



**DEPARTMENT OF FINANCE
Office of the Secretary**

FINANCE INSTRUCTION 05/2020

28 April 2020

**SUBJECT: MANAGEMENT OF FUNDS FOR COVID-19 EMERGENCY
RESPONSE**

1. INTRODUCTION

1.1. Authority

This Financial Instruction (hereafter FI), is issued jointly by the Secretary, Department of Finance, and the Emergency Controller under the authority of:

- (a) Section 117 of the *Public Finances (Management) Act 1995* (PFMA) (as amended) whereby the Finance Departmental Head may issue Financial Instructions that are necessary or desirable for carrying out or giving effect to this Act and in general for the better control and management of public monies and public property.
- (b) National Emergency declared by the Head of State given effect through Emergency (General Powers) (COVID-19) Regulation 2020 (the Regulation).

1.2. Legality & Enforcement

Pursuant to Section 4 (1) of the PFMA, the Finance Secretary has control and direction of all matters relating to the management of the financial affairs of the State.

Pursuant to Emergency (General Powers) (COVID-19) Regulation 2020 the Emergency Controller has control and direction of all matters relating to the management of the State of Emergency.

This FI will remain in effect for the duration of the COVID-19 State of Emergency.

1.3. Precedence

Finance Instruction 04 of 2020 is revoked and replaced by this FI.

2. PURPOSE

This FI is to give direction on the mechanisms for managing funds allocated for the COVID-19 emergency response at the national, provincial and district levels.

3. PROCUREMENT

3.1. Pursuant to Section 9 of the Emergency (General Powers) (COVID-19) Regulation 2020, the Procurement provision of the PFMA and National Procurement Act (NPA) shall not apply. However, the following procurement limits shall apply:

- (a) National Executive Council (NEC), Unlimited;
- (b) The Emergency Controller, K10 million;
- (c) Departmental Head (National Departments and Statutory Authorities), K1 million;
- (d) Provincial procurements, K5 million; and
- (e) District Development Authority (DDA) procurements, K2.5 million.

3.2. The above limits apply to all COVID-19 related procurements, including those items listed in Schedule 1 Restricted Goods of the National Emergency Order No. 11 Procurement of Certain Goods.

3.3. A procurement procedure can be issued by the Emergency Controller.

4. BUDGET APPROPRIATIONS AND RECORDING OF COVID-19 FUNDS

4.1. The Department of Treasury (DoT) shall maintain appropriations for the COVID-19 Emergency Trust Account, National Departments and Statutory Authorities, as required, that are clearly identified as applicable to support the COVID-19 emergency response.

4.2. DoT shall issue warrants against appropriations for COVID-19 as directed by the Treasurer in consultation with the Emergency Controller.

4.3. Funds received by any Public Bodies and Statutory Authorities (e.g. Health, Police, Defence, Customs, National Agriculture & Quarantine Inspection Authority (NAQIA), PNG Institute of Medical Research, PHAs, etc.):

- from any source; and
- is provided or directed to the COVID-19 emergency response

shall be clearly identified as COVID-19 emergency response funding and managed through IFMS and PGAS, where they are in operation.

4.3.1. Where funds are held in accounts that are not maintained in either IFMS or PGAS, a manual cash book must be maintained that records, at least the following information:

(a) Payments into the Account:

- (i) Date,
- (ii) Amount,
- (iii) Funds source (National Government Appropriation, donor, etc.), and
- (iv) Purpose - whether the funds are for a specific purpose (e.g. PPE, etc.) or general use to support the emergency.

(b) Payments from the Account

- (i) Date;
- (ii) Cheque Number;
- (iii) Amount;
- (iv) Payee;
- (v) Goods/Services supplied; and
- (vi) Purpose for which the goods/services support the COVID-19 emergency response

Expenditure approval (Section 32) delegates of Public Bodies and Statutory Authorities must ensure that all payments are compliant with PFMA expenditure requirements.

5. ESTABLISHMENT OF COVID-19 TRUST ACCOUNT BANK ACCOUNTS

- 5.1. A COVID-19 Emergency Response Trust Account (hereafter referred to as the COVID-19 Emergency Trust Account) has been established with the Bank of PNG (BPNG) and subsidiary accounts established for each Province and District with the Bank South Pacific (BSP).
- 5.2. The nominated bank account signatories for these accounts, are as prescribed by the COVID-19 Trust Account Trust Instrument, as follows:
 - (a) COVID-19 Emergency Trust Account - main account with BPNG
 - (i) Mandatory: Emergency Controller or Deputy Emergency Controller; and
 - (ii) Countersignature: Secretary Finance or Deputy Secretary Operations, Department of Finance
 - (b) COVID-19 Emergency Trust Account - Provincial subsidiary accounts
 - (i) Mandatory: The Provincial Administrator or the Deputy Provincial Administrator; and
 - (ii) Countersignature: The Provincial Finance Manager (PFM) or the Provincial Accountant.
 - (c) COVID-19 Emergency Trust Account - District subsidiary accounts

- (i) Mandatory: The DDA CEO or DDA Deputy CEO; and
- (ii) Countersignature: The District Finance Manager (DFM) or the District Accountant.

6. PAYMENTS INTO THE COVID-19 TRUST BANK ACCOUNTS

- 6.1. Funds appropriated in the National Budget may be reallocated to the COVID-19 emergency response by the Department of Treasury, on the authority of the Treasurer and paid into the Main COVID-19 Emergency Trust Bank Account (BPNG).
- 6.2. Funds provided by development partners, donors, commercial operators, or citizens shall be paid directly into the Main COVID-19 Emergency Trust Bank Account (BPNG).
- 6.3. Funds donated by commercial operators or citizens in Provinces and District shall be paid directly into the respective Provincial or District COVID-19 Emergency Subsidiary trust bank account. The Cash Books for these accounts are to be maintained by the respective PFM or DFM, and is to record the date, amount, donor's name/business and whether the funds are for a specific purpose (e.g. PPE, etc.) or general use to support the emergency.
- 6.4. Funds provided for COVID-19 response cannot be redirected to any other bank account.
- 6.5. Provinces and Districts may transfer up to **K2 million or an amount authorised by the respective Provincial Executive Council or delegated committee or DDA Board**, from their respective PSIP/DSIP and Operating accounts for COVID-19 emergency response related expenditure **ONLY**. For all other SIP procurements and expenditures, Provinces and Districts are to comply with current SIP Guidelines and expenditure approval processes for the allocation and management of the funds.

7. PAYMENTS FROM THE COVID-19 EMERGENCY TRUST BANK ACCOUNTS

7.1. Main (National) Account with BPNG

The Main COVID-19 Emergency Trust Bank Account shall be operated with BPNG utilising the IFMS. All payments from this bank account shall be through electronic funds transfer (EFT), as follows:

- (a) Payment to suppliers of goods and services shall be made directly to the supplier's nominated bank account after PFMA compliant expenditure approval processes (claims examination, S32 expenditure approval and claims certification) have been completed. The S32 delegate for this account shall be the Emergency Controller. The Secretary Finance shall exercise the S32 delegation in IFMS on behalf of the Emergency Controller.

- (b) Funds transfers to COVID-19 Emergency Provincial and District Subsidiary trust bank accounts shall be through EFT, following approval from the Emergency Controller.

The EFTs shall be processed by the Department of Finance, Cash Management Branch.

7.2. Provincial Subsidiary Trust Bank Accounts

7.2.1. Payments from the Provincial subsidiary accounts held with BSP shall be through the use of BSP cheque stationery for each account.

7.2.2. The Provincial Finance Manager (PFM) **MUST** ensure that a cash book is maintained, and include at least the following information:

- (a) Date;
- (b) Cheque Number;
- (c) Amount;
- (d) Payee;
- (e) Goods/Services supplied; and
- (f) Purpose for which the goods/services support the COVID-19 emergency response

The PFM is to ensure that all payments are compliant with the PFMA expenditure requirements.

7.3. District Subsidiary Trust Bank Accounts

7.3.1. Payments from the District subsidiary accounts held with BSP shall be through the use of BSP cheque stationery for each account.

7.3.2. The District Finance Manager (PFM) **MUST** ensure that a cash book is maintained, and include at least the following information:

- (a) Date;
- (b) Cheque Number;
- (c) Amount;
- (d) Payee;
- (e) Goods/Services supplied; and
- (f) Purpose for which the goods/services support the COVID-19 emergency response

The DFM is to ensure that all payments are compliant with the PFMA expenditure requirements.

DSIP funds up to an amount authorised by the DDA Board may to be allocated by each district to the COVID-19 emergency response.

7.3.3. District Subsidiary Trust Bank Account Cheque Clearance

- (a) The DIRD Form 11 (DSIP Release Form) shall continue to be used for cheque clearances; however, to ensure there are no delays to processing procurements and payments for emergency response purposes, the FORM 11 is to be annotated "COVID-19 Emergency Response" and submitted with the cheque to BSP for payment.

If the Open Member, the Chair of DDA Board, is unavailable to sign the Form 11, a text, WhatsApp or email message to the DDA CEO may be sent to authorise the procurement/expenditure. The DDA CEO is to sign the Form 11, noting the date, time and method of the authorisation received from the Open Member.

- (b) The procurement and expenditure are to be ratified by the DDA Board at the earliest time practicable, but no later than 30 days after the end of the SOE.

8. TRUST ACCOUNT BANK RECONCILIATIONS

Reconciliations of the COVID-19 Emergency Response Trust Accounts are to be completed in accordance with PFMA provisions, as follows:

- (a) COVID-19 Emergency Trust Account – Main BPNG Account. The main trust bank account is to be reconciled in IFMS by the Department of Finance, Trust Branch by the 14th day of the month.
- (b) COVID-19 Emergency Trust Account – Provincial Subsidiary Account. The PFM is to ensure that subsidiary bank account is reconciled within 14 days of the end of the month. A copy of the completed bank reconciliation, including a copy of the cash book, is to be provided to the Department of Finance, Financial Reporting and Compliance Division (FRCD) and Provincial and District Financial Management Division (PDFMD) by the 14th day of the month.
- (c) COVID-19 Emergency Trust Account – District Subsidiary Account. The DFM is to ensure that subsidiary bank account is reconciled within 14 days of the end of the month. A copy of the completed bank reconciliation, including a copy of the cash book, is to be provided to the Department of Finance, Financial Reporting and Compliance Division (FRCD) and Provincial and District Financial Management Division (PDFMD) by the 14th day of the month.

9. OTHER FINANCIAL REPORTING

- 9.1. **National Departments and Statutory Authorities.** The Heads of National Departments and Statutory Authorities undertaking procurements and expenditure for COVID-19 emergency response are to provide a report on procurements undertaken and expenditure incurred to the Department of Finance, Financial Reporting and Compliance Division (FRCD) by the 14th day

of each month for procurement/expenditures processed in the preceding month.

- 9.2. The Department of Finance shall provide the Emergency Controller and the Budget Management Committee (BMC) with a summary report of all COV-19 procurement and expenditure, along with copies of the reconciliations received at paragraph 8 and 9.1, above, before the last working days of each month.

10. DATE OF IMPLEMENTATION

This Finance Instruction is effective as of the date of signing by the Secretary and Emergency Controller.

11. HELP DESK

Should you require further information the following officers should be contacted: First Assistant Secretary, Financial Controls Division, Department of Finance. Telephone number 79986000. Email: [Jacob Mark, First Assistant Secretary, Financial Controls Division, Jacob_mark@finance.gov.pg](mailto:Jacob_Mark@finance.gov.pg).



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DAVID MANNING, MBE, DPS, QPM
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