



MALAWI GOVERNMENT

**REPORT ON ANALYSIS OF FINANCIAL TRANSACTIONS REPORTS
FROM MDAS FOR THE MONTH OF FEBRUARY 2017**

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 February 2017 for the MDAs.

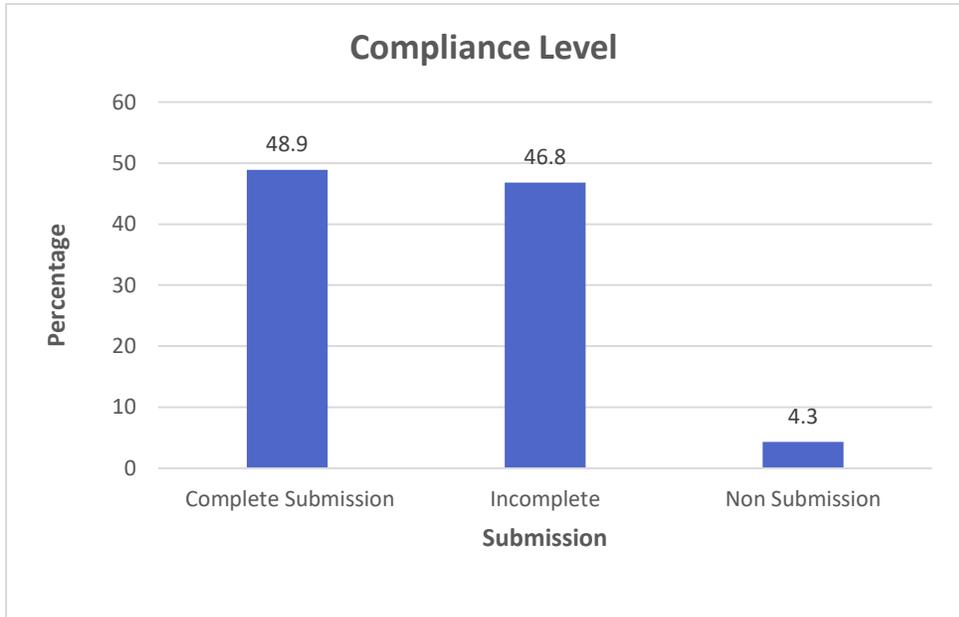
2.0 FINDINGS AND OBSERVATIONS FROM MDA REPORTS

2.1 COMPLIANCE LEVELS

Generally, the overall compliance level by MDAs in submission of financial transaction reports for the month of February 2017 dropped when compared to the previous month of January 2017. In February 2017 compliance rate was 84.2 percent while average compliance rate for the month of January 2017 was 87.6 percent. The drop is due to bank reconciliation submission as only 23 out of 57 MDAs submitted their Bank Reconciliation reports.

In terms of completeness of reports, 48.9 percent of MDAs submitted complete set of reports, 46.8 percent of the MDAs submitted

incomplete set of reports, and finally 4.3 percent of the MDAs did not submit the reports.



The time this report was prepared the votes that did not submit their financial reports are;

- i. Local Development Fund; and
- ii. Unforeseen Expenditure;

On subvented organizations, out of 25 institutions, 24 institutions made complete submissions representing 96 percent. Only Public Private Partnership Commission did not submit the financial reports.

2.2 EXPENDITURE TRENDS

2.2.1 PERSONAL EMOLUMENTS (PE)

Since PE funding is based on GP5 Forms, variances between funding and expenditure are not expected. In the month of February, total funding amounted to K21.6 billion on Personal Emolument against expenditure of K21.6 billion. This is on account that MDAs submitted

the relevant documents on time and the speedy processing of salaries by Accountant General.

Cumulative PE expenditure in most MDAs is within the expected levels (66.7 percent of the approved provision) on prorata basis. Cummulatively, funding is within the expected levels as it amounted to K175.2 billion representing 64.3 percent of K272.3 billion of the approved budget.

During the period under review, the month to month PE funding variances were not observed. This is due to close monitoring of the wage bill to ensure stability and predictability.

2.2.2 OTHER RECURRENT TRANSACTIONS (ORT)

The ORT expenditures are at an average of 64 percent which is within the expected levels (66.7 percent of the approved provision) on prorata basis. The slight difference is due to the fact that some payments were not yet processed in the MDAs even though funding was available.

2.2.3 DEVELOPMENT BUDGET

In the month of February 2017 Government funded K3.0 billion under Development Budget Part 2. This is lower compared to the previous month's funding of K4.6 billion. Cummulatively, Government funded total of K24.4 billion (representing 63.4 percent), against approved Development budget of K38.5 billion. The cummulative expenditure amounted to K24.2 billion, slightly lower than funding level due to low absorptive capacity in some projects.

2.3 COMMITMENTS

Total ORT commitments in February 2017 amounted to K260 million, of which K137 million is for MDAs and K123 million is for Subvented Organisations. The Anti-Corruption Bureau and National Herbarium and Botanic Gardens have commitments amounting to K84 million and K60 million, respectively.

Compared to the previous month, there has been significant drop in commitments from K3.8 billion in January 2017 to K260 million in February 2017. This is on account that February 2017 funding was done according to the cash-flows from MDAs and the improved processing of payments by Accountant General Department. Some of the institutions which registered high commitments during the month under review include;

- i. Anti-Corruption Bureau – K84 million;
- ii. National Herbarium and Botanic Gardens – K60 million;
- iii. Competition and Fair Trading – K34 million;
- iv. Malawi Investment and Trade Centre– K22 million;
- v. National Local Government Finance Committee – K21 million;
- vi. Law Commission – K10 million, and
- vii. National Audit Office – K7 million.

2.4 BANK RECONCILIATION OF GOVERNMENT ACCOUNTS

In terms of compliance of submissions, only 23 out of 57 MDAs submitted the bank reconciliation reports on time for the month of February 2017, representing 51 percent. This rate of submission is lower compared to 64 percent for the previous month.

3.0. CONCLUSIONS

In line with the requirement by Controlling Officers to submit the financial reports to the Treasury, there has been slight drop in submitting the reports for the month of February in March 2017. Compliance rate was at 84.2 percent, down by 3.4 percent from the previous month.

Low submission levels on bank reconciliation (51percent) has been reported during this period. Five 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. Continued close monitoring of the wage bill in MDAs to ensure stability and predictability;
- ii. Strong warning to the controlling officers for MDAs that are consistently submitting the returns later than the deadline in order to enhance compliance levels; and
- iii. Continue monitoring the history and movement of commitments in MDAs to detect potential creation of arrears and engage the MDAs on their plans to clear the same.