



MALAWI GOVERNMENT

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

Ministry of Finance, Economic Planning and Development

P.O Box 30049,

Lilongwe 3.

Malawi.

JANUARY 2017

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.

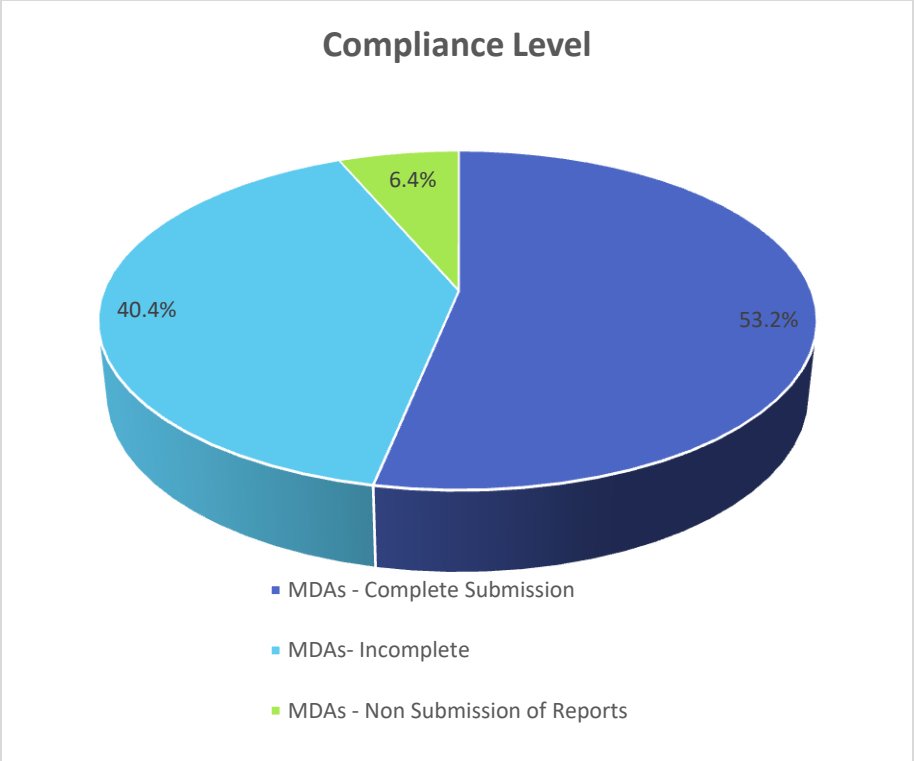
This report therefore sets out to present the results of the analysis of these reports for the month of December 2016 for the MDAs.

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 December 2016 has slightly gone up when compared to the previous month of November 2016. In December 2016 compliance rate was 84.2 percent while average compliance rate for the month of November 2016 was 83.0 percent.

In terms of completeness of reports, the chart below depicts the situation where 53.2 percent submitted complete set of reports 40.4 percent of the MDAs submitted incomplete set of reports, and finally 6.4 percent of the MDAs did not submit the reports.



The time this report was prepared the following votes had not submitted their financial reports.

- i. Local Development Fund;
- ii. Unforeseen Expenditure;
- iii. Office of the Ombudsman.

On subvented organizations, out of 26 institutions, only 23 made complete submissions representing 88.5 percent. The institutions that did not submit anything are Technical Vocational Education Training (TEVETA), Public Private Partnership Commission and National Commission of Science and Technology.

2.2 EXPENDITURE TRENDS

2.2.1 PERSONAL EMOLUMENTS (PE)

Cumulative PE expenditure in most MDAs is within the expected levels (50 percent of the approved provision) on prorata basis. It was noted that State Residences and Immigration Department registered slightly higher expenditures accounting for 60 percent and 58 percent of the approved budget, respectively. This is on account of promotions and salary increments.

PE funding is based on GP5 Forms, hence variances between funding and expenditure are not expected. However, it has been observed that in the month of December total funding amounted to K21.8 billion on Personal Emolument against expenditure of K20.5 billion. This is on account of delayed salary payments in education, agriculture and health sectors.

December funding is higher compared to the previous month which was K21.2 billion. This is on account of salary arrears, payment of leave grants and annual increments effected in December. Cumulatively, funding is within the expected levels as it amounted to K131 billion representing 48 percent of the approved budget of K272.3 billion.

The month to month PE funding variances are observed in some of the MDAs such as National Assembly, Office of the Ombudsman, Ministry of Foreign Affairs and International Cooperation, State Residences and Ministry of Education, Science and Technology. There is need for stringent measures to stabilize the wage bill in these MDAs.

2.2.2 OTHER RECURRENT TRANSACTIONS (ORT)

The ORT expenditures are within the expected levels (50 percent of the approved provision) on prorata basis at an average of 49 percent. The slight difference is due to the fact that funding for the month coincided with the christmas recess for civil servants hence, some payments were not yet processed in the MDAs.

However, the only notable high expenditure level (55%) has been observed under the Office of the President and Cabinet (OPC). This is on account of one off payment for the purchase of motor vehicles under the vote.

2.2.3 DEVELOPMENT BUDGET

In the month of December 2016 Government funded K167 million under Part 2 Development Budget compared to the previous month funding of K3.4 billion. Cummulatively, Government funded total amount of K14.2 billion (representing 37 percent), against approved Development budget of K38.5 billion. The cummulative expenditure amounted to K9.7 billion, this is due to lower than expected absorptive capacity in some MDAs.

2.3 COMMITMENTS

Total ORT commitments in December 2016 amounted to K1.1billion, of which K498 million is for the Department of Accountant General. Compared to the previous month, there has been significant increase in commitment from K258 million in November 2016 to K1.1billion in December 2016. This is on account of a number of factors such as insufficient funds, delayed disbursement of funds, slow processing of payments by Accountant General Department

and Electronic System problems between Reserve Bank of Malawi and Commercial Banks. Some of the institutions which registered high commitments during the month under review include;

- i. Department of Accountant General – K498 million;
- ii. Ministry of Transport and Public Works – K334 million;
- iii. Anti-Corruption Bureau – K99 million;
- iv. Cotton Council of Malawi – K49million;
- v. Lilongwe University of Agriculture and Natural Resources – K39 million;
- vi. National Council for Higher Education – K35 million;
- vii. Competition and Fair Trading Commission – K28 million, and
- viii. Malawi Investment and Trade Centre – K21 million.

2.4 BANK RECONCILIATION OF GOVERNMENT ACCOUNTS

In terms of compliance of submissions 53 percent of the MDAs had submitted the bank reconciliation reports on time for the month of December 2016. This rate of submission is lower compared to 57 percent for the previous month. In terms of the quality of reports, most MDAs are submitting good quality reports. Additionally, most MDAs are following up and undertaking corrective measures on outstanding reconciling items.

3.0. CONCLUSIONS

In line with the requirement by Controlling Officers to submit the financial reports to the Treasury, there has been slight improvement in submitting the reports for the month of December in January 2017. Compliance rate was at 84.2 percent, up by 1.2 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.

Eight 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 be engaging MDAs that are consistently submitting the returns later than the deadline so that the challenges being encountered are resolved in order to enhance compliance levels;
- ii. Treasury will continue engaging MDAs in order to get their commitment in completion of bank reconciliations as detailed in the procedures; and
- iii. The Treasury will continue engaging MDAs that do not submit bank reconciliation processes so that the current inefficiencies are eliminated.
- iv. Treasury is monitoring the history and movement of commitments in MDAs to detect potential creation of arrears and will engage the MDAs on their plans to clear the same.