



DEPARTMENT OF FINANCE

**Public Finance Management (Amendment)
Act (PFMA) 2016
Presentation**

Financial Framework Review Team

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1.0 Purpose

1. Know and understand the key changes in the amended PFMA, 2016;
2. Exercise compliance to the ACT; and
3. Maintain transparency and accountability in managing public monies (Resources).

2.0 Current Framework

The PNG public financial management framework is made up of:

- i) ***New Public Finances (Management) Act, 2016 (PFMA);***
- ii) **Financial Management Manual (FMM); and**
- iii) **Finance Instructions (FIs) issued under the PFMA.**

3.0 Legislative Amendments

All due care taken to:

- accord with other PNG legislation;
- provided clear authority;
- achieve the desired policy goals;
- easy read and understood; and
- include appropriate penalties for non compliance.

4.0 **Amendments to Roles and Responsibilities**

- Clearly defined roles, responsibilities and powers of;
 - ✓ *Minister for Finance and Minister for Treasury (Treasurer)*
 - ✓ *Secretary for Finance and Secretary for Treasury*
- Previously these were ambiguous and there was confusion regarding the roles, responsibilities & powers of these positions.

5.0 Amendments on Separation of Treasury and Finance

- The *role* of *Department of Finance* is clearly defined as the fiscal implementing agency of the National Budget.
- The Finance Minister and Head of Finance administer the whole PFM Act except Part IV or 4 – National Budget.
- The *role* of *Treasury* is clearly defined as macro – economic control and oversight, including the Budget, State loans and guarantees and the like.
- The Treasurer and Head of Treasury administer Part IV (Budget) of the PFMA.

6.0 Amendments to Powers of Inspectors

- PFMA gives greater power to the Minister of Finance and the Secretary to demand and obtain information from public & statutory bodies.
- DoF will be able to send **Finance Inspectors** and **Financial Controllers** to any public or Statutory body to ensure Compliance to the ACT.

7.0 Amendments on Fees and Charges

- The Minister of Finance will exercise his power to set/review all **Fees** and **Charges** in consultation with concerned agency.
 - Some fees and charges have not been reviewed and amended for so many years.
 - Ensure Non–Tax Revenue is efficiently collected in future.
- As government policy **All** Fees and Charges along with Arrears of government will be collected and transferred directly into Consolidated Revenue Fund (CRF).
- All sharing agreements in place are illegal and must be revoked and all revenue collected transferred into CRF forthwith.

8.0 Amendments to Names of PTs & DTs

- The previous names of Provincial Treasurers and Offices & District Treasurers and Offices is changed.
 - **Provincial Finance Managers (PFM) & Provincial Finance Offices (PFO)**
 - **District Finance Managers (DFM) and District Finance Offices (DFO)**
- Previous names were confusing and were perceived as part of Dept. of Treasury.
- The new names highlights the extended arm of DoF at sub-national levels.
- Effective as of **6th April 2017**- Finance Circular 02/2017.

9.0 Amendments to Public and Statutory Bodies

- All government agencies have now been re-defined and categorized into 2 types – **Public Bodies and Statutory Bodies.**
 - Previously both were categorized as Public Bodies.
- Public bodies now classified as Departments of the State, Provincial and District Governments.
 - Public Bodies are governed by **New Part VIIA or 7**

9.0 Amendments to Public and Statutory Bodies *(continued)*

- Statutory Bodies are identified as **creations by or under statute Law**.
 - i.e. Border development Authority, Immigration & Citizenship Authority and the new District Development Authorities (DDA's).
 - Statutory Bodies now governed by **New Part VIII or (8)**
- In addition all State Owned Enterprises (SOEs) will also be governed by Part VIII unless exempted by an Act.

10.0 Amendments on Approval & Review of Statutory Bodies

- All new proposed statutory bodies will be considered by Treasury and Department of Finance.
- Minister of Finance or Treasury will be able to authorise a review of any existing statutory body.
- The movement towards making many Departments into statutory bodies will not be accepted.
 - The Bougainville Government is made subject to the PFMA and is to be subject to the provisions relating to public bodies.

10.0 Amendments on Approval & Review of Statutory Bodies *(continued)*

- All statutory bodies will now be vetted under a new policy framework

11.0 Amendments to the Procurement part of PFMA

- All Procurement related matters are put in a single Part of the PFMA. (Part VII or 7)
- The reason being Government is currently in the process of reforming procurement completely and it is likely that there will be a new Procurement Act.
- Placing all procurement provisions in one part allows for easy repeal when the new law on procurement is ready.

11.0 Amendments to the Procurement part of PFMA *(continued)*

- NPP has been extensively consulted through the TWG with all major spending departments – Works, Health and Education – as well as the key regulatory bodies - State Solicitor, Auditor General, CLRC, plus all donors – World Bank, Asian Development Bank, Australian High Commission.
- 9th version of NPP has been cleared by State Solicitor for presentation and consideration by NEC.
- The key spending Departments have been present and represented at all TWG meetings and most of them have provided extensive comments and inputs.
- Drafting instructions and draft Bill follow the draft NPP.

11.0 Amendments to the Procurement part of PFMA *(continued)*

- The NPP covers both public and statutory bodies (within meaning of PFMA) – including Bougainville – without exception.
- NPP covers procurement and disposal.
- NPP covers regulation of procurement as well as the financing of procurement.
- International agreements – if PNG makes an agreement that specifies another method of procurement – the agreement prevails.

11.0 Amendments to the Procurement part of PFMA *(continued)*

- The current procurement system has been the subject of systematic abuse - as detailed by the Asian Development Bank – and is characterised by very low procurement capacity with public and statutory bodies and use of totally inappropriate practices (e.g. COI, attempted use of Trust Accounts for improper purposes).
- In the past, public and statutory bodies commenced procurements without reference to either appropriated or available funds.

11.0 Amendments to the Procurement part of PFMA *(continued)*

- National Procurement Commission (NPC) is NOT a regulatory body – it performs procurements. (A regulator cannot procure.)
- Competent staff of CSTB, PSTBs & DSTBs will be absorbed into the NPC.
- All procurement policy matters are solely the mandate of the Department of Finance – but the DoF has extensively consulted and intends to move forward.

12.0 Amendments on Penalties and Non-compliance

- The offences are simplified and make it more blunt for non – compliance with the PFMA, the Regulations, the FI or the Finance Manual.
- Substantial penalties will be applied to those who do not comply.
- The law will not tolerate any person convicted under the PFMA to work or contract with Government.
- A person found guilty under the Act is to be barred for life from government/public service.

12.0 **Amendments on Penalties and Non-compliance** *(continued)*

- Failure to comply with the PFMA, the FMM or FI is a criminal offence – imprisonment for a period not exceeding 15 years and or fine not exceeding K2,000 000 (person) (Sec. 106A(4)(a));
- Fine for corporations or companies is K50,000,000 (Sec. 106A(4)(b))

Summary

- Wide consultation via TWG comprising key stakeholder agencies.
 - Central agencies; large spending agencies; donor partners
- Act was passed in Parliament on **6th August 2016.**
 - Certified **9th November 2016**
 - Effective **1st January 2017**
- New PFMA currently being consolidated by FLC
- Nation wide awareness roll-out once Consolidated PFMA is completed by FLC.

End of Presentation

Questions/Comments

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