Reforming Public Financial Management in Papua New Guinea: The Role of Accountants

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Secretary for Finance
• Outline key PFM reforms that the Department of Finance has been taking forward over the last twelve to eighteen months.
• PFM reforms to improve government accountability, transparency and efficiency
What does PFM reform include?

• Review of PFM Act
• Developing institutional framework for PFM
• Developing/reforming regulations to govern PFM
• Processes to achieve clean audits
• Developing a new chart of accounts for government
• Reviewing/reforming the governments budgeting process
• Reviewing/reforming financial reporting processes
• Implementing Integrated Financial Management Systems (IFMS)
Ensuring success

- Government commitment
- Capacity building
- Change management
Public Expenditure and Financial Accountability Assessment (PEFA)

• In March 2014, at NECs direction, the Department of Finance led a team of government officials to conduct a Public Expenditure and Financial Accountability Assessment (PEFA) of PNG’s public financial management (PFM) system.
• The assessment was based on the internationally recognised Public Expenditure and Financial Accountability (PEFA) Framework.

• The objective of the PEFA Assessment was to measure the performance of PNG’s PFM system.
• PNG Government officials conducted the self-assessment using the PEFA Framework
• Identified both the strengths and weaknesses in PNG’s PFM systems.
• Clearly aware of the problems existing in PNG’s current PFM system, and also the steps that needed to be undertaken in order to address these weak areas.
The PEFA framework assessed the following aspects of public financial management relative to international standards for good practice:

- Credibility of fiscal strategy and Budget
- Comprehensiveness and Transparency
- Asset and Liability Management
- Policy based Planning and Budgeting
- Predictability and Control in Budget Execution
- Accounting, Recording and Reporting
- External Scrutiny and Audit
• The PEFA findings revealed a host of strengths and critical weak links in the PFM system.
• PEFA findings were publicly released in September 2015 along with a detailed road map for implementation of PFM reforms, the *PEFA Road Map 2015-2018 and Assessment.*
PFM Reform Roadmap

• Summarizes the major findings of the PEFA Assessment (many already known)
• Lists and priorities important actions that must be taken over the next 3 years to remedy the major weaknesses identified by the PEFA assessment.
Key priorities implemented

• FFR Project – PFMA Act amendment,
• Reviews into the procurement system and
• The roll out of the IFMS.
The Financial Framework Review (FFR)

• Current Financial Management Framework was out-dated and requires updating and modernisation.

• In February 2016 the Department of Finance under my leadership again restarted the reform efforts in respect of public financial administration in Papua New Guinea.

• Bill passed in August 2016 sitting of Parliament
PFMA Act amended

• The new PFMA only recognises two types of bodies – public bodies and statutory bodies. Public bodies are essentially government departments and provincial and local level governments, and statutory bodies are all other state entities, however created, that access public money. This is a major simplification.
The new PFMA establishes and recognises the split of functions between Treasury and the Department of Finance, since these two departments separated. In large terms, the Treasury functions are related to broad macro-economic functions, including the National Budget, while the Department of Finance focuses on financial administration.

The public financial management obligations of both bodies are spelt out with precision so that there is no confusion.
• The Department of Finance and Treasury must now certify all proposals for the creation of new or restructuring of existing statutory bodies to ensure compliance with the PFMA.

• All fees and charges under all PNG legislation are now set by the Minister for Finance in consultation with the relevant Departments or agencies.
• The new PFMA makes it a very serious criminal offence not to comply with the PFMA, the Finance Manual or the Finance Instructions. Penalties have been simplified by making the offenses strict liability – meaning that there is no need to prove intention to not comply, only that there was non-compliance.
Procurement Review

- NEC has approved the creation of a new National Procurement Policy (NPP) that will form the basis of a new procurement law.
- Drafting of procurement law in progress
Integrated Financial Management System (IFMS)

- For many years IFMS was operational only in the Departments of Finance, Treasury and National Planning and Monitoring. However, in 2015 significant roll-out momentum was achieved and IFMS was implemented in 22 agencies by the end of 2015.
• IFMS is central to the highest priority PFM reforms for the Department of Finance, specifically:
• Completion of the roll-out of IFMS
• Replacement of PGAS end of 2018 on completion of sub-national roll-out);
• Development of interfaces with payroll and other PFM systems;
• Development of checks and controls to ensure a high level of data quality, integrity and coherence; and,
• Accounts reconciliations and improved cash management.
Review of the Governments Cash Management System and Government Banking Framework

• Review of the current cash flow forecasting and stronger controls in the issuance of warrants to be subjected to cash availability.

• Strengthen governments’ financial position through a new pooling of financial resources to be implemented under a new banking framework.
New Asset Management System

• New Assets Management Policy to manage non-financial assets to be monitored through the IFMS.

• It will allow for a documented, controlled and audited procedure for all government agencies to comply with.
Timeliness and Quality in the submission of Financial Reports

• Monitoring System for monitoring Trust Accounts held by SNGs launched.

• Visual report of the timeliness of reporting by SNGs and has improved the rate of reporting for bank reconciliations and financial statements for Provincial, Districts and LLG held government accounts.
Public Accounts Report

• Finalised the 2010 - 2014 Annual accounts outstanding
• The 2015 Public Accounts is currently being audited by the Auditor General’s office. The accounts will be released once AGO complete their audit.
• Looking at producing the public accounts on a timelier basis and bringing all the outstanding accounts up to date has been part of this long process.
PFM Training

• Specialised degree Bachelor of Public Financial Management
• PNG Association of Government Accountants & Public Finance Managers
• Other short trainings on PFM
Conclusion

• On that note, it is again my pleasure to announce that Public Finances Management Reform agenda is heading in the right direction and I am delighted to have the opportunity to update you as it progresses. It is my view that the united work and push for the implementation of the PFM transformation agenda is a fight for the People of PNG and the Department is committed to winning that fight.