

CIRCULAR NO: 02/2007

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From: Acting Chief Executive Officer, Finance & National Planning

To: All Chief Executive Officers and Heads of Departments

Subject: CONTROL OF GOVERNMENT EXPENDITURE

1.0 Objective

- 1.1 The objective of this Circular is to inform all Chief Executive Officers (CEOs) and Heads of Departments of the financial management controls that will remain in place for the time being unless agencies are advised otherwise.
- 1.2 These controls are interim measures to maintain the sustainability of government finances and at the same time ensure that essential services and operations are maintained at all times.

2.0 Budget Expenditure Management

- 2.1 A revised Budget for 2007 will be finalised by March 2nd 2007. In view of this, ministries and departments are advised to be prudent when procuring goods and services or making payments during the first two months of 2007.
- 2.2 Operating expenditures should be limited to essential purchases and payments until such time the revised 2007 Budget becomes effective. Capital expenditures should also be limited to ongoing capital projects. New capital projects earmarked to commence in 2007 will be put on hold pending the release of the revised Budget.

3.0 Cash Flow Forecast

- 3.1 In the meantime, agencies will continue with their 2007 January, February and March cash flow forecasts as loaded in the financial management information system (FMIS) in December 2006 subject to the limitations as outlined below.
- 3.2 The cash flow forecast for 2007 should also be reviewed taking into account any changes that may arise under the revised 2007 Budget. The revised cash flow forecast should be submitted to the Ministry of Finance within two weeks of notice of the final Budget.
- 3.3 The revised cash flow forecast for January and February should be based on the actual expenditure as recorded in the General Ledger. The forecast for March to December should be based upon the appropriations as reflected in the revised Budget Estimates less the actual expenditure for the months of January and February.

4.0 Amendments to Financial Authorities

- 4.1 The following table outlines the amendments on the functions of the Minister for Finance that had been delegated to chief executive officers under the Finance Instructions 2005. These limitations are given effect through *Legal Notice*.

Section (1)	Amendment (2)
10 (1) (2) (3)	<p>Virement authority for Chief Executive Officers (CEOs) authorised in Section 10(1) – 10(3) of the Financial (Amendment) Instructions 2006 issued in Legal Notice 10 of 10th March 2006 and detailed in the Virement guidelines to be suspended immediately until further notice.</p> <p>All Virements will now be approved by the CEO Finance and National Planning.</p>
11 (1)	<p>The procurements limits for CEOs, other than the CEO Finance and National Planning, to issue local purchase orders (LPOs) will be reduced from \$20,000 to \$5,000.</p>

	Any approvals for procurements in excess of \$5,000 and less than \$20,000 will be approved by CEO Finance and National Planning.
23 (1)	<p>The operations of the Agency Tenders Board (ATB) as delegated to CEOs and established under Section 23(1) of the Finance Instructions 2005 will be temporarily suspended.</p> <p>All procurements from \$20,000 and above will be subject to Major Tender Board evaluation and approval except for tenders considered by the Divisional Tender Boards.</p>
68 (1) (2)	<p>The write off authority delegated to CEOs under Section 68(1) of the Finance Instructions 2005 will be suspended with effect immediately.</p> <p>All requests for write offs will be subject to approval by the Minister for Finance.</p>

5.0 Other Financial Management Controls

5.1 Daily Ceiling of \$20,000 per Drawings Bank Account.

5.1.1 A daily ceiling of \$20,000 as imposed on each agency drawings bank account is still effective. Amounts in excess of \$20,000 must be referred to the Ministry of Finance for the Chief Accountant's approval.

5.1.2 The above ceiling excludes the payment of wages and salaries which will be processed in the normal manner.

5.1.3 All agencies are required to submit a daily report on their agency's drawings bank account to Treasury which includes a list of cheques signed during the day and reconciliation between their cashbook and the unrepresented cheques separating stale cheques from the current ones.

5.2 All drawing mentioned in 5.1.1 must be reflected in the weekly cash flow forecast to be submitted to the Debt and Cash Flow Management Unit.

Failure to forecast could result in approvals above \$20,000 being withheld by the Ministry of Finance.

- 5.2.1 Ministries and Departments are advised to forecast and schedule all their payments well in advance to assist the Ministry of Finance in their cash flow forecasting and to ensure adequate funding is made available at the banks daily to meet all payments for all agencies.

We look forward to your continued support in the New Year.

Aisake Taito
Acting Chief Executive Officer

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