative and financial data in making institutional unit classification possible. EPD intervention to AGO in making completion of this task possible.</p>	<p>August 2013</p> <p>August 2013</p> <p>October 2013 – October 2014</p> <p>February 2015</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>3. Chart of Accounts for GFSM 2001 (Updated GFSM 2014) Recurrent and Development Budget codes all to be mapped to the GFS Codes: 1 – Revenue 2 – Expense 3 – Transactions in assets and liabilities 6 – Stock of assets and liabilities 7 – Outlays by functions of government (e.g., health, education, law and order)</p>	<p>Budget Division – responsible for GFS classification in the IFMS EPD to provide assistance where possible FMD to provide assistance with respect to assets and liabilities Planning to provide assistance where requested with respect to development budget codes</p>	<p>CoA for budgetary government already based on the <i>GFSM 2001</i> coding, but there are still some errors that need to be sorted out because some items are not coded properly. For example, motor vehicles purchases are treated and coded as expenditure (items 2) but should be treated and coded as the acquisition of non financial assets (items 3). Currently there are a number of items classified as Not Applicable. These items will have to be classified under their correct functions.</p>	<p>a. Budget Division to review functional classification (GFS codes beginning with 7). b. EPD to assist with review of revenue and expense and nonfinancial asset codes (GFS codes beginning with 1 and 2 and 3). c. FMD to review asset and liability codes (GFS codes beginning with 3 and 6). d. TA could be sought to provide guidance on borderline codes. e. Update October 2014 – The October mission created a master file with all the national chart of accounts coding to the <i>GFSM 2001</i> (updated <i>GFSM 2014</i>) enabling IFMS to build coding into the financial system. The file should be reviewed and finalized before final hand over to IFMS for implementation. f. Update October 2014 – This process should also include a review of the classifications in transition tables for PGAS, Alesco (Payroll) and Oracle (Ministry of Public Works) to the GFS.</p>	<p>Complete by December 2014 for integration in the next FY budget Final sign off file to reach IFMS end January 2015 February 2015</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>4. Budgeting and Reporting on a GFSM 2001 Basis</p> <p>The fiscal tables should adopt the <i>GFSM 2001</i> classifications aiming for a modified cash basis. It may be appropriate to include both 1986 and 2001 based classification formats for first couple of years before moving completely to the 2001 format. This can be done based on the format shown in the lectures at the IMF seminar (Fiji) where data from the current <i>GFSM 1986</i> basis is converted into the <i>GFSM 2001</i> basis.</p> <p>Under modified cash basis reporting, we would aim to develop the following reports for the national government:</p> <ol style="list-style-type: none"> Statement of Sources and Uses of Cash Statement of Government Operations (this would be the Statement of Sources and Uses of Cash plus in kind transactions and any accrual adjustments we are able to make) Financial Balance Sheet Revenue Table Expense Table Transactions in Assets & Liabilities Table Outlays by Functions of Government 	<p>Forecasting Branch with Fiscal Branch assistance. IFMS FMD input into Financial Balance sheet.</p>	<p>No progress Population of data in tables requires GFS coding to be complete.</p>	<ol style="list-style-type: none"> A more technical presentation should be given to EPD on <i>GFSM 2001</i> classification and how to present data under the <i>GFSM 2001</i> format. Seek approval for training for EPD officers in IFMS. IFMS team led by Jim Kerwin to provide IFMS training. Redesign fiscal tables based on <i>GFSM 2001</i>. Build <i>GFSM 2001</i> tables into IFMS system. Identify gaps in data collection and determine whether this data is available in IFMS. Present partial financial balance sheet information Present revenue/expenditure/transactions in Assets and Liabilities tables with explanation of how the old fiscal tables convert into the new fiscal tables. Update October 2014 – Deferred for implementation in 2016 budget. All files, reporting requirements and presentation tables to reach IFMS Team no later than end January 2015. 	<p>June 2014</p> <p>Q1:2013 Q1:2013</p> <p>Q2:2014 Q4:2014 2014</p> <p>October 2014 2015 Budget</p> <p>2016 Budget</p>
<p>5. Steps involved in converting revenue data to GFSM 2001 basis</p> <p>Existing revenue data to be converted into <i>GFSM 2001</i> data. However, changes to data will include:</p> <ul style="list-style-type: none"> Revenue to be reported on a net basis (net of refunds) All revenue to be reported when cash received, not when revenue is transferred to WPA (e.g., goods and services tax) All revenues received by the National Government to be included in National Government revenues (e.g., goods and services tax given to provinces and bookmakers turnover tax) Reporting hypothecated revenue such as diesel levy to NRA. Proper institutional classification of NRA will have to be done and reporting of NRA diesel levy collections under general government revenue. Reporting on interest received on all national government accounts Amend reporting on infrastructure tax credits 	<p>EPD - Revenue Branch and Forecasting Branch Assistance from IRC, Customs, Finance – not-tax revenue.</p>	<p>No progress, will require institutional classification to be complete and GFS coding to be completed.</p>	<ol style="list-style-type: none"> Detailed presentation/training on revenue presentation under <i>GFSM 2001</i> given to EPD, IRC, Customs and Finance. Further clarification of tax credit treatment to be sought from IMF. Data on revenue adjustments to be collected and collated. Historical data to be amended to GFS basis. Update October 2014 – Work has commenced on setting up the revised revenue tables in the <i>GFSM 2001</i> (Updated <i>GFSM 2014</i>) in preparation for the 2016 budget roll out. 	<p>May 2013</p> <p>October 2013</p> <p>Q4:2014</p> <p>Q3:2014</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>6. Steps involved in converting expenditure data to GFSM 2001 basis Existing expenditure data to be converted into <i>GFSM 2001</i> data. However, changes to data will include:</p> <ul style="list-style-type: none"> • Omitting both concessional and commercial loans from expenditure and properly classifying them (maybe under financing). • The proper treatment of Infrastructure Tax Credits. • Treating expenditure from trust accounts as expenditure rather than transfers to trust accounts as expenditure. • Providing the correct coding and format for presentation under the <i>GFSM 2001</i> (maybe similar to table 6.1, but providing only information that is available). • Removal of refunds • Addition of grants where hypothecated revenues are included • Breakdown of development budgets into cash and in kind • Breakdown of development budgets into personal emoluments and goods and services • Classification of expenditure by Function of Government. This will help with presentation of medium-term development plan enablers. 	<p>EPD - Expenditure Branch & Forecasting Branch, Budget division, Planning</p>	<p>No progress, will require institutional classification to be complete and GFS coding to be completed</p>	<p>a. Detailed presentation/training on expenditure presentation under <i>GFSM 2001</i> given to EPD, Budget, Planning b. Work with donors to improve donor information c. Further clarification of tax credit treatment to be sought from IMF d. Data on expenditure adjustments to be collected and collated, may include working with authorities on data provision, preferably through IFMS, or through other data forms. e. Historical data to be amended to GFS basis f. Update October 2014 – Work has commenced on setting up the revised expenditure tables in the <i>GFSM 2001</i> (Updated <i>GFSM 2014</i>) in preparation for the 2016 budget roll out.</p>	<p>May 2013 Q2:2014 Q2:2014</p>

Tasks	Area responsible	Progress to Date	Next steps	Timing
<p>7. Steps involved in converting financing information into transactions in assets and liabilities and financial balance sheet presentation</p> <p>Unlike revenue and expenses, the information for assets and liability is not currently maintained for most entities other than SOEs, and therefore a more staged approach to introduction of GFS is required with limited data being initially reported and gradually expanded based on the reliability of data for reporting purposes and the desired reporting scope.</p> <p>The balance sheet will focus only on financial assets during this stage of implementation. Recognition of nonfinancial assets will not be undertaken until cash reporting and a full financial balance sheet have been achieved. However, transactions in nonfinancial assets will be recorded. The modified cash basis will allow for accrual adjustments where information is available.</p> <p>Changes to data may include:</p> <ul style="list-style-type: none"> • Assets and liabilities will be recognised when the Government has a right or obligation rather than when this is realised • The GFS system generally adopts a market value concept for the valuation of assets and liabilities rather than initial cost. Records will need to be maintained of changes in stock value from valuation effects and recorded from other transactions • Identification of investments for public policy, which have a different treatment for GFS • Mapping of assets and liabilities to GFS account codes • New assets and liabilities identified will need to be recorded and information maintained • Adjustment to records maintained using accrual accounting to GFS –removal of provisions for asset impairment and valuation largely based on market value 	FMD, EPD	No progress to date Will require institutional classification to be complete	<ul style="list-style-type: none"> a. Detailed presentation/training on assets and liabilities presentation under <i>GFSM 2001</i> given to EPD, Budget, Planning, FMD, SPID and IPBC b. Stock take of major assets and liabilities on the Government c. Decision on extent of balance sheet and threshold for recognition (for example K5 million) d. Establishment of IFMS reporting of assets and liabilities. e. Establishment of asset and liability valuation requirements under <i>GFSM 2001</i> (frequency and basis) f. Funding for valuation advice for major liabilities and assets which a market value or cost is not readily identifiable g. Establishment of data reporting requirements for the holders of this information h. Update October 2014 – Work has started to construct the financial balance sheet for budgetary central government. Further work and TA required as there are incomplete data and un-reconciled items. i. Update October 2014 – This process should include a clean-up of the accounts for assets and liabilities in IFMS. 	<p>June 2013</p> <p>2014</p> <p>Q1 :2013</p> <p>Q1 :2013</p> <p>Q2 :2014</p> <p>Q4 :2014</p> <p>2014</p> <p>October 2014</p> <p>2015 Budget</p> <p>2016 Budget</p> <p>February 2015</p>
<p>8. Reporting to the IMF on GFS</p> <p>Reporting to IMF on annual outcomes and monthly or quarterly outcomes.</p> <p>Currently the National Statistics Office is officially nominated to provide GFS data to the IMF. The IMF review into statistics in 2006 recommended this function be moved to Treasury.</p>	Expenditure Branch		<ul style="list-style-type: none"> a. Determine appropriate organization for reporting GFS data to the IMF. b. Report data to the IMF c. Update October 2014 – Reporting will be possible once the budget and associated processes are updated to the <i>GFSM 2001</i> (Updated <i>GFSM 2014</i>). 2016 Budget rollout. Reporting to follow 2016 budget rollout. 	<p>2013/14</p> <p>2014/15</p> <p>2015/16</p>

Non-Tax Revenue Recording Notes

Non-tax Revenue

Non-tax revenue is comprised of fees and charges levied by departments and Ministries. Rates for these charges are established through various means (enabling legislation, budget acts) and some may be varied at the discretion of the levying organization. From a GFS perspective, these fees and charges include Administrative Fees, Incidental Sales by Non-Market Establishments, Taxes (Permission to Use Goods and Perform Services), and Rent (natural resource revenues).

Monies are collected through various portals. There is a central cash collections office in *Vulupindi Haus* (Ministry of Finance building) where fees are collected. Other monies are collected directly by the levying organization. For example, PNG Immigration collects passport fees and work permits charges; Motor Vehicle Insurance Limited collects fees and charges on behalf of the Ministry of Transport; and Department of Lands collects Land lease monies.

Revenue is recorded directly in IFMS by ministries/departments/authorities which have access to this system. Others use the legacy system, PGAS, while still others use paper-based recording of these transactions. For entities which do not use IFMS, there is a monthly reporting process. Within 14 days after the end of the month, all departments/ministries are required to report fees and charges revenue to the NTRD of the Ministry of Finance. This data is reviewed and uploaded into IFMS by the NTRD.

Cash management of these revenues is disparate. Monies collected by the provinces on behalf of the central government are deposited into the RPM accounts with the Bank of the South Pacific (private sector financial corporation). On the 22nd of each month, funds in the RPM accounts are automatically transferred into the WPA. Monies collected in the *Vulupindi Haus* cash office are directly deposited in the WPA. Monies collected by ministries and departments may be directly deposited into the WPA or into a trust account. If a trust account is used, NTRD often experiences difficulties in both verifying the revenues earned by the government and ensuring the cash is transferred into the WPA. For example, as of the end of November 2013, the Department of Lands had Land Lease arrears of \$100M kina while Motor Vehicle Insurance Limited was refusing to transfer, as required by a NEC decision, 80 percent of its collections to NTRD.

NTRD also collects “recoveries” on behalf of the budgetary central government. These recoveries can be refunds of expense (expenditure) and returns of cash to the Treasury (unspent monies, unused airline tickets, unused salaries, stale dated checks). In the GFS context, the refunds of expense (expenditure) are treated as reductions in expense (asset valuations); the returns of cash to the Treasury are balance sheet transactions (debt cash asset, credit net worth).

The government has undertaken a project, with the support of AusAid to improve collection and monitoring of these non-tax revenues, including improvements in the recording (completeness, accuracy, and timeliness) of data in IFMS.

Guidance Note: Classification of In-Kind Grants in Papua New Guinea

In PNG, aid is delivered three ways:

1. In kind through the provision of assets, goods, services, and long-term on-the-ground advisors
2. In kind through the provision of concessional loans
3. In cash through the provision of cash for use by the government (generally earmarked for specific projects).

The classification of these *transactions* under the GFS framework requires further clarification. Each mode of in-kind aid provision noted above, with its recommended GFS classification, is noted below.

In-kind aid through the provision of assets

When a general government unit receives assistance in the form of a produced (fixed) asset (provision of machinery, equipment, building, road, bridge, etc.), where the title of the asset is transferred to the general government unit, the GFS transaction is recorded as follows:

Debit	Asset (building, machinery, equipment)
Credit	Grant Revenue – Capital

The GFS code for the asset will depend on the *type of asset* received. The GFS grant revenue code will depend on *who is donating* the asset. For example, if PNG receives a donation of computer equipment from the government of Japan, the transaction will be recorded as:

Debit	311221	Machinery and Equipment – Information, Computer, and Telecommunications Equipment
Credit	1312	Grants from Foreign Governments – Capital

The *value* of the asset should be recorded as the value assessed by the donor. If the donor has no or a nominal value attached to the asset provided, then an estimate of the fair (market) value needs to be made by PNG.

In-kind aid through the provision of goods

When a general government unit receives assistance in the form of a good (office supplies, fuel, small tools, medical supplies, etc) and the good is used by the general government as part of its production process, the GFS transaction is recorded as follows:

Debit	Use of Goods and Services
Credit	Grant Revenue – Current

The GFS expense code depends on the government *using the good itself* in the production of services, rather than transferring it to the household sector for its consumption. The GFS grant revenue code will depend on *who is donating* the good. For example, if the International Red Cross donates medical supplies to the government which are used by the Port Moresby Hospital as part of its everyday operations, the transaction will be recorded as:

Debit	1321	Grants from International Organizations – current
Credit	22	Use of Goods and Services

The *value* of the goods should be recorded as the value assessed by the donor. If the donor has no or a nominal value attached to the goods provided, then an estimate of the fair (market) value needs to be made by PNG.

In-find through the provision of services

When a general government unit receives assistance in the form of a service (expert advice, consultancy services, visiting medical specialists, provision of utilities for free, etc) and the service is used by the general government as part of its production process, the GFS transaction is recorded as follows:

Debit	Use of Goods and Services
Credit	Grant Revenue – Current

The GFS expense code depends on the government *using the service itself* in the production of services, rather than transferring it to the household sector for its consumption. The GFS grant revenue code will depend on *who is donating* the service. For example, if *Doctors Without Borders* sends a team of eye specialists into New Ireland to provide medical services for one month, the transaction will be recorded as:

Debit	22	Use of Goods and Services
Credit	1321	Grants from International Organizations – Current

Again, the *value* of the services should be recorded as the value assessed by the donor. If the donor has no or a nominal value attached to the goods provided, then an estimate of the fair (market) value needs to be made by PNG.

A question may arise where the service is provided over a long period of time. For example, long term advisors working in IRC, Treasury, Finance, etc. It may appear that these services function more like government employees and should be recorded as *Compensation of Employees, Wages and Salaries* expense. The line between advisor/consultant and employee can be difficult to distinguish. Generally, an individual is deemed an employee if (1) their work (output and timing) is controlled by the government unit; (2) the individual is entitled to the same benefits (leave, compensation scale, medical, retirement, etc.) as are generally afforded other employees of the unit; (3) the government unit pays social contributions on behalf of the individual, as is generally

done for all employees of the unit. Generally, an individual is deemed a contract/consultant if the three conditions above do not apply; another indicator may be the payment of sales tax to the individual by the government unit (i.e., not paid as part of payroll but rather through an invoice).

For example, an economist from the Overseas Development Institute: while their salary is paid by the donor, the PNG government unit provides housing and directs all work to be completed by the Overseas Development Institute economist. These persons qualify as deemed employees despite being paid directly by a foreign government unit. The transaction is recorded in PNG GFS as follows:

Debit	2111	Wages and Salaries in Cash
Credit	1311	Grants from Foreign Governments – Current

In-kind through the provision of concessional loans

When a general government unit borrows money at an interest rate lower than it would otherwise have to pay to most lenders, there is a benefit conferred to the general government. There is currently no accepted international guidance as to how to treat such benefits. Thus, the transaction in GFS for a concessional loan will be treated the same as a nonconcessional loan, as follows:

Initial loan

Debit	Currency and Deposits
Credit	Liabilities – Loans

Repayments

Debit	Liabilities – Loans
Debit	Interest expense
Credit	Cash

Concessional loans (at nominal value) should be separately identified and a value of the concession (benefit transferred) established. These amounts should be recorded as a memorandum item on the Balance Sheet.

Appendix III. Organizational Structure of the IPBC

