



**DEPARTMENT OF TREASURY
Office of the Secretary**

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7 January 2010

BUDGET CIRCULAR 2/2010

CIRCULAR LETTER TO:

**All Provincial Administrators, Departmental Heads and
Heads of Statutory Authorities**

2009 CLOSE OF ACCOUNTS – EXPLANATION OF VARIANCES BY AGENCIES

1. Purpose

This Budget Circular advises National Departments, Statutory Authorities and Provincial Administrations (**agencies**) of their responsibilities in preparing and submitting an explanation of their final 2009 spending outcome.

2. Distribution

To ensure the effective reporting of the outcome of the 2009 National Budget, it is imperative that all Departmental Heads, Heads of Statutory Authorities and Provincial Administrators ensure that the key officers in their agency, especially the Program Managers, are provided with a copy of this Budget Circular.

3. Explanation of Variances between 2009 Appropriation and 2009 Final Outcome.

Treasury has noted agencies have reported significant variations between their 2009 Appropriations and their actual spending. Treasury is particularly concerned that many agencies have overspent their appropriations. This is a serious breach of the Public Finance (Management) Act 1995 (PFMA 1995) and reflects poorly on the monitoring and management of spending by the heads of Agencies.

Section 5 of the *Public Finances (Management) Act 1995* makes agency heads, including Provincial Administrators, personally responsible for the financial management of their agencies. Subsection 5(1)(e) states that agency heads are responsible for ensuring that “there is no over commitment of funds and a review is undertaken each month to ensure that there is no over-expenditure or over commitment”. The agency head’s responsibility extends to the actions of subordinates acting under delegation.

It is crucial that you and your officers understand that it is your responsibility to manage your agencies within the appropriation that has been approved for you by the Government and by the Parliament, and that you are required by the law to monitor the expenditure of your agency to ensure that it is consistent with the budget allocation for the year.

To identify the causes of this overspending, Treasury request that Agencies complete the attached template.

4. Explanation of 2009 variances

To identify the causes of this overspending, Treasury request that Agencies complete the attached template and identify variances between 2009 outcome and 2009 appropriation.

5. Deadlines and Assistance

All agencies should submit completed templates by 22 January 2010 to the respective Assistant Secretary of each Sector in Budgets Division (copied to A/FAS Budgets Mr Ravu Paku). Any queries can be directed to the relevant Assistant Secretary on the contact details below.

Economic Sector	Mr Ropit Botong	312 8781
Infrastructure Sector	Mr Ropit Botong	312 8781
Social Sector	Ms Ruth Veapi	312 8753
Law & Order Sector	Mr Ravu Paku	312 8438
Administrative Sector	Mr Rudolph Aigili	312 8737
Provincial Sector	Mr Lazarus Enker	312 8739

ANTHONY YAUIEB
Acting Secretary