



MALAWI GOVERNMENT

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

Ministry of Finance, Economic Planning and Development

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NOVEMBER 2016

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 November 2016 for the MDAs.

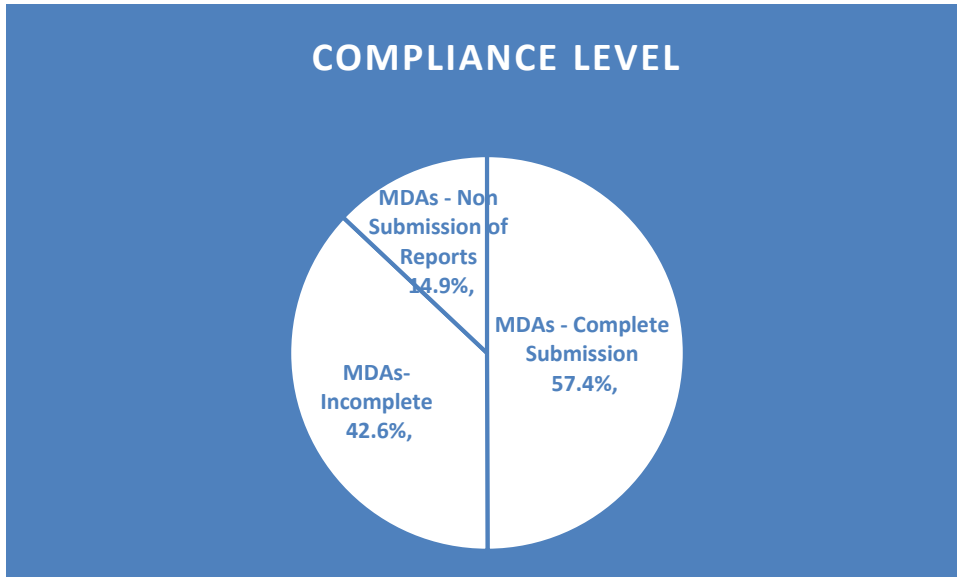
2.0 FINDINGS AND OBSERVATIONS FROM MDA REPORTS

2.1 COMPLIANCE LEVELS

Generally, compliance by MDAs in submission of financial transaction reports for the month of November 2016 has gone down when compared to the previous month of October 2016. In November 2016, compliance rate was 83.3 percent while average compliance rate for the month of October 2016 was 92.8 percent.

In terms of completeness of reports, the chart below depicts the situation where 57.4 percent of the MDAs submitted complete set of reports, 42.6 percent of the MDAs submitted incomplete sets of reports and only 14.9 percent of the institutions did not submit the reports. The

42.6 percent is on account that twenty (20) out of forty seven (47) MDAs did not submit Bank Reconciliation.



The time this report was prepared the following Institutions did not submit their financial reports.

- i. National Assembly;
- ii. Local Development Fund;
- iii. Unforeseen Expenditure;
- iv. National Local Government Finance Committee;
- v. Road Fund Administration; and
- vi. Unforeseen Expenditure.
- vii. Malawi Defence Force

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 (42 percent of the approved provision) on prorata basis. However, high expenditures have been observed under Ministry of Local Government and Rural Development 47 percent of their approved PE provision for November 2016. This is mainly on account of payment of leave grants for officers.

2.2.2 OTHER RECURRENT TRANSACTIONS (ORT) EXPENDITURE LEVELS

Under ORT, low expenditure levels have been observed (average of 30 percent) against a target of 42 percent in most MDAs. The low expenditures is due to delays in funding as fund release is done towards in the end of the month, and by the time of reporting, some payments were not yet processed.

However, high expenditure levels have been observed under the State Residence and Ministry of Finance, Economic Planning and Development 73 percent and 70 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 November total funding amounted to K21.2 billion on personal emolument against expenditure of K19.5 billion. This funding is lower compared to the previous month which was K21.4 billion. The lower expenditure is

attributed to some votes whose other salary payments were made after the end of the month due to late submission of GP5A Forms which are the basis of funding.

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 November 2016, the Government paid K21.2 billion, K214 million lower than the October funding of K21.4 billion. The lower funding expenditure is attributed to under request on personal emoluments by the councils for the devolved functions. And it is expected that this will be normalized in December 2016.

2.5. COMMITMENTS

Total ORT commitments in November 2016 amounted to K258million, of which K199 million is for Ministry of Labour and Man power Development. Compared to the previous month, there has been significant drop in commitment accumulation from K2.1 billion in October 2016 to K258 million in November 2016. This is on account that most Ministries, Departments and Agencies (MDAs) cleared their commitments during the month of November 2016. However, some institutions registered high commitments during the month namely,

- i. Ministry of Labour and Man power Development – K199 million;
- ii. Competition and Fair Trading Commission – K23 million; and
- iii. Malawi Investment and Trade Centre –K18 million.

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

2.6. BANK RECONCILIATION OF GOVERNMENT ACCOUNTS

Progress on reconciliation of the Positive Pay Accounts has dropped for the month of November 2016. Over 57 percent of the MDAs submitted the bank reconciliation reports on time compared to 87 percent of the previous month. In the month of November the quality of reports from MDAs have improved and most MDAs are following up and undertake corrective measures on outstanding reconciling items on time.

3.0. CONCLUSION

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 November in December 2016. Compliance rate was at 88.0 percent, down by 4.8 percent from the previous month.

Low expenditures levels against funding levels have been observed during this period under review in most MDAs on account of delays in funding as fund release is done towards the end of the month. However, some institutions have reported high expenditure namely State residences, Ministry of Local Government and Rural Development and Ministry of Finance, Economic Planning and Development. 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.