

SECTION 2: PUBLIC ACCOUNTS

2.0 The Requirement for Public Account

Each level of Government shall establish its own Public Account, as provided for in **Section 10** of *Public Finances (Management) Act 1995*. The Local-level Government Public Account consists of:

a) Local-level Government General Revenue Fund b) Local-level Government Trust Fund.

All moneys are to be paid into the Public Account either to the credit of the General Revenue Fund or the Trust Fund. Money belonging to the Public Account shall be deposited into Local-level Government bank account approved by the Departmental Head responsible for financial management. Surplus moneys that are not immediately required by Local-level Governments may be invested in securities or interest bearing deposits upon approval by the Departmental Head responsible for financial management.

2.1 The LLG General Revenue Fund

In accordance with Section 13(1) of the *Public Finances (Management) Act 1995*, all monies raised in the form of loans, receipts or revenue shall be credited to General Revenue Fund, except those moneys credited to the Trust Fund.

Payment from the LLG General Revenue Fund may be made only as authorised by an Appropriation Act or other Acts of Parliament. There may be expenditure from the Fund authorised by way of *Special Appropriations*, such as charges upon the General Revenue Fund, which are either authorised by the Constitution or an Act of Parliament.

The purpose of Special Appropriation is to provide for expenditure, which is permanent, and of a continuing nature and which will be met irrespective of the state of finances.

2.2 The Trust Fund

Section 15 of the *Public Finances (Management) Act 1995* states that Trust Fund Accounts may be established for such purposes as are directed by the Minister responsible for Financial Management or purposes prescribed by any other law. The aggregate of all trust accounts make up the Trust Fund, which is represented by cash in the Public Account.

Trust accounts are established by the Minister for Finance or by other laws to

hold moneys received by the Government, which are held in trust for various reasons. Local-level Governments are not to establish trust accounts without ministerial approval or as authorised by law.

All receipts for the purpose of trust are credits to the trust account. Only receipts which are consistent with the purpose of the trust account may be credited to the trust account. No payment can be made from the trust account unless it has a credit balance (Section 17 Public Finances (Management) Act) and is deemed appropriate under the trust instrument or the Act.

Any proceeds from the investment made out of the trust accounts shall be credited to the General Revenue Fund or dealt with in accordance with the Trust Instrument or the Act.

2.3 Bank Accounts

- a) Section 11 of the *Public Finances (Management) Act 1995* provides that public monies shall be kept in such bank or banks as the Departmental Head responsible for financial management directs subject to any specific direction from the Minister. Where bank facilities do not exist public monies shall be kept in such a manner as directed by the Departmental Head responsible for financial management.
- b) **If the Local-level Government requires a bank account to conduct its operations, the District Treasurer in consultation with the District Administrator and Local-level Government Council President must seek approval from the Secretary of the Department responsible for Financial Management prior to opening such accounts.**

2.4 Accounting Principles and Practice

The accounts shall be maintained on a cash basis. Receipts and expenditures shown in the financial statements will be amounts actually received and spent in the financial year. Goods and services received in one year shall be brought into account in the year of payment. Similarly, income receivable in one year but received in a subsequent year shall be brought into account in the year of receipt.

2.5 Accounting System & Records

- a) The accounting systems and records of Local-level Governments are part of the accounting systems and records of the National Government.

- b) Local-level Governments shall use the standardised PNG Government Accounting System (PGAS) and ensure that the records flow into the main general ledger maintained in the Provincial/District Treasury.
- c) Where a Local-level Government maintains manual expenditure and revenue records, the Provincial/District Treasury shall prepare and submit the Local-level Government monthly Statements to the Provincial/District Treasury within 7 days of the end of the month, for incorporation into the respective Local-level Government General Ledger.
- d) The Provincial/District Treasury may issue subsidiary instruction for the proper operation and effective management of Local-level Government accounts, but these instructions should not contravene any Financial Instruction and regulations of the *Public Finances (Management) Act 1995*.