

Provincial Treasury Circular No: 02/2009

All Secretaries,
Heads of Departments,
Eastern Province.

**AUTHORIZATION FOR INCURRING EXPENDITURE FOR 2009 AND
PUBLIC EXPENDITURE MANAGEMENT**

This has reference to the National Budget Department Circular No: 142 dated 31st December 2008.

1). Authorization for incurring Expenditure for 2009.

In accordance with the terms of the Provincial Council Act No.42 of 1987 as amended by Act No. 28 of 1990 of the constitution and in terms of Appropriation Statute No: - 03 of 2008 approved by Eastern Provincial Council on 21st November 2008. The Hon. Chief Minister has signed the warrants to incur expenditure on the provisions included in the Budget Estimates for the year 2009.

Accordingly, the authority to be quoted on payment vouchers and other documents is as follows:-

- a) For General Services, General Warrant No.01 of 2009
- b) For Special Law Services, Special Services Warrant No.01 of 2009
- c) For Advance Accounts matters, Advance Warrant No. 01 of 2009

2). Management of Public Expenditure

2.1 The Budget Speech 2009 has proposed **to save 2% from the recurrent expenditure provisions and to effect 15% under-expenditure from the estimated capital provisions** included in the Budget Estimates 2009 submitted along with the Appropriation Bill. Accordingly, it is expected to achieve anticipated savings by taking the following measures in respect of recurrent and capital estimates.

2.1.1 Freezing of Recurrent Estimates

In Order to achieve the proposed **2% target of savings under recurrent expenditure**, it has been decided to freeze 10% of the approved total provisions under the two object codes of fuel (Object Code No. 1202) and Water/ Electricity (Object Code No. 1404) in respect of all the Expenditure Heads and all the Institutions, if any, under them. However, if freezing of only the said two object codes is not practicable to achieve the savings target, any other recurrent object code may be frozen appropriately to achieve the target without disrupting day-to-day affairs, under the object codes concerned.

2.1.2 Freezing of Capital Estimates

For achieving the proposed 15% target, **15% of the capital expenditure** financed by domestic funds (**CBG, PSDG & Nawodaya**) will be frozen. Accordingly, 15% of the total approved capital provisions provided under domestic funds in respect of all the Expenditure Heads and the Institutions if any, under them, should be frozen.

- 2.2.** In identifying the anticipated savings indicated above, the provisions for 2009 Budget Proposals should be excluded. In freezing recurrent expenditure provisions, **the essential expenditure provisions such as personal emoluments, pension salaries, subsidies, interest payments on public debt should not be utilized.** (Object codes: - 1001, 1002, 1003, 1004, 1005, 1006, 1502, 1701, 1702, 1703, 1704, 1801, 1802) In the proposed freeze of capital expenditure, you may also pay your attention for identification of non-priority capital programmes, to incur expenditure frugally, and for appropriate expenditure management methods etc. since anticipated savings can also be made through them.

Accordingly, all the Provincial Ministries and Departments should submit to the Provincial Treasury before 26.01.2009 a revised estimate for its spending agency incorporating the proposed reductions. If such a revised estimate is not submitted before the prescribed date, it will be cause delays in releasing cash imprest for February 2009.

3). Consideration of Additional Fund Requirements

- 3.1. Taking into consideration the observations/determinations given by the Supreme Court on the Appropriation Bills for 2008 and 2009, the Provincial Treasury has to streamline further the procedure of granting additional allocations. In terms of section 8 of the Appropriation Statute for the year 2009, action should be taken by the Provincial Treasury to report to Provincial Council such additional allocations granted, together with the specific reasons for such allocations. Therefore, it is essential for the Chief Accounting Officers to pay special attention to that aspect in requesting additional allocations.
- 3.2. It has been reported that Provincial Ministries and Departments have requested additional allocation without adhering to the proper expenditure management systems to manage the institutions within the funds authorized for. Therefore all the Accounting Officers are requested to adopt proper monitoring system to manage the expenditure within the approved Budgeted provision. No additional allocation will be provided by Provincial Treasury.

3.3. It is required to control recurrent expenditure and to pay serious attention to the proposals which would increase recurrent expenditure as there will be tendency to decrease capital expenditure in situations where recurrent expenditure exceeds estimated recurrent provisions.

4). Transfers under FR

4.1. Additional allocations or FR 66 or 69 transfers will not be allowed for object codes frozen under Para 2.1 above. Therefore, necessary steps should be taken to manage such expenditure within the available provisions.

4.2. Transfers under F.R. 66 or 69 will be allowed only under exceptional circumstances with the prior approval of the Provincial Treasury. The Heads of Departments are requested to take this fact when planning the annual expenditure.

4.3. In order to monitor expenditure, the spending units shall prepare the statement of Expenditure (SOE) every month and should exercise control over the expenditure. Please bear in mind that the provision is given for a period of 12 months. Therefore the spending unit shall not exceed the monthly expenditure more than 1/ 12 of the total annual provision in any month.

5). Public Officers' Advance Accounts.

5.1. Advance Accounts should be managed within the limits stipulated in the budget estimate. The revision of minimum limit of receipts and maximum limit of debit balance will be considered if the request is reasonable. Revision of maximum limit of expenditure will not be considered.

5.2. In terms of budget proposals 2009, limits for obtaining advances are also revised as follows with effect from 01.01.2009. Circulars containing instructions for the implementation of these revisions were issued by the Ministry of Public Administration and Home Affairs.

- i. Festival Advance – Existing amount of the Festival Advance is increased from Rs. 3,000/= to 5,000/=.
- ii. Special Advance – The existing maximum limit of Rs. 1,000/= for Special Advance granted to purchase books for school children were increased to Rs. 2,500/=.
- iii. In terms of the budget proposals 2009, the maximum amount of the distress loan entitled by a public officer is limited to Rs. 250,000/= with a view to providing loans for more employees. Accordingly, with effect from 01.01.2009, loans should not be granted exceeding the maximum distress loan entitlement of Rs.250,000/= while maintaining a waiting list and granting loans in accordance with the sequence of that list. However, priority should always be given to employees who have applied for loans for first time. If the maximum expenditure limit for 2009 is not sufficient to accommodate all the non-paid loan applications as at 31st December 2008 and the number of loan applications expected to be received in 2009, the Head of Department can determine a maximum limit for each applicant, using his discretion.

iv. The following order of priority should be followed in making loan advances:

1. Festival Advances
2. Special Advances.
3. Distress Loan.
4. Bicycle Loan.

6). Commercial Advance Accounts.

a) It is emphasized that the Commercial Advance Accounts should not be maintained with losses in terms of Financial Regulations.

b). In respect of the Commercial Advance Account, maximum limit of expenditure will not be revised. However the minimum limit of receipts and the maximum limit of debit balance will be considered for revision, if adequate justification for same is furnished.

c). Accounting Officers are requested to wind-up In-operative Advance Accounts during the year 2009.

6). General.

a). No payment/settlement of bills shall be postponed or delayed on account of the above changes. No commitment or liabilities shall be made out side the budgeted provision.

b). All the Secretaries and Heads of Departments are kindly requested to comply with this circular instruction.

**V.P.Balasingham
Chief Secretary
Eastern Province.**

Copy to: 1. Hon. Governor, Eastern Province
2. Secretary to the Hon. Chief Minister
3. Secretary, Finance Commission
4. Secretary, M/PC & L/G.
5. Auditor General
6. Comptroller and Chief Auditor

} For your information please.