



**DEPARTMENT OF TREASURY  
Office of the Secretary**

Telephone: (675) 312 8812  
Facsimile: (675) 312 8806

Vulupindi Haus  
PO Box 542, WAIGANI, NCD

19 January 2011

## **BUDGET CIRCULAR 1/2011**

### **CIRCULAR LETTER TO:**

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

### **2010 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 2010 spending outcome.

#### **2. Distribution**

To ensure that there is an effective and sufficient reporting of the outcome of the 2010 National Budget, it is imperative that all Departmental Heads, Heads of Statutory Authorities and Provincial Administrators must 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 2010 Appropriation and 2010 Final Outcome.**

Treasury has noted agencies with significant variations between their 2010 Appropriations and their actual spending through monthly Reviews. 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 how your agencies operate within the legislated appropriation 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 requests that Agencies complete the attached template.

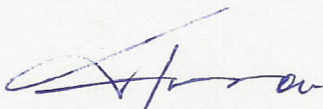
#### **4. Explanation of 2010 variances**

To identify the causes of this overspending, Treasury requests that Agencies complete the attached template and identify variances between 2010 outcome against 2010 appropriation.

#### **5. Deadlines and Assistance**

All agencies should submit completed templates by **18 February 2011** to the respective Assistant Secretary of each Sector in Budgets Division (copied to FAS Budgets Mr Elpat Enoch). Any queries can be directed to the relevant Assistant Secretary on the contact details below.

<b>Economic Sector</b>	<b>Mr Ropit Botong</b>	<b>312 8781</b>
<b>Infrastructure Sector</b>	<b>Mr Ropit Botong</b>	<b>312 8781</b>
<b>Social Sector</b>	<b>Ms Ruth Veapi</b>	<b>312 8753</b>
<b>Law &amp; Order Sector</b>	<b>Mr Ravu Paku</b>	<b>312 8438</b>
<b>Administrative Sector</b>	<b>Mr Ravu Paku</b>	<b>312 8438</b>
<b>Provincial Sector</b>	<b>Mr Lazarus Enker</b>	<b>312 8739</b>



**Aloysius Hamou**  
Acting Secretary

**Budget Circular 1/2011 – 2010 CLOSE OF ACCOUNTS – EXPLANATION OF VARIANCES BY AGENCIES**

**Agency Name:**

Expenditure Items				2009 Actual	2010 Appropriation (1) <i>(Must equal 2009 Budget Papers)</i>	2010 Revised Appropriation (2)	2010 Actual (3) <i>(Must equal Agency PGAS data)</i>	Variance (4 = 2-3)	Variance (Percent) = (4/2)	Explanation
Div/Activity Code	Activity Name	Item Code	Item Name							Agencies need to tell Treasury why spending for each item was under/over their 2010 appropriation at a Whole of Agency Basis.
<b>Total</b>										

Approved for release to Treasury

Signed: \_\_\_\_\_  
Date: \_\_\_\_\_