



# SHADOW MINISTER FOR TREASURY & FINANCE

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## **Government's Incompetence in Managing the Payroll – K1 billion blow-out**

“Today in Parliament I asked the Treasurer to explain a massive blow-out of nearly K1 billion in the government’s payroll payments to public servants and teachers. This Budget blow-out once again demonstrates the PNC Government’s incompetence in managing the nation’s public service payroll. There are reliable reports from the 2019 Budget process that senior public servants estimate the cost over-run in 2018 would be K944 million, or nearly K1 billion. This would be a massive cost over-run of over 20 per cent, or one-fifth, of the initial budgeted amount. No wonder they can’t pay teacher’s on time with such budget mismanagement” stated the Shadow Minister for Treasury & Finance Ian Ling-Stuckey.

“The government payroll is the largest single cost item in the budget, even larger than the massive public debt interest costs being imposed on the people of PNG. The Treasurer promised as part of his so-called 100 day plan, as point 3, that the new government would get the government payroll under control. The 2018 Budget estimated that the size of the Payroll, also known as Compensation of Employees or CoE, was K4,137 million for 2018. However, as part of the budget process, the September Outturn Report from Round 3 indicated payroll was expected to reach over K5,062 million in 2018. More specifically, the government was informed that there was an expected salary over-run of K944 million, nearly one billion Kina of incompetent budget management.

“This pattern of budget incompetence in managing the payroll was evident from two earlier facts. First, the 2018 MYEFO revealed that there was an additional K418 million paid in Section 4 Transfers on 4 January 2018. These massive payments were described as “To offset salary overrun” – a clear example of simply delaying a payment, until the very start of 2018, to make the 2017 deficit look better. Second, the Treasurer

has admitted that they did not actually budget for the 3% salary increase promised earlier to teachers and public servants. Funds of K213 million were finally allocated in the middle of the year to meet this known cost. This is a two-faced government that makes big promises and then fails to put the actual costs into the budget planning system. When the political pressure becomes too great, they then include them in the budget. However, when they don't like the inevitable impact on the government's bottom line, its deficit position, it then sweeps such costs under the carpet by delaying such salary over-runs into the next year" stated the Shadow Treasurer.

"The 2019 Budget will reveal whether the Treasurer will once again play tricks by under-reporting the extent of this budget over-run, and then simply sweep the figures demonstrating incompetence into salary over-run costs to be paid in the following year. Possibly he will play games by saying the salary blow-out will be less because he will stop people paying over-time – I hope the people working on his budget and APEC including the police know that the Treasurer is planning not to pay them any over-time! The 2019 Budget will also reveal whether the government is fully budgeting for the costs of teachers and other workers including those promised in the 2018-2022 Medium-term Development Plan. There is a need for a new coalition government that actually knows how to manage a budget" said Mr Ling-Stuckey.

**Hon.Ian Ling-Stuckey,CMG.MP**  
**Shadow Minister for Treasury & Finance**

8 November 2018

## Details

Initial 2018 Budget Compensation of Employees (CoE) allocations. There were minor variations to this figure, such that the MYEFO claimed the CoE 2018 Budget allocation was K4,153.6 million (page 63), the 2019 Budget Strategy said the MYEFO figure was K4,163.0 million and later Round 3 figures claimed it was K4,118 million.

2018 National Budget, Volume 1

**Table 13A: General Government Expense by Economic Classification**

Kina Million	Actuals		Est.	2018 Budget	Projections			
	2015	2016	2017 Supp. Budget		2019	2020	2021	2022
<b>Compensation of Employees</b>	<b>3,993.3</b>	<b>4,463.4</b>	<b>4,276.0</b>	<b>4,137.3</b>	<b>4,266.2</b>	<b>4,397.2</b>	<b>4,532.1</b>	<b>4,671.1</b>
Wages and salaries	3,662.5	4,021.0	3,897.0	3,750.3	3,891.4	4,009.7	4,131.7	4,251.2
Wages and salaries in cash	3,563.5	3,901.7	3,788.6	3,628.1	3,773.2	3,887.5	4,005.3	4,118.7
Wages and salaries in kind	98.9	119.9	108.4	122.1	118.2	122.2	126.3	132.5
Employers' social contributions	330.8	441.8	381.0	387.1	374.8	387.5	400.5	419.9
Actual social contributions	330.8	441.8	381.0	387.1	374.8	387.5	400.5	419.9

2018 MYEFO revealed massive salary over-runs – these four lines show combined salary overrun payments of K418 million made on 4 January 2018 – clearly simply deferrals from costs incurred in 2017 and an example of budget games.

### Attachment E:

#### MOVEMENTS IN SECTION 4 TRANSFERS

Date	Particulars /Description	Section 4 Movements				
		Transfer Within		Transfer Out/In		
		Dept	Amount	Dept	Dept	Amount
4/01/2018	To offset salary overrun			207	563	29,040,195
4/01/2018	To offset salary overrun			207	266	193,404,720
4/01/2018	To offset salary overrun			207	234	157,308,667
4/01/2018	Transfer to offset salary overruns			203	262	38,206,419
5/01/2018	Contra Entry.	229	2,493,898	229	229	
25/01/2018				207	235	100,000,000
7/02/2018	For Lawyers Practising Certificates.	222	61,393	222	222	
7/02/2018	To cater for MSG meeting-9-16 Feb-18			203	207	1,800,000
9/02/2018	arrangement			207	257	500,000
9/02/2018	Retrenchment funding to DPM			207	220	5,000,000
9/02/2018	HDA & LEAVE FARES WITHIN	208	29,700	208	208	
14/02/2018	For MSG			207	208	870,900
14/02/2018	Cater for shortfalls in appropriation	230	2,006,600	230	230	
14/02/2018	Volcano relief operations, Kadovar - ESP			207	232	2,000,000
14/02/2018	redistribution of funds to two new Divs	206	850,000	206	206	
22/02/2018	transfer to 207 PMGH			207	241	22,635,012
22/02/2018	Transfer from Education to 207 Treasury			207	235	501,302,000
26/02/2018	cater for Police women conference -Kimbe	228	947,630	228	228	
26/02/2018	To assist National Honors & Awards Council			203	207	500,000
28/02/2018	Trf to NCOBA ABG Minister Support funds			205	207	250,000
2/03/2018	For bond travel and administrative costs			208	299	1,000,000
5/03/2018	To cater for State Commitment made			203	207	2,000,000
8/03/2018	Transfer from various divisions to corre	235	1,861,000	235	235	
9/03/2018	For Wong Partnership LLP payment.			207	225	4,174,332
9/03/2018	To repay 3 BSP state guaranteed loans.	299	100,000,000	299	299	

The following statement from the 2018 Budget Volume 1 page 30 reveals the extent of the PNC broken promise of expenditure control – from minus 3.3% to over plus 20%.

In this respect, the growth in compensation of employees<sup>11</sup> will be halted in 2018 with the Government determined to reduce expenditure under this category by 3.3 per cent in 2018 and the significant increase in one-off revenue measures will be used to clear the accumulation of substantial arrears, allowing the 2018 Budget to be executed without dealing with a substantial prior year fiscal overhang. Improved public debt management will undertake a detailed assessment to minimise interest costs while still maintaining prudent risk levels so only essential goods and services expenditures will be appropriated.

Importantly, in the 2018 Budget the O’Neill-Abel Government has reorientated the composition of expenditures substantially by reprioritizing and reallocating spending from these less efficient expenditure areas to higher value priorities that would enhance overall economic growth and still achieve the strategic development goals of the Government. As a result, the Government is able to increase capital expenditures in the 2018 Budget by 67.3 per cent compared to the 2017 Supplementary Budget appropriation.

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<sup>11</sup> Or Personnel emoluments (PE)