MALAWI GOVERNMENT

REPORT ON ANALYSIS OF FINANCIAL TRANSATIONS REPORTS FROM MDAS FOR THE MONTH OF MARCH 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.

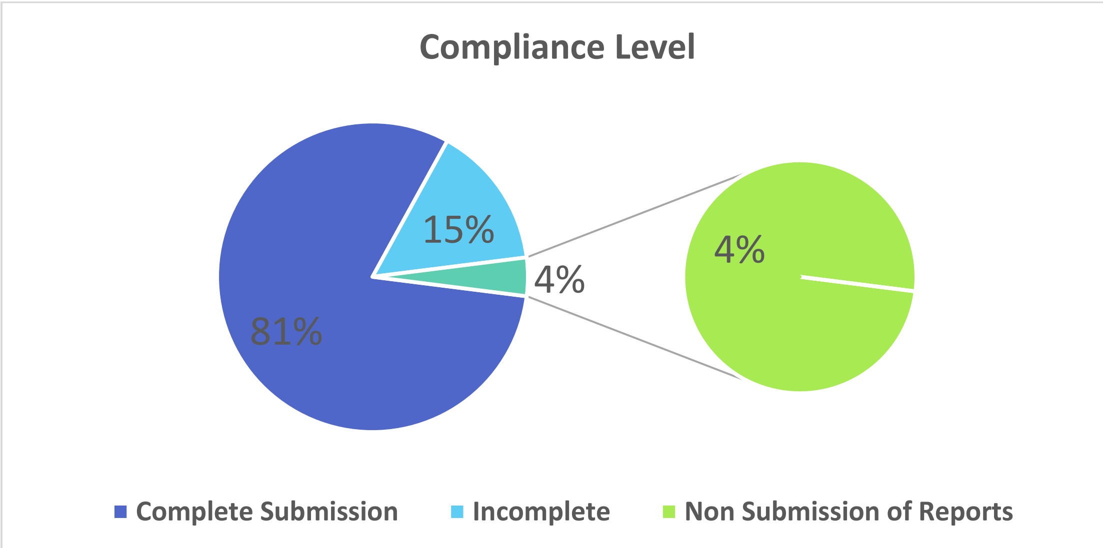
This report therefore sets out to present the results of the analysis of these reports for the month of March 2017 for the MDAs.

2.0 FINDINGS AND OBSERVATIONS FROM MDA REPORTS

2.1 COMPLIANCE LEVELS

Generally, the overall compliance level by MDAs in timely submission of financial transaction reports for the month of March 2017 drastically dropped when compared to the previous month of February 2017. In March 2017 compliance rate was 75.1 percent while average compliance rate for the month of February 2017 was 84.2 percent.

In terms of completeness of reports, 81 percent of MDAs submitted complete set of reports, 15 percent of the MDAs submitted incomplete set of reports, and finally 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; 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 during the period under review.

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 March 2017 total expenditure amounted to K21.5 billion on Personal Emolument against a funding of K21.5 billion. This is on account that MDAs submitted the relevant documents on time and the salaries were processed in good time. This means that all civil servants got their salaries on time in March 2017.

Cumulative PE expenditure in most MDAs is within the expected levels (75.0 percent of the approved provision) on prorata basis. Cummulatively, funding is within the expected levels as it amounted to K196.8 billion representing 72.3 percent of K272.3 billion of the approved budget.

During this period under review, the month to month PE funding variances were not observed. This is due to continued 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 72 percent which is within the expected levels (75.0 percent of the approved provision) on prorata basis. The difference is due to the fact that disbursement of funds to MDAs was done late in the month and that some payments were not yet processed in the MDAs.

2.2.3 DEVELOPMENT BUDGET

In the month of March 2017, Government funded K2.9 billion under Part 2 Development Budget. This is slightly lower compared to the previous month funding of K3.0 billion. Cummulatively, Government funded total of K25.3 billion (representing 65.7 percent), against approved Development budget of K38.5 billion. The cummulative expenditure amounted to K25.1 billion, slightly lower than funding level due to low absorptive capacity in some projects.

2.3 COMMITMENTS

Total ORT commitments in March 2017 amounted to K3.1 billion of which K2.9 billion is for MDAs and K184 million is for Subvented Organisations. The Department of Accountant General, Ministry of Education, and Ministry of Transport and Public Works have commitments amounting to K2.1 billion, K379.8 million, and K335 million, respectively.

Compared to the previous month, there has been significant growth in commitments from K260 million in February 2017 to K3.1 billion in March 2017. This is on account that March 2017 funding was not done according to the cash-flows from MDAs and the delayed processing of payments by Accountant General Department. Some of the institutions which registered high commitments during the month under review include;

i. Department of Accountant General – K2.1 billion
ii. Ministry of Education – K379.8 million;
iii. Ministry of Transport and Public Works – K335 million,
iv. National Local Government Finance Committee – K52.4 million,
v. National Herbarium and Botanic Gardens – K76 million;
vi. Competition and Fair Trading – K34 million;
vii. Malawi Investment and Trade Centre– K14.6 million;

2.4 BANK RECONCILIATION OF GOVERNMENT ACCOUNTS

In terms of compliance of submissions, there was no submission of the consolidated bank reconciliation report for the month of March by the Department of Accountant General.

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 March in April 2017. Compliance rate was at 75.1 percent, down by 9.1 percent from the previous month.

No submission of bank reconciliation reports from the Accountant General. Seven Institutions 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. 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;

iii. Engaging MDAs that do not submit bank reconciliation reports so that the current inefficiencies are eliminated, and