

## PRIME MINISTERS MINISTRY

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### INTRODUCTION

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The Prime Ministers Ministry provides leadership in setting strategic directions for the Government of Vanuatu through the Council of Ministers (COM), as the coordinating and policy-making arm of the Government; coordinate government's priority activities. The ministry provides high level policy, planning and administrative support to the Prime Minister, the Council of Ministers (COM), the Central Agencies Committee (CAC) and the Development Committee of Officials (DCO). Effective monitoring and evaluation of government policies and align development partner's resources with government policy priorities. It Provides quality language services to the government and administer the citizenship Act. The ministry also provides strategic policy advice and coordination to constitutional and statutory bodies under the prime minister's portfolio.

The Prime Minister's Ministry is directed by a Director-General who oversees the following Offices and Institutions:

- ✓ Office of the Prime Minister;
- ✓ Council of Ministers;
- ✓ Development Committee of Officials;
- ✓ Office of the Parliamentary Secretary

Corporate Services;

- ✓ Department of Strategic Policy & Planning;
- ✓ Department of Language Services;
- ✓ State Law Office;
- ✓ Aid Coordination and Negotiation Unit; and
- ✓ Monitoring and Evaluation Unit
- ✓ Office of the Government Chief Information Officer (OGCIO).

The following constitutional & statutory bodies are also under the Prime Minister's portfolio:

- ✓ Citizenship Commission
- ✓ Public Service Commission;
- ✓ Government Remuneration Tribunal;
- ✓ Vanuatu Broadcasting and Television Corporation.

This second quarter report will briefly analysis and discuss some of the major financial issues faced by PMO during the three months period and give recommendations for improvements for the future periods.

### SUMARRY OF KEY FINDINGS

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The Prime minister's ministry has received an additional recurrent budget support through the recent supplementary budget for an amount of VT 46,426,000 increasing the annual ministry's budget from VT 653,709,956 to VT 700,135,956. The additional budget will meet the payroll

and operational budget for the parliamentary secretaries and their associate officers. PMO estimated to spend VT 171.4 million in the second quarter of this year and it end up spending 195.5 million, resulting a budget deficit of VT 24 million compared to last year's figure of VT 63.3 million deficit.

Table 1 below shows the summary of the second quarter's budget verses expenses by cost centre. It's obvious that most of the cost centres within PMO overspent their respective quarterly budgets, leading to budget deficit mentioned earlier. The main reasons behind this was due to overspend chart of accounts incurred as a result of extra unforeseen expenditures, unplanned activities not budgeted for in the second quarter and unrealistic cash flow budgeting per period. The major overspent cost centres were PM International Travel – which has its entire budget stored in period 12, Administration and Operational budget for OGCI, Parliamentary secretariat cost centre which used to accommodate the payroll and operational budget for all the Parliamentary secretaries. Other smaller overspent units include (Right to Information Unit) RTI unit under DSPPAC, PM cabinet, and Community Development Fund. It is advisable for PMO and all its departments under the ministry to realistically set sufficient budgets for future periods and on the other hand try as much as possible to spend within quarterly budget timeframes and avoid making too many budget transfers or advance release, given that most of the cost centres went over their quarterly budget in the second quarter of this year.

Table 2 further shows the aggregate budget and expenditure by chart of accounts for PMO in the second quarter of this year. Highlighted in yellow where the major overspent chart of accounts and the main unplanned/Unbudgeted expenditures were coloured in Red.

The analysis shows that PMO overspend mainly on housing allowances, other allowances, subsistence allowances, international accommodation, consultant fees, local medical treatment, Incidentals, Building repairs and maintenance, Electricity Utilities and Value Added Tax.

While on the other hand, it did not set aside budget to cater for vehicle replacement, internet and satellite communications, other fees, leave expense, contract wages, and special allowances.

Financial controls at ministry levels should be strengthen to ensure a realistic budget, spending and reporting. The ministry should strengthen its revenue arm, and increase collection from its current revenue initiatives as well as implementing new ones.

#### **PRIME MINISTER'S CABINET**

In the second quarter of this year the cabinet budget was overspent by VT 9.2 million compared to the budget deficit of VT 32 million realized in the same quarter last year. Records shows that the main drivers of the overspending was due to unrealistic budgeting and unbudgeted expenditures relating to mainly PM's international travelling and Cabinet payroll expenditures. Major overspent chart of accounts include subsistence allowances, incidentals, and official entertainment costs, while international travel, international accommodation and building repairs were the major unbudgeted expenditures realized in that period. It is likely for

the cabinet's cost centre to overspend by the end of the year, should spending will continue at the current rate.

#### **PMO CORPORATE SERVICE**

The analysis shows that CSU unit overspent its second quarter's budget this year, however the overspending was much lesser compared to the last year's figure. Overspending came mainly from operations, with a total of VT 1.8 million while the 2016 figure falls at VT 5.3 million. The major overspent item was incidentals which relates to commitments made from the community development fund and other international travel costs.

#### **PARLIAMENTARY SECRETARIAT**

In the second quarter of 2016, the Parliamentary secretary's cost centre was overspend by VT 8.2 million over its allocated budget, while this year's figure was reduced to VT 3.3 million due to the additional supplementary budget received. This cost centre should have sufficient budget for the remaining half of the year due to additional recurrent budget support received to cater for each parliamentary secretaries and the seven staffs that seats under each parliamentary secretary.

#### **DEPARTMENT OF STRATEGY, PLANNING, POLICY AND AID COORDINATION.**

In the second quarter of this year, the department of strategic planning, policy and aid coordination (DSPPAC) overspent its budget by VT 1.6 million, compared to a surplus of VT 1.7 million seen in same quarter last year. The second quarter's budget was slightly reduced this year to 14.6 million. The overspending came mainly from unbudgeted expenditures especially relating to the right to information unit (RTI) – which has its budget stored in other periods and reported as unbudgeted in the second quarter. The mainly overspent chart of accounts include were building repairs and maintenance, contract wages and international accommodation. This spending rate could result in a budget deficit at the end of the financial year.

#### **LANGUAGE SERVICE DEPARTMENT**

Apart from the other departments within PMO, the Language service department continue to underspend its budget as seen in the previous years. In the second quarter, LSD spent 91 % of its allocated budget, saving up to VT 719,000 compared to VT 1.6 million unspent last year. LSD overspent mainly on acting allowances, and it did not budget for contract wages and leave expenses in the second quarter, resulting in a slight payroll deficit.

#### **VANUATU PROJECT MANAGEMENT UNIT**

Analysis shows that the Vanuatu Project Management Unit (VPMU) has managed to spend within its quarterly budget timeframe, saving up VT 263,000 in the second quarter of this year, while VT 285,000 was saved in the second quarter of the previous year. Other allowances and local medical treatment were the main overspent expenditure realized in that period which should be minimized in the future through realistic budgeting and spending.

#### **GOVERNMENT RENUMERATION TRIBUNAL**

In the second quarter of this year GRT overspent its budget VT 494,000 compared to a deficit of 257,000 in the same period last year. This year's second quarter budget was increased by a million vatu along with its expenditure. Analysis shows that both the payroll and operational cost centre were overspent. Acting allowances, special skills allowances and contract wages relating the current GRT review exercise were not budgeted for in the second quarter thus, reported as unbudgeted expenditures.

#### **OFFICE OF THE GOVERNMENT CHIEF INFORMATION OFFICER**

Like last year, OGCIO is also one of the main overspent departments in the second quarter, with an overspending of VT 8.5 million against a deficit of VT 20.3 million in the same period last year. The second quarter's budget has increased from VT 65 million last year to VT 95 million this year. It's obvious that the majority of the payroll chart of accounts were not budgeted for in the second quarter, resulting in total payroll overspending of VT 2.6 million.

Operations on the other hand recorded a VT 5.9 million overspending due to major unbudgeted expenditures such as Internet and Satellite Communications, other fees, government contributions, and vehicle replacement costs. Additionally, the report shows that OGCIO overspent the budget of the following chart of accounts, consultant's fees, telephone / fax – communications and electricity utilities. It is recommended for the department to set its future budget realistically with sufficient cash flow to meet planned activities.

Table 2 shows a summary of the whole ministry's budget / expenses by chart of accounts. The ministry overspent the second quarter's budget by VT 24 million which was mainly due to the various reasons explained above under each department. In the future, the ministry as a whole should ensure that:

- Each Chart of Accounts are realistically budgeted for
- Proper cash flow budgeting to ensure sufficient budgets are set in the right payment periods
- Minimize virement of funds
- Only proposed vacant positions should be budgeted for and recruitment should be done at the beginning of the year and as per budgeted amount and not more, in order to efficiently utilize the funds within the budget ceiling.
- Both operational/ payroll Commitments (LPOs) are made to the right chart of accounts.

## **REVENUE**

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PMO collected a total revenue of VT 2,022,224 in the second quarter of this year.

## **VIREMENT**

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A virement was processed in the second quarter to offset the GRT's payroll budget and allow operational commitments.

## TABLES

**TABLE 1: RECURRENT BUDGET FOR THE PRIME MINISTERS MINISTRY BY COST CENTRE FOR THE SECOND QUARTER, 2017**

Code	Description	Original Appropriation	Supplementary Appropriations	Virements	Final Budget	Total Expenditure	Under/ (Over)
<b>M02</b>	<b>Prime Ministers Ministry</b>						
<b>MCB</b>	<b>Strategic Management</b>						
09AA	Policy Sectors	9,868,733	-	-	9,868,733	10,076,407	-207,674
09AB	Aid Coordination Unit	2,974,714	-	-	2,974,714	2,483,608	491,106
09AC	Monitoring & Evaluation Unit	3,323,158	-	(1,500,000)	1,823,158	2,104,109	-280,951
09AD	Travel	-	-	-	-	1,668,365	-1,668,365
52AA	Vanuatu Project Management Unit (VPMU)	6,599,119	-	2,577,119	9,176,238	8,912,849	263,389
<b>MCBA</b>	<b>Strategic Management</b>	<b>22,765,724</b>	<b>-</b>	<b>1,077,119</b>	<b>23,842,843</b>	<b>25,245,338</b>	<b>-1,402,495</b>
<b>MCB</b>	<b>Strategic Management</b>	<b>22,765,724</b>	<b>-</b>	<b>1,077,119</b>	<b>23,842,843</b>	<b>25,245,338</b>	<b>-1,402,495</b>
<b>MPA</b>	<b>Office of the Prime Minister</b>						
10AA	Cabinet	14,539,594	-	1,500,000	16,039,594	17,717,163	-1,677,569
10AC	International Travel	-	-	-	-	6,146,220	-6,146,220
10BD	Entertainment Fund	720,000	-	-	720,000	1,281,650	-561,650
10BF	Local Travel	409,200	-	-	409,200	940,540	-531,340
<b>MPAA</b>	<b>Administration &amp; Coordination of Government Programmes</b>	<b>15,668,794</b>	<b>-</b>	<b>1,500,000</b>	<b>17,168,794</b>	<b>26,085,573</b>	<b>-8,916,779</b>

<b>MPA</b>	<b>Office of the Prime Minister</b>	<b>15,668,794</b>	<b>-</b>	<b>1,500,000</b>	<b>17,168,794</b>	<b>26,085,573</b>	<b>-8,916,779</b>
<b>MPB</b>	<b>Director General's Office</b>						
42AA	PMO Corporate Services	6,818,465	-	-	6,818,465	6,728,013	90,452
42AB	Utilities	1,200,000	-	-	1,200,000	356,643	843,357
42AC	Community Development Fund	2,400,000	-	-	2,400,000	5,136,471	-2,736,471
<b>MPBA</b>	<b>Corporate Services</b>	<b>10,418,465</b>	<b>-</b>	<b>-</b>	<b>10,418,465</b>	<b>12,221,127</b>	<b>-1,802,662</b>
<b>MPB</b>	<b>Director General's Office</b>	<b>10,418,465</b>	<b>-</b>	<b>-</b>	<b>10,418,465</b>	<b>12,221,127</b>	<b>-1,802,662</b>
<b>MPC</b>	<b>Language Services</b>						
18AA	Language Services	4,813,582	-	-	4,813,582	5,139,696	-326,114
18CA	Administration	2,806,676	-	-	2,806,676	1,760,661	1,046,015
<b>MPCA</b>	<b>Language Services</b>	<b>7,620,258</b>	<b>-</b>	<b>-</b>	<b>7,620,258</b>	<b>6,900,357</b>	<b>719,901</b>
<b>MPC</b>	<b>Language Services</b>	<b>7,620,258</b>	<b>-</b>	<b>-</b>	<b>7,620,258</b>	<b>6,900,357</b>	<b>719,901</b>
<b>MPD</b>	<b>Special Commissions</b>						
10BA	Corporate Service	-	-	-	-	287,286	-287,286
56AA	Government Remuneration Tribunal	3,055,859	-	-	3,055,859	3,549,863	-494,004
<b>MPDE</b>	<b>Government Remuneration Tribunal</b>	<b>3,055,859</b>	<b>-</b>	<b>-</b>	<b>3,055,859</b>	<b>3,837,149</b>	<b>-781,290</b>
<b>MPD</b>	<b>Special Commissions</b>	<b>3,055,859</b>	<b>-</b>	<b>-</b>	<b>3,055,859</b>	<b>3,837,149</b>	<b>-781,290</b>
<b>MPE</b>	<b>Information, Communication and Technology Policy and Administration</b>						

57AA	Administration & Operations	69,167,217	-	-	69,167,217	77,634,304	-8,467,087
57AB	IP Network and Communication	27,637,275	-	(1,570,000)	26,067,275	26,175,932	-108,657
<b>MPEA</b>	<b>Information, Communication and Technology Policy and Administration</b>	<b>96,804,492</b>	<b>-</b>	<b>(1,570,000)</b>	<b>95,234,492</b>	<b>103,810,236</b>	<b>-8,575,744</b>
<b>MPE</b>	<b>Information, Communication and Technology Policy and Administration</b>	<b>96,804,492</b>	<b>-</b>	<b>(1,570,000)</b>	<b>95,234,492</b>	<b>103,810,236</b>	<b>-8,575,744</b>
<b>MPG</b>	<b>Parliamentary Secretariat</b>						
50AA	Parliamentary Secretariat	3,541,801	46,426,000	(46,426,000)	3,541,801	16,609,588	-13,067,787
50AB	Parliamentary Secretary - MoIA	3,512,156	-	-	3,512,156	70,319	3,441,837
50AC	Parliamentary Secretary - MoE	3,512,156	-	-	3,512,156	566,062	2,946,094
50AD	Parliamentary Secretary - MoALFFB	3,551,734	-	-	3,551,734	188,393	3,363,341
<b>MPGA</b>	<b>Parliamentary Secretariat</b>	<b>14,117,847</b>	<b>46,426,000</b>	<b>(46,426,000)</b>	<b>14,117,847</b>	<b>17,434,362</b>	<b>-3,316,515</b>
<b>MPG</b>	<b>Parliamentary Secretariat</b>	<b>14,117,847</b>	<b>46,426,000</b>	<b>(46,426,000)</b>	<b>14,117,847</b>	<b>17,434,362</b>	<b>-3,316,515</b>
<b>M02</b>	<b>Prime Ministers Ministry</b>	<b>170,451,439</b>	<b>46,426,000</b>	<b>(45,418,881)</b>	<b>171,458,558</b>	<b>195,534,142</b>	<b>24,075,584</b>
	<b>Grand Total</b>	<b>170,451,439</b>	<b>46,426,000</b>	<b>(45,418,881)</b>	<b>171,458,558</b>	<b>195,534,142</b>	<b>24,075,584</b>

**Source:** Finance & Treasury



**TABLE 2: EXPENDITURE FOR THE PRIME MINISTERS MINISTRY BY  
CHART OF ACCOUNTS FOR QUARTER 2, 2017**

Account	Description	Total	Budget	Under/(Over)
	<b>Personnel Expenses</b>			
8AAA	Acting Allowances	850,346	263,837	(586,509)
8AAB	Responsibility Allowance	310,600	26,923	(283,677)
8AAC	On-Call Allowance	109,782	-	(109,782)
8AAF	Family Allowance	615,115	1,416,489	801,374
8AAH	Housing Allowances	13,057,076	11,510,778	(1,546,298)
8AAO	Other Allowances	2,979,766	448,259	(2,531,507)
8AAP	Home Island Passage Allowances	109,800	435,519	325,719
8AAS	Special Allowances	866,664	-	(866,664)
8ASP	Provident Fund	2,575,709	2,299,085	(276,624)
8AWC	Contract Wages	3,182,692	-	(3,182,692)
8AWD	Daily Rated Wages	-	353,802	353,802
8AWL	Leave expense	931,856	-	(931,856)
8AWO	Overtime Wages	374,649	-	(374,649)
8AWP	Permanent Wages	52,814,310	54,967,838	2,153,528
PAYR	Payroll expenses	-	3,010,455	3,010,455
	<b>Personnel Expenses</b>	<b>78,778,365</b>	<b>74,732,985</b>	<b>(4,045,380)</b>
	<b>Operating Expenses</b>			
8CAB	Subsistence Allowances	5,430,000	982,498	(4,447,502)
8CAF	Food Allowances	8,889	-	(8,889)
8CAS	Sitting Allowances	125,000	124,999	(1)
8CBI	International Accommodation	2,275,825	225,000	(2,050,825)
8CBL	Local Accommodation	265,000	262,500	(2,500)
8CCI	International Courses	(539,661)	300,000	839,661
8CCL	Local Courses	-	27,501	27,501
8CEC	Consultants Fees	10,289,677	5,149,977	(5,139,700)
8CEM	Software Maintenance Fees	21,167,214	46,765,611	25,598,397
8CEO	Outsourcing Contracts	324,805	324,999	194
8CES	Security Services	450,000	651,048	201,048
8CET	Other Fees	6,425,281	-	(6,425,281)
8CFO	Freight Fuel	172,178	50,001	(122,177)
8CFV	Vehicles Fuel	1,340,905	1,179,500	(161,405)
8CGO	Other Charges - Freight	69,400	120,000	50,600
8CGR	Transport - Freight	89,680	371,499	281,819
8CGS	Storage - Freight	342,477	-	(342,477)
8CHL	Local Medical Treatment	1,500,000	75,001	(1,424,999)
8CIE	Equipment Hire	72,864	-	(72,864)
8CIF	Facilities Hire	155,856	144,999	(10,857)

8CIV	Vehicles Hire	-	375,000	375,000
8CJO	Office Cleaning	217,796	275,974	58,178
8CKD	Advertising - Communications	124,440	250,387	125,947
8CKI	Internet and Satellite Communications	8,040,583	-	(8,040,583)
8CKP	Postage - Communications	36	24,221	24,185
8CKR	Printing - Communications	24,800	126,399	101,599
8CKS	Stationery - Communications	501,657	1,035,553	533,896
8CKT	Telephone / Fax - Communications	10,006,356	5,847,483	(4,158,873)
8CMG	General - Materials	1,281,984	1,249,995	(31,989)
8CMO	Office - Materials	-	72,000	72,000
8CNO	Office Rental	1,312,106	2,374,996	1,062,890
8CNT	Other Rental	1,111,942	251,439	(860,503)
8COF	Refunds	634,900	250,000	(384,900)
8COG	Government Contributions	2,000,000	240,000	(1,760,000)
8COI	Incidentals	8,880,320	2,398,308	(6,482,012)
8COO	International Organisation Fees	-	1,000,000	1,000,000
8COP	Official Entertainment	2,216,833	839,221	(1,377,612)
8COT	Termination Payment	-	115,722	115,722
8COU	Uniforms	38,871	121,500	82,629
8CRB	Buildings Repairs & Maintenance	4,185,571	158,601	(4,026,970)
8CRE	Equipment Repairs & Maintenance	273,140	1,145,218	872,078
8CRM	Maintenance Contract	374,419	4,627,896	4,253,477
8CRR	Roads Repairs & Maintenance	-	-	-
8CRV	Vehicles Repairs & Maintenance	946,671	860,777	(85,894)
8CSF	Food - Suppliers	200,445	-	(200,445)
8CSM	Medicines Suppliers	1,507	-	(1,507)
8CTI	International Travel	2,762,171	967,998	(1,794,173)
8CTL	Local Travel	293,462	2,485,575	2,192,113
8CUC	Gas - Cooking Utilities	-	24,999	24,999
8CUE	Electricity Utilities	7,836,777	4,942,950	(2,893,827)
8CUW	Water Utilities	52,544	164,077	111,533
8CZV	Value Added Tax	7,175,075	3,645,818	(3,529,257)
8DNO	Other Non Profit Institution	300,000	240,000	(60,000)
8EEA	Equipment - Additional General	509,131	4,711,893	4,202,762
8EEC	Equipment - Computer	2,411,992	785,886	(1,626,106)
8EES	Equipment - Specialised	53,320	-	(53,320)
8EET	Equipment - Computer Software Purchases	-	50,000	50,000
8EFO	Furniture - Office Furniture	35,427	288,891	253,464
8EVR	Vehicle - Replacement	2,951,111	-	(2,951,111)
8FCB	Bank Charges	35,000	24,999	(10,001)
OVER	Overhead expenses	-	(2,003,336)	(2,003,336)
	<b>Operating Expenses</b>	<b>116,755,777</b>	<b>96,725,573</b>	<b>(20,030,204)</b>
	<b>Total Expenditure</b>	<b>195,534,142</b>	<b>171,458,558</b>	<b>(24,075,584)</b>

**Source:** Finance & Treasury

TABLE 3: REVENUE FOR THE PRIME MINISTER'S MINISTRY FOR QUARTER 2, 2017

Account	Description	Revenue	Budget	Over/(Under)
	<b>Revenue</b>			
7NOR	Rents & Leases Recoveries	2,022,224	0	2,022,224
	<b>Revenue</b>	<b>2,022,224</b>	<b>-</b>	<b>2,022,224</b>
	<b>Total Revenue and Receipts</b>	<b>2,022,224</b>	<b>-</b>	<b>2,022,224</b>

**Source:** Finance & Treasury

TABLE 4: VIREMENT FOR THE PRIME MINISTER'S MINISTRY FOR QUARTER 2, 2017

Date	fund_In	fund_Out	dept_Out	activity_Out	account_Out	dept_In	activity_In	account_In	Amount
30-Jun-17	2	2	56AA	MPDE	OVER	56AA	MPDE	PAYR	433,336

**Source:** Finance & Treasury