



2014 NATIONAL BUDGET FORUM

NATIONAL RESEARCH INSTITUTE

**Accountability & Transparency at provincial, district
& local levels**

Dr Ken Ngangan CMA CPA

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

| Program | Appropriation K Million | Payments K Million |
|--------------|----------------------------|-----------------------|
| PSIP | 445.0 | |
| DSIP | 890.0 | |
| LLGSIP | 157.0 | |
| Total | 1,492.0 | |



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 !**



Conclusion

- 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