

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

10.1 Establishment of Cash Offices and Appointments

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

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

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

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

10.2 Establishment of Imprest Advance

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

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

10.3 Issuing of Imprest Advance and Accounting Treatment

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

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

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

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

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

The District or Provincial Treasurer shall maintain separate Manual Advance

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

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

10.4 Receipts of Imprest Advance and Accounting Treatment

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

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

10.5 Payments out of Imprest Advance

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

The accounting entries will be;

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

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

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

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

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

10.5.1 Acceptance of cheques at the Cash Office

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

10.6 Reimbursement of Imprest Advance

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

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

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

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

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

The accounting entries will be;

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

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

10.7 Hand over / Takeover of Imprest Advance

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

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

10.8 GRANT RELATED RECEIPTS & PAYMENTS IN CASH OFFICES

10.8.1 Issuance of Warrant Authority and Cash Fund Certificates

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

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

10.9 Trust Payments

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

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

10.9.1 Reporting

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

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

10.10 Temporary Counter Cash Advance

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

The accounting entries will be;

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

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

10.11 Revenue collection

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

Treasury.

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

10.12 Cash Office Security and Procedural Control

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

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

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

10.13 ANNUAL ACCOUNTS

10.13.1 Legal Requirements

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

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

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

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

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

10.14 Audit Requirements

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

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