



## Bank of Papua New Guinea

**DIRECTION: SAVINGS AND LOAN SOCIETIES**

**November 2000**

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**DIRECTION 05/2000: ALLOWANCES**

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***Objective:***

The objective of this direction is to ensure that each society pays expenses only when they fall due and operates in accordance with the law and good management practice.

***Background:***

Examinations conducted by the Bank reveal that some societies are paying directors, committeemen and employees, allowances in advance and not when those allowances are due to be paid. This practice is a fraud against the society. In addition to being against the law, it creates substantial problems for the society in managing its salary and allowance expenses, disciplining and removing employees. For those employees affected, the practice brings with it possibility of civil or criminal action.

***Direction:***

Pursuant to section 3(n) of the *Savings and Loan Societies (Amendment) Act 1995*, the Registrar directs that:

- a. A society must only pay any entitlements, salary or allowances as, and when, they fall due for payment. Payment of entitlements, salary or allowances in advance is prohibited and must cease.
- b. Where a director, committeeman, manager or employee has received pre-payment of entitlements, any future payment must cease until payments have returned to the current period through a repayment or lapsed time.
- c. Where substantial pre-payments have been made, that is, four months or more, the society should consider converting the amount outstanding to a loan, charging appropriate interest on this debt and setting a repayment schedule that would achieve full repayment within 12 months.
- d. Each society must undertake a review of all allowances, salaries and entitlements for all directors, committeemen and employees and take action return these accounts to proper operation. This review and action must be completed by 31 January 2001.

L. Wilson Kamit CBE  
REGISTRAR  
Savings and Loan Societies