DEPARTMENT OF FINANCE

2014 NATIONAL BUDGET FORUM

NATIONAL RESEARCH INSTITUTE
Accountability & Transparency at provincial, district & local levels

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Acting Secretary
Department of Finance

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Challenge for Department of Finance

- Significant corruption issues – now before the courts
- Difficult relationships with oversight agencies
- Lack of skilled finance professionals
- Developing three ICT systems critical to all PNG Government departments, provinces & districts
  - ALESCO Payroll, PGAS and IFMS
- Finance needs stability and to focus on its core responsibilities to promote effective public expenditure at all levels of government
2013 – Developments and Reforms

- Public Accounts
- Budget 2014 was delivered using the IFMS
- The ‘Reserve Account’ has been closed
- Internal Audit activity increased
- Preparing for introduction of electronic funds transfer
- Re-engaged with the Public Accounts Committee
- Assisting Auditor General and Anti-corruption efforts
- Zero tolerance to fraud & corruption
High Impact Projects

• **District Treasury Rollout Program in 2013**
  - 10 District Treasuries opened or operating in 2013:
    - Sohe, Ijivitari, Karamui, Chuave, Dei Jimi, North Waghi, Hagen Central, Kerema, Rabaul
  - 11 District Treasuries contracted and work underway:
    - North, Central and South Bougainville, Kandrian, Talasea, Angoram, Yangoru, Wewak, Maprik, Ambunti, North Fly

• **Program for 2014**
  - Open the 11 District Treasuries
  - Commence two new Provincial Treasury projects:
    - Hela and Jiwaka
2013 – High Impact Projects

• **Rollout of IFMS in 2013**
  - IFMS delivered the 2014 Budget, including some major changes to Budget presentation in 2014
  - IFMS is now producing the 2011, 2012 and 2013 Public Accounts
  - We are now satisfied IFMS can meet the Government’s needs

• **Rollout of IFMS in 2014**
  - Subject to funding and co-ordination with other Departments, the priorities for rollout of IFMS are the major spending Departments and the Central Co-ordinating Departments
  - Rollout of IFMS to provinces & districts will take time and in the meantime PGAS will continue to be used
High Impact Projects

• **Financial Framework Review 2013**
  - An Amendment to the PFMA financial thresholds for procurement by Provincial Supply and Tenders boards was passed in 2013
  - Further amendments covering Definitions, Roles and Responsibilities and Public Bodies were developed, but were delayed as more consultation is required by the Solicitor General

• **Financial Framework Review 2014**
  - Revised draft legislation for the above amendments now likely to be ready for NEC consideration in mid-2014
  - Next areas of the PFMA to be reviewed include:
    - Penalties and Sanctions, Procurement, Delegations, Budget Controls, Internal Audit and Audit Committees
PSIP, DSIP and LLGSIP

- PSIP, DSIP and LLGSIP are special government intervention programs and are not constitutional grants like other grants funds that are disbursed to national and sub national levels of government.

- Access to these appropriated funds is not automatic:
  - The conditions for release – such as acquittal of previous funds - have to be met.
  - Issuance of warrant and actual payment is dependent on the physical cash flow availability at the Central Bank.
# 2013 – PSIP, DSIP, LLGSIP Payments

<table>
<thead>
<tr>
<th>Program</th>
<th>Appropriation K Million</th>
<th>Payments K Million</th>
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<tbody>
<tr>
<td>PSIP</td>
<td>445.0</td>
<td></td>
</tr>
<tr>
<td>DSIP</td>
<td>890.0</td>
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<tr>
<td>LLGSIP</td>
<td>157.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,492.0</strong></td>
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2014 – Priorities for Finance

- **The Public Account**
  - The 2011 Public Account has been submitted to the Auditor General
  - The 2012 now finalised and 2013 Public Accounts by end of this month

- **Complete PEFA & ROSC Assessments**

- **Improve Financial Reporting**
  - Accurate expenditure monitoring and forecasting is critical to ensuring the Government’s key Budget targets are met, so debt does not blow out

- **Complete the District Treasury Rollout**
  - PT & DT staff appointments and functioning Treasury offices

- **Rollout IFMS to priority National Departments**
  - The greatest benefits will come from rolling out IFMS to the big spenders – Works, Health, Education, Defence – and to CACC Depts
2014 – Priorities for Finance

- Implement greater use of electronic funds transfer with the Bank of PNG
  - Make greater use of non-cash transactions everywhere that is possible

- Maximise the collection of Non-Tax Revenue
  - Recovery of arrears such as Land Rates; Review Fees and Charges

- Audit
  - Expanded effort in 2013 – 27 Active Internal Audit Committees in National Departments and Provinces
  - Important this effort is expanded, especially in the Provinces

- Anti corruption initiatives

- Training
2014 – Priorities for Finance

- **PSIP, DSIP and LLGSIP**
  - DSIP Appropriation – each District to receive K10 million
  - PSIP Appropriation – each Province to receive K5 million per District
  - LLGSIP Appropriation – each LLG to receive K0.5 million
- NEC Decision 414/2013 allows more flexibility in allocations
- Funds will be released only when funds are available and all conditions for release have been met:
  - previous funds received must be acquitted
  - approved JPP&BPC and JDP&BPC work plan, 5 Year Development Plan, cash flow and report on the quarterly disbursement as stipulated in the FI1A/2013 and DIRD Administrative Guidelines must be submitted
- Finance has received some reports to date
- **NO ACQUITAL OF FUNDS - NO FUNDS RELEASED !**
Conclusions

- 2014 will be a year of major challenges for Finance
  - Information Technology risks (infrastructure; PGAS, IFMS, Alesco)
- We are determined to lift the Department’s reputation, and that can only be done by lifting its performance
  - Training
  - Zero tolerance to fraud & corruption
  - Various reform agendas (PEFA, ROSC, cashless, eft, procurement, PFMA)
  - Regular reporting & auditing