



MALAWI GOVERNMENT

**REPORT ON ANALYSIS OF FINANCIAL TRANSACTIONS REPORTS
FROM MDAS FOR THE MONTH OF OCTOBER 2016**

Ministry of Finance, Economic Planning and Development

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1.0 INTRODUCTION

Pursuant to Section 84 (3) of the Public Finance Management Act (PFMA), 2003, every Controlling Officer is required to submit to the Treasury within 14 days of the month, a monthly summary of financial transactions in the format specified by the Secretary to the Treasury.

In line with this provision, Ministries, Departments and Agencies (MDAs) are required to submit the following returns to the Treasury, which have since been analysed;

- i. Revenue return;
- ii. Expenditure return;
- iii. Commitment return;
- iv. Bank reconciliation report;
- v. Payroll return.

This report therefore sets out to present the results of the analysis of these reports for the month of October 2016 for the MDAs.

2.0 FINDINGS AND OBSERVATIONS FROM MDA REPORTS

2.1 COMPLIANCE LEVELS

Generally, compliance by MDAs in submission of financial transaction reports for the month of October 2016 has gone up when compared to the previous month of September 2016. In October 2016, compliance rate was 92.8 percent while average compliance rate for the month of September 2016 was 79.4 percent.

In terms of completeness of reports, the chart below depicts the situation where 7.2 percent of the MDAs did not submit any report, 92.8 percent of the MDAs submitted the complete set of reports.



The 7.2 percent of non submission of reports is for four (4) MDAs which are:

- i. National Assembly;
- ii. Civil Service Commission;
- iii. Local Development Fund; and
- iv. Unforeseen Expenditure.

On subvented organizations, out of 26 institutions, only 25 made complete submissions representing 96.2 percent. The institution that did not submit anything is Technical Vocational Education Training (TEVETA).

2.2 EXPENDITURE TRENDS

2.2.1 PERSONAL EMOLUMENTS (PE) EXPENDITURE LEVELS

Cumulative PE expenditure in most MDAs is within the expected levels (33 percent of the approved provision) on prorata basis. However, high expenditure has been observed under the Malawi Police Service which has spent 39 percent of its approved PE provision for October 2016. This is mainly on account of salary arrears for officers who have been promoted, and payment of salary to newly recruited officers undergoing training.

2.2.2 OTHER RECURRENT TRANSACTIONS (ORT) EXPENDITURE LEVELS

Under ORT, low expenditure levels have been observed (average of 15 percent) against a target of 33 percent in most MDAs. This is due to the fact that funding is done in the middle of the month, and by the time of reporting, some payments were not yet processed.

However, high expenditure levels have been observed under the Ministry of Labour, Youth, Sports, and Manpower Development and Malawi Police Service with levels as high as 70 percent and 42 percent of the approved ORT provision, respectively.

2.3 PE FUNDING AND EXPENDITURE VARIANCES

PE funding is based on GP5 forms, hence it is expected that there must be no variances between funding and expenditure. However, it has been observed that in the month of October total funding amounted to K21.4 billion on personal emolument which is almost the same level as the expenditure reported during the month. This implies that salaries were paid in good time for all MDAs.

2.4 MONTH TO MONTH PE FUNDING VARIANCES

The month to month PE funding variances have been observed in almost all MDAs. For the month of October 2016, the Government paid K21.4 billion, K714 million lower than the September funding of K22.1 billion. The difference of is on account of the salary arrears which were paid in some institutions following the salary increment earlier in the financial year. However, it is expected that the wage bill will smoothen out in the coming months up to November and rise again in December following annual wage creep implementation.

2.5. COMMITMENTS

Total ORT commitments in October 2016 amounted to K2.1 billion. Out of the K2.1 billion, Mzuzu University registered commitments worth K1.4 billion in the month. Some of the institutions which also registered high commitments during the month;

- i. Ministry of Transport and Public Works - K268 million;

- ii. Department of Accountant General - K464 million; and
- iii. Mzuzu University -K1.4 billion.

On Part 2 Development Budget, there no commitments reported in the month of October.

2.6. BANK RECONCILIATION OF GOVERNMENT ACCOUNTS

Progress on reconciliation of the Positive Pay Accounts has been satisfactory for the month of October 2016. Over 87 percent of the MDAs had timely submitted the bank reconciliation reports. However, the quality of reports from some MDAs is still poor and needs improvement. Additionally, most MDAs are not following up and undertaking corrective measures on outstanding reconciling items on time, especially for pool or consolidated accounts.

3.0. CONCLUSIONS

In line with the requirement by Controlling Officers to submit the financial reports to the Treasury, there has been general improvement in submitting the reports for the month of October in November 2016. Compliance rate was at 92.8 percent, up by 8.4 percent from the previous month.

Low expenditures levels against funding levels have been reported during this period in most MDAs on account of late funds release. However, institutions with a front loaded cash flow and quarterly allocations have expenditures above average. Three MDAs reported having commitments with significant amounts during the period under review.

4.0 WAY FORWARD

In order to address the issues raised in this report, the following will be undertaken as way forward:

- i. The Treasury will continue engaging MDAs that do not submit the returns so that the challenges being encountered are resolved in order to enhance compliance levels;
- ii. The Treasury will continuously engage MDAs that are accumulating commitments in terms of plans to discharge the same to avoid build-up of arrears;
- iii. Treasury will continue engaging MDAs in order to get their commitment in completion of bank reconciliations as detailed in the procedures; and
- iv. The Treasury will re-engineer some activities in the bank reconciliation processes so that the current inefficiencies are eliminated.