



Papua New Guinea

Department of Treasury

Date: 25 June 2010

Ref: FIS.13/7

TREASURY CIRCULAR NO. 2-1/2010

To Heads of all:

- National Government Departments
- Statutory Authorities
- Provincial Administrations

REQUIREMENT TO REPORT LOSSES AND DEFICIENCIES

Further to *Treasury Circular No. 2/2010* dated 18 February 2010 this Circular serves to remind all National Government Departments, Statutory Authorities and Provincial Administrations of the statutory requirement to ensure that the full extent of the losses of public funds and properties are properly reported to the National Parliament.

As advised in the earlier circular the Department of Treasury, as part of its statutory responsibilities, is required to provide a statement of Losses and Deficiencies that form part of the Annual Report on the Public Account which is submitted to Parliament annually. The National Departments including Statutory Bodies and Provincial Administrations are also required, as part of the overall reporting regime, to submit reports on losses and deficiencies within their respective Agencies to this Department for consolidation and submission to Parliament at specified intervals.

It is important to note the salient provisions of the *Public Finances (Management) Act 1995 (PFMA)* together with the **Financial Instructions** which provide the legal basis and the procedures for the reporting of losses and deficiencies. These provisions are enumerated below for your reference.

- (a) S. 62(1) of the **PFMA** (*Accounts, Records etc.*).

This provision requires all entities to which the Act applies to keep proper accounts and records of all transactions and **affairs** "*and that adequate control is maintained over its assets, or assets in its custody and over the incurring of liabilities by it*" (emphasis added).

(b) Parts 28, 29, 30, 31 and 32 of **Financial Instructions**.

(i) Part 28 - Losses, Deficiencies and Overpayment of moneys.

Paragraph 14 of Division 4 requires all entities, to which the PFMA applies, to maintain a Register of Losses and Deficiencies as well as submitting the required Loss and Deficiency Reports 1 and 2.

This requirement imposes on all government agencies statutory duty to **report twice** – the first being within 14 days of the occurrence of the loss or deficiency (using **Loss Reports 1 and 2**); and secondly, soon after the close of the financial year (by submitting an extract of the agency's **Register of Losses and Deficiencies**).

The Loss/Deficiency Reports 1 and 2 together with the extract of the Loss/Deficiency Register is to be submitted to the Chief Finance Inspector, Department of Treasury.

The prescribed **Loss Report 1 and 2** forms are appended to Part 28 of the Financial Instruction as Appendix II and Appendix III and are attached hereto (see attachments 1 and 2 respectively). The Register of Losses and Deficiencies is also attached for ease of reference.

(ii) Parts 29 to 32 also set out the requirement to report losses and deficiencies and follow the reporting procedures set out in Part 28 with the necessary variations depending on the circumstance of loss/deficiency and the items involved.

As the Losses and Deficiencies Report forms part of the Annual Public Accounts report to Parliament, I urge everyone to observe and comply with the above statutory requirement to ensure that the full extent of the losses of public funds and properties are properly reported to the Parliament.

To ensure that this requirement is met consistently Finance Inspectors will be tasked to carry out annual visits to your respective Departments/Agencies around about mid-December as a reminder before the Public Accounts for the year is collated by the Department of Finance for submission to Parliament.

For the 2009 Annual Public Account a total of seven National Departments and Statutory Authorities complied with the Circular Instruction 2/2010 and this information was forwarded to the Department of Finance.

All Government agencies who have not submitted their Losses and Deficiencies Reports for 2009 are required to submit forthwith to the Chief Finance Inspector (FAS – FAID), Department of Treasury by **30 August 2010** for consolidation with other statements that form the Public Account. Please treat this with utmost urgency and direct the relevant officers in your respective Departments/Agencies to attend to this matter. All Losses and Deficiencies Reports and extract of Register of Losses and Deficiencies can be forwarded to the following address:

Chief Finance Inspector
Financial Accountability & Inspections Division
Department of Treasury
Level 2, Vulupindi Haus
P.O. Box 1983
BOROKO 111
National Capital District

For any queries please contact the Chief Finance Inspector on Telephone numbers **312 8747** or **312 8809**.



SIMON TOSALI

Secretary

Attn.

- cc;
1. Chief Secretary to Government
 2. Secretary for Finance
 3. Auditor General
 4. Commissioner of Police
 5. Chairman, PAC

APPENDIX II (Paragraph 13) - LOSS REPORT - I

DEPARTMENT OF

Report No:

Division/Branch

Reference:

Date:

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1. Nature and amount of the Loss: (state whether theft, misappropriation, fraud, negligence etc.).
 2. Division/Branch/Location where the loss occurred.
 3. Date or period when the loss occurred or discovered.
 4. Brief report on the circumstances leading to the loss indicate how the loss was facilitated.
 5. Name of officer(s) directly responsible for the loss.
 6. Names of other officer(s) indirectly involved. How were these officer(s) involved?
 7. Name and designation of supervising officer(s).
 8. What form of controls exists to prevent losses of the nature reported?
 9. Are the controls stated in 8 above being exercised effectively? If not state reasons for the breakdown.
 10. Have the police been informed? If not are there any reasons, why? If the police have been informed, a copy of the Report should be submitted, when available.
 11. Has any officer been convicted by the court? Please provide details and a copy of the court order when received.
 12. Has an order for Restitution been sought from the court? Please provide details.
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Division/Branch Head.....

Secretary

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Department of

Department of

Date:

Date:

DISTRIBUTION:

1. Auditor General
2. Chief Inspector, Department of Treasury, P O Box 1983, Boroko

APPENDIX III (Paragraph 13) - LOSS REPORT - II

DEPARTMENT OF

Report No:

Division/Branch

Reference:

Date:

PART A

A copy of the Inquiring Officer's report relating to the loss reported on _____ is attached. After careful consideration and taking into account all circumstances of the case the following action is recommended. (e.g. Full/Instalment recovery, write-off, surcharge, disciplinary action etc).

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PART B

Approved/Not Approved as amended below.

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COMPETENT AUTHORITY

PART C

1. Has the Officer applied for relief?
2. Where applicable has the matter been referred to the Departmental Head or in more serious cases, Department of Personnel Management to initiate disciplinary action?
3. Where applicable state what action is taken to recover the loss?
4. Where applicable state what accounting action has been taken.

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ASSISTANT SECRETARY
(ADMINISTRATION)

DISTRIBUTION

1. Auditor General
2. Chief Inspector, Department of Treasury, P O Box 1983, Boroko.
3. File

REGISTER OF LOSSES AND DEFICIENCIES

(LOSSES, DEFICIENCIES AND OVERPAYMENT OF MONEYS AND DAMAGE TO STORES)

YEAR – 20.....

[illegible]