

MINISTRY OF LANDS AND NATURAL RESOURCES

INTRODUCTION

The portfolio of the Ministry of Lands and Natural Resources includes:

1. Cabinet
2. Executive Management and Corporate Services
3. Land Management
4. Water Resources
5. Land Valuation Services
6. Geology & Mines

The Ministry's guiding principle is to manage land and natural resources in a sustainable and equitable manner for the social and economic well-being of the citizens of the country.

The Ministry's recurrent expenditure budget increased from VT271,843,973 in 2016 to VT325,976,946 in 2017, indicating an increase of 20%. In addition, with supplementary budget allocated, the total budget increased to VT333,976,946. Furthermore, the revenue projection of 2017 is at VT 631,850,767, slightly lower by 0.2% when compared to revenue target in 2016. This document reports on the financial management performance of this Ministry, specifically focusing on expenditure and revenue collection against budget allocations.

SUMMARY OF KEY FINDINGS

Expenditure Trends

With **50%** of the year lapsed, the Ministry's overall **expenditure amounts to 45.6%** of its annual budget. Given the current expenditure trend, the Ministry is likely come in on budget with remaining 54.4% to be spent in the third and fourth quarter of 2017.

The Chart of Accounts breakdown (Table 1) reveals that many accounts have overspent (light grey) and spending without a budget (light red). It may be noted that mostly the same accounts that overspent in 2016, also overspent in 2017. Given this, it is advised that the Ministry adjust and reconsider their budget allocations to these accounts for the following year to accommodate the recurrently higher expenditure on these accounts.

Payroll Expenditure

The table below shows the respective budgets in respect to payroll budget spent by end of the second quarter. Payroll has spent 95.7% or VT102,346,480 of its quarter one budget and 47.1% of its total payroll budget indicating a 30.6% when compared to total 2017 annual budget.

There are few unbudgeted accounts under the payroll account which have to be considered to allow for future budget control. There are five accounts shown in the table below that indicated no allocated budget. However, four of the accounts have already incurred spending by the end of the second quarter;

Description	Total spending at end of QTR 2
Other Allowances	18,170
Special Allowances	-
Contract Wages	778,574
Leave expense	1,433,135
Overtime Wages	1,173,121
Total Unbudgeted Spending	3,403,000

A sum of VT3.4 million was incurred under unbudgeted accounts. This indicated 3.2% of quarter two budget, 1.6% of total annual payroll budget and 1.0% of total budget (*payr+over*). Otherwise, payroll budget is not over spent in terms of total payroll spending to date.

The table below shows the two accounts that indicated overspending of their respective quarterly and annual budgets. These two accounts were also indicated overspending in the previous quarter (QTR1).

Description	Total spending at end of QRE 2	QTR 2 Budget	Overspent amount	2017 Annual Budget	% of 2017 Annual Budget Spent
Acting Allowances	3,697,936	169,997	(3,527,939)	340,000	1088%
Home Island Passage Allowances	646,562	224,995	(421,567)	450,000	144%
Totals	4,344,498	394,992	(3,949,506)	790,000	550%

According to the table above, most overspending came from Home Island Passage Allowances with an excess amount of VT3.5 million followed by Acting allowances with VT340,000. Both accounts accounted for an excess amount of VT3.9 million.

Operational Expenditure

Operational expenses by the end of the second quarter reached 15% of their annual budget with VT 50 million. This indicated 42.9% of total operation budget used. In terms of overspending, there were ten accounts being over spent at the end of the second quarter.

There were also few accounts that their budgets were overspent in the first quarter. The following accounts that indicated significant overspendings were:

Account	Description	Total spending at end of QRE 2	QTR 2 Budget	Under/(Over)	2017 Annual Budget	% of 2017 Annual Budget Spent
8CAB	Subsistence Allowances	2,396,000	1,187,748	(1,208,252)	2,375,500	100.9%
8CCL	Local Courses	140,956	37,602	(103,354)	75,200	187.4%
8CET	Other Fees	102,040	14,550	(87,490)	29,100	350.7%
8CGR	Transport - Freight	595,703	220,494	(375,209)	441,000	135.1%
8CGS	Storage - Freight	63,949	22,500	(41,449)	45,000	142.1%
8COF	Refunds	90,025	40,116	(49,909)	80,229	112.2%
8COP	Official Entertainment	693,642	110,028	(583,614)	220,053	315.2%
8COU	Uniforms	1,382,473	130,002	(1,252,471)	260,000	531.7%
8EEC	Equipment - Computer	1,641,849	-	(1,641,849)	1,000,000	164.2%
8EFO	Furniture - Office Furniture	354,481	34,500	(319,981)	69,000	513.7%

In regards to the table above, it shows that a total of VT5.66 million was made in total of overspending accounts with Equipment Computer being the highest with VT1.6 million followed by uniforms with VT1.25 million. However, this is believed to be ad-hoc transactions while other accounts in the overspending list should be considered more carefully as they are more frequently incurred expenses throughout a quarter.

In addition, another result of in-efficient budgeting is the spending on unbudgeted accounts. First quarter transactions on some of the unbudgeted accounts are depicted below;

Description	Unbudgeted spending at end of QRE 2
Local Accommodation	48,800
Other Charges - Freight	5,175
International Medical Treatment	1,997,500
Local Medical Treatment	29,100
Equipment Hire	115,341
Facilities Hire	997,293
Court Costs	420,778
Houses Repairs & Maintenance	294,425
Roads Repairs & Maintenance	4,800
Other Suppliers	178,000
Lighting Utilities	8,311
Equipment - Photocopiers	100,889
Infrastructure - Electricity	-
Infrastructure - Water Supply	690,066
Vehicle - Replacement	2,755,555
Bank Charges	15,000
Total Unbudgeted Expenses	7,661,033

The large amounts of over-expenditures on certain accounts and the significant unbudgeted expenditures indicate an inadequate budget preparation for the operations section. In particular, given that unbudgeted expenditure incurred in 2017 was very similar to that in 2016, it is strongly advised that the Ministry reconsider the budget allocations to these accounts to accommodate higher expenditure. It appears that some of the unbudgeted expenditures listed above are a necessary expenditure to ensure the efficient functioning of the Ministry and should therefore be included in the budget.

The total spending done on unbudgeted accounts was around VT7.66 million at the end of the second quarter.

Expenditure by Programme

Figure 1 below shows total expenditure by programme at the end of quarter 1. In fact, total average spending at end Q1 indicated that all cost centres are still on track with 21% of respective annual budget spent.

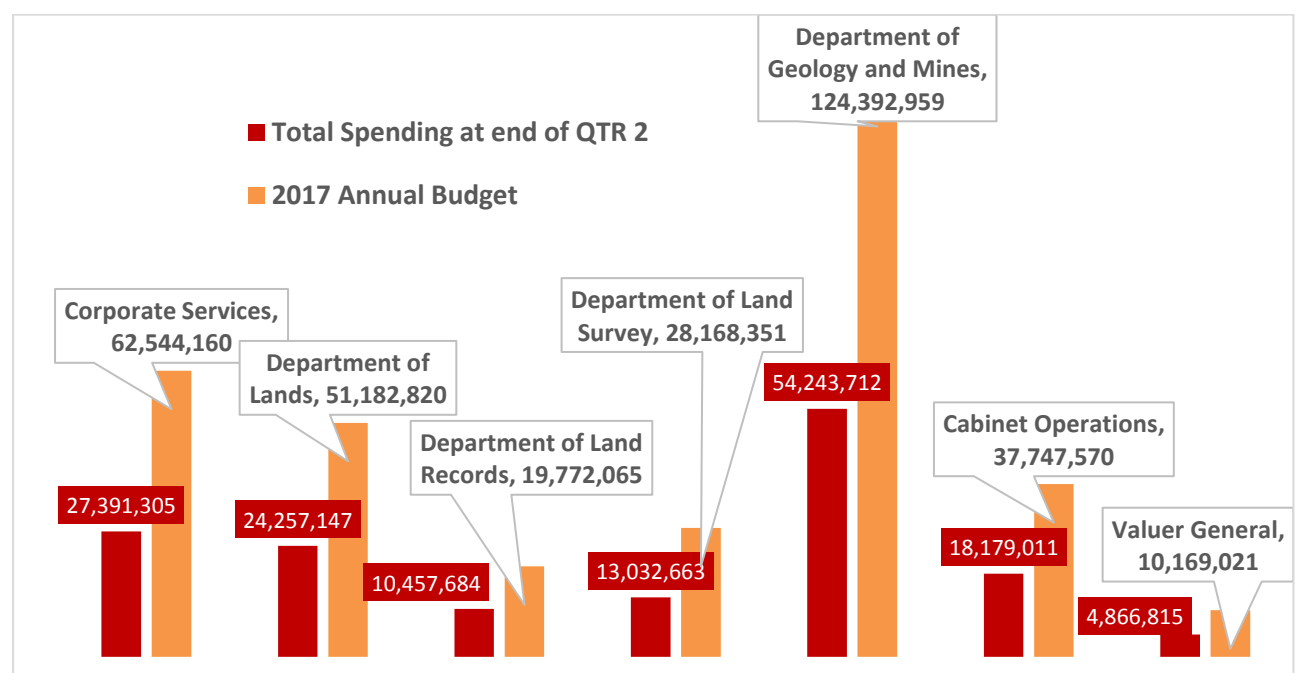


Figure 1 Total Expenditure by the end of Q2 by Cost Centre; illustrating total spending at end of the second quarter against annual budget under each programmes. For source data, see **Table 2**.

Figure 2 Percentage of Budget spent in the first quarter and the remaining budget

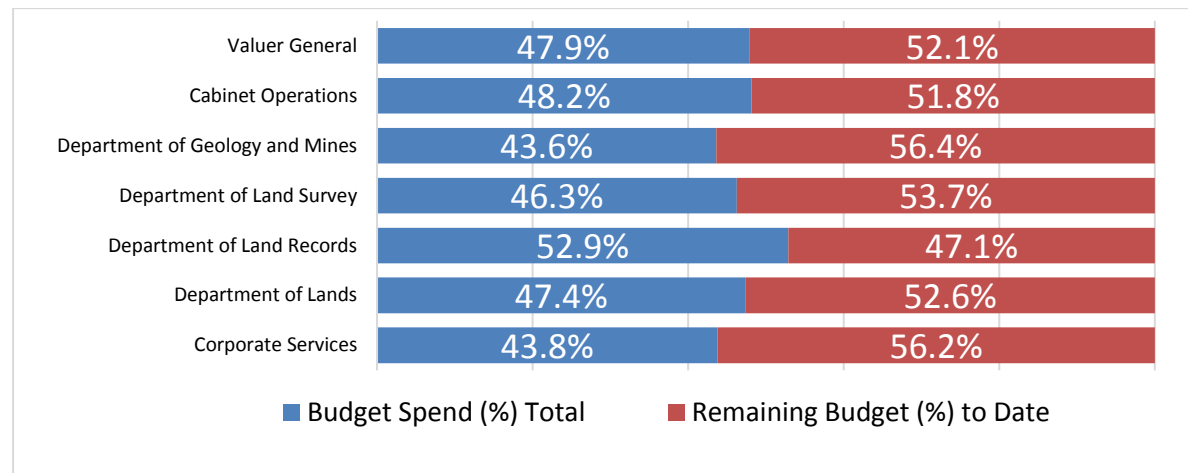


Figure 2 percentage of Total Expenditure by the end of Q2 by Cost Centre against remaining budget under each programmes. For source data, see **Table 2**.

According to budget spent, most cost centres are within the second quartile with an average of 47%. However, the department of Land records have gone over by few percentages. The department of Geology and mines has the largest remaining budget with the least percentage of budget spent as well as the largest budget share of the Ministry of Lands and Natural Resources. (See fig 3)

Figure 3 Annual Budget Share in percentage

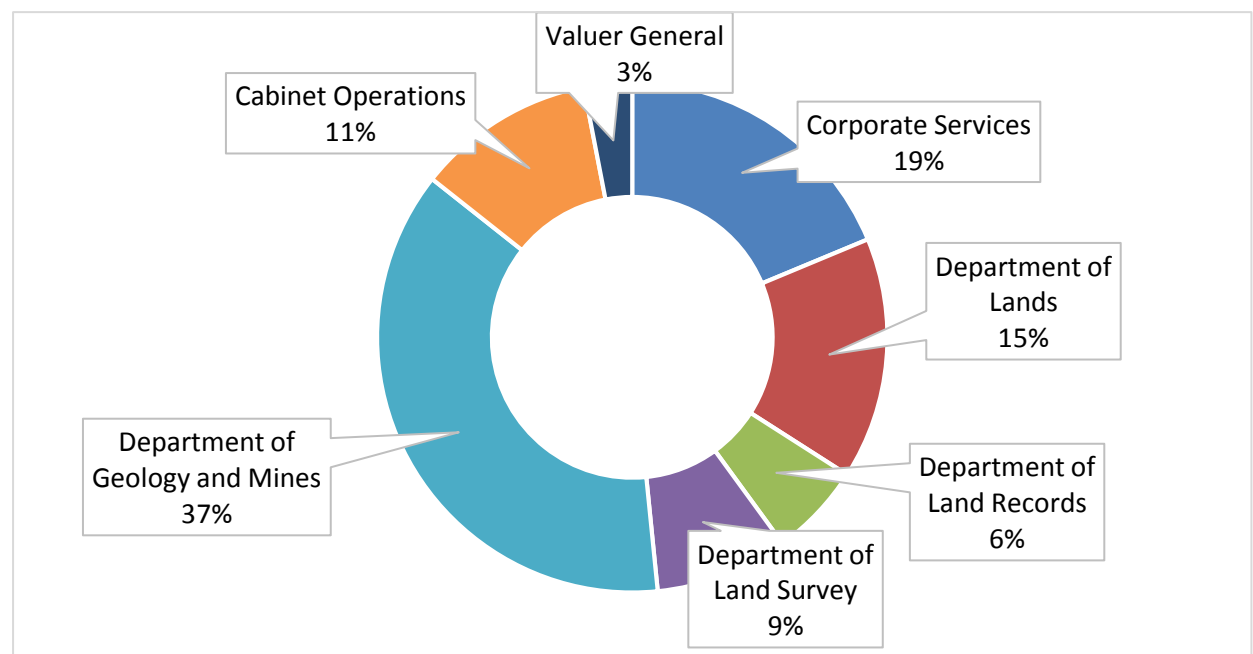


Figure 3 Annual Budget share by cost centres, for source data, see **Table 2**.

According to budget share, the department of Geology and Mines absorbs the largest budget by 37% followed by corporate services with 19% while the value General has the least budget share of only 3%.

The department of Geology and Mines carries the largest budget due to the merging of the Water department total budget (*payr & over*) from Public Works Department (PWD) to sustain the increase in human resource and operations of the water unit beginning this year.

Revenue Trends

The 2017 revenue budget has decreased from VT 632 million in 2016 to VT 631 million in 2017. With 50% of the year gone, the Ministry's revenue by the end of the second quarter registered (VT351.7 million) which constitutes around 55.7% of the annual expected revenue (see Table 3).

By comparison, at the same point in time in 2016, the Ministry had collected 33% or (VT 243 million) of its total revenue. This should be noted that the Ministry of Lands and Natural Resources had performed well in the collection compared to the corresponding quarter of 2016. At the given rate, it appears that the Ministry will meet its annual revenue target.

Figure 4 depicts four major revenue accounts that collected over a million at the end of the second quarter. Based on the figure below, revenues were dominated by Land Registration registering VT278 million, followed by Land Rent with VT44 million, Water charges with VT27 million and Other fees with VT1.6 million.

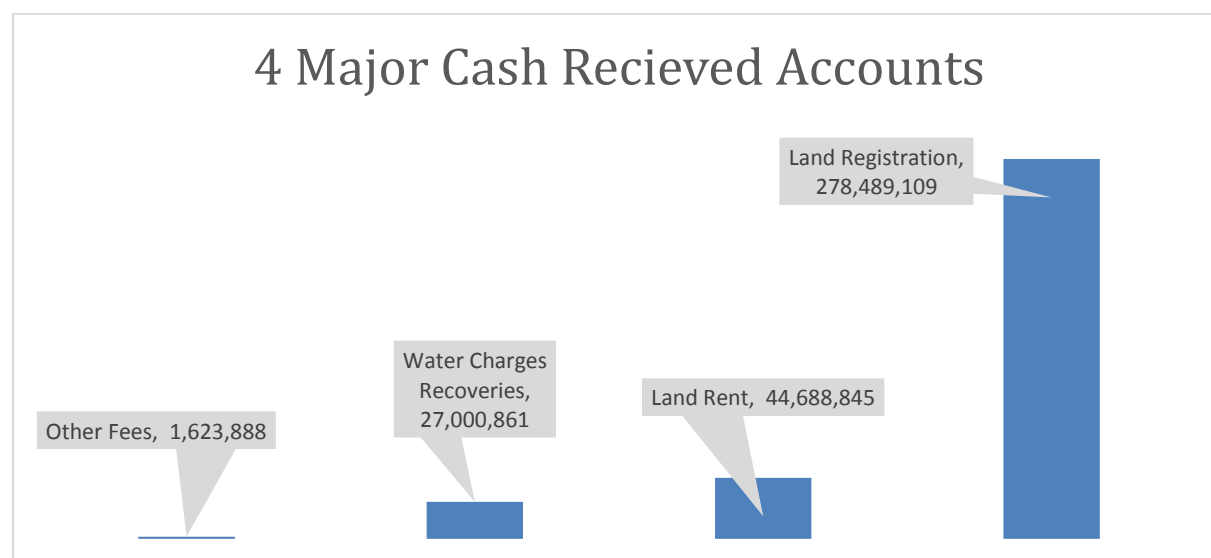


Figure 4 Revenue collected by the end of Q2; For source data see **Table 3**.

Virements

The Ministry committed virements of a total of VT 5.9 million worth of transfers of funds by end of the second quarter of 2017. All virements were from payroll to payroll and operational to payroll. *For further details refer to Table 4.*

Virements Out	Virements In	Amount
PAYR	PAYR	2,333,828
OVER	PAYR	3,600,000
Total Virements Value		5,933,828

Tables

Table 1: Expenditure by Chart of Account

Account	Description	Total spending at end of QRE 2	QTR 2 Budget	Under/(Over)	2017 Annual Budget	% of 2017 Annual Budget Spent
	Personnel Expenses					
8AAA	Acting Allowances	3,697,936	169,997	(3,527,939)	340,000	1088%
8AAB	Responsibility Allowance	75,117	99,998	24,881	200,000	0.375585
8AAF	Family Allowance	1,291,404	1,576,766	285,362	3,153,550	0.409508015
8AAG	Gratuitie Allowances	123,421	-	(123,421)	3,348,914	0.036854037
8AAH	Housing Allowances	11,903,856	11,732,682	(171,174)	23,465,352	0.507295011
8AAO	Other Allowances	18,170	-	(18,170)	-	
8AAP	Home Island Passage Allowances	646,562	224,995	(421,567)	450,000	1.436804444
8AAS	Special Allowances	-	-	-	-	
8ASP	Provident Fund	3,445,069	3,473,379	28,310	6,946,778	0.49592329
8AWC	Contract Wages	778,574	-	(778,574)	-	
8AWL	Leave expense	1,433,135	-	(1,433,135)	-	
8AWO	Overtime Wages	1,173,121	-	(1,173,121)	-	
8AWP	Permanent Wages	77,760,115	84,988,027	7,227,912	169,976,076	0.457476822
PAYR	Payroll expenses	-	4,631,770	4,631,770	9,361,000	0
	Personnel Expenses	102,346,480	106,897,614	4,551,134	217,241,670	47.1%
	Operating Expenses					
8CAB	Subsistence Allowances	2,396,000	1,187,748	(1,208,252)	2,375,500	100.9%

8CAS	Sitting Allowances	-	17,502	17,502	35,000	0.0%
8CBL	Local Accommodation	48,800	-	(48,800)	-	
8CCL	Local Courses	140,956	37,602	(103,354)	75,200	187.4%
8CDC	Compensation Damages	-	-	-	1,000,000	0.0%
8CES	Security Services	816,666	-	(816,666)	1,800,000	45.4%
8CET	Other Fees	102,040	14,550	(87,490)	29,100	350.7%
8CFV	Vehicles Fuel	1,730,411	3,344,886	1,614,475	6,689,770	25.9%
8CGO	Other Charges - Freight	5,175	-	(5,175)	-	
8CGR	Transport - Freight	595,703	220,494	(375,209)	441,000	135.1%
8CGS	Storage - Freight	63,949	22,500	(41,449)	45,000	142.1%
8CHI	International Medical Treatment	1,997,500	-	(1,997,500)	-	
8CHL	Local Medical Treatment	29,100	-	(29,100)	-	
8CIE	Equipment Hire	115,341	-	(115,341)	-	
8CIF	Facilities Hire	997,293	-	(997,293)	-	
8CIV	Vehicles Hire	72,444	94,998	22,554	190,000	38.1%
8CJO	Office Cleaning	450,564	524,220	73,656	1,048,430	43.0%
8CKD	Advertising - Communications	367,280	592,416	225,136	1,434,830	25.6%
8CKM	Advertising and Marketing	-	49,260	49,260	98,520	0.0%
8CKP	Postage - Communications	55,050	113,622	58,572	227,250	24.2%
8CKR	Printing - Communications	826,146	745,848	(80,298)	1,491,688	55.4%
8CKS	Stationery - Communications	2,801,745	1,566,378	(1,235,367)	3,132,753	89.4%
8CKT	Telephone / Fax - Communications	414,204	67,488	(346,716)	1,407,744	29.4%
8CMG	General - Materials	1,000,783	2,336,688	1,335,905	4,673,389	21.4%
8CMO	Office - Materials	6,967	594,000	587,033	1,187,996	0.6%
8CNT	Other Rental	59,113	-	(59,113)	1,800,000	3.3%
8COC	Court Costs	420,778	-	(420,778)	-	
8COF	Refunds	90,025	40,116	(49,909)	80,229	112.2%
8COI	Incidentals	453,937	1,524,984	1,071,047	16,831,815	2.7%

8COP	Official Entertainment	693,642	110,028	(583,614)	220,053	315.2%
8COR	Recruitment Costs	-	-	-	9,115,652	0.0%
8COT	Termination Payment	(441,452)	-	441,452	-	
8COU	Uniforms	1,382,473	130,002	(1,252,471)	260,000	531.7%
8CRB	Buildings Repairs & Maintenance	957,237	-	(957,237)	1,500,000	63.8%
8CRE	Equipment Repairs & Maintenance	495,613	398,724	(96,889)	797,444	62.2%
8CRH	Houses Repairs & Maintenance	294,425	-	(294,425)	-	
8CRR	Roads Repairs & Maintenance	4,800	-	(4,800)	-	
8CRV	Vehicles Repairs & Maintenance	1,775,229	2,457,930	682,701	4,915,856	36.1%
8CRW	Vehicle Servicing	-	20,888	20,888	-	
8CSO	Other Suppliers	178,000	-	(178,000)	-	
8CTI	International Travel	204,494	172,392	(32,102)	1,844,790	11.1%
8CTL	Local Travel	1,944,595	2,737,008	792,413	5,474,014	35.5%
8CUE	Electricity Utilities	14,337,165	11,126,622	(3,210,543)	27,416,903	52.3%
8CUL	Lighting Utilities	8,311	-	(8,311)	-	
8CUW	Water Utilities	(209,478)	-	209,478	-	
8CWL	Local Workshops	-	72,498	72,498	145,000	0.0%
8CZV	Value Added Tax	4,903,344	4,948,650	45,306	9,897,350	49.5%
8EBR	Buildings - Renovation	115,650	-	(115,650)	500,000	23.1%
8EEA	Equipment - Aditonal General	292,736	91,002	(201,734)	4,982,000	5.9%
8EEC	Equipment - Computer	1,641,849	-	(1,641,849)	1,000,000	164.2%
8EEP	Equipment - Photocopiers	100,889	-	(100,889)	-	
8EER	Equipment - Replacement General	96,419	206,502	110,083	413,000	23.3%
8EES	Equipment - Specialised	1,432,844	225,000	(1,207,844)	3,450,000	41.5%
8EFO	Furniture - Office Furniture	354,481	34,500	(319,981)	69,000	513.7%
8EIE	Infrastructure - Electricity	-	-	-	-	
8EIW	Infrastructure - Water Supply	690,066	-	(690,066)	-	
8EVR	Vehicle - Replacement	2,755,555	-	(2,755,555)	-	

8FCB	Bank Charges	15,000	-	(15,000)	-	
OVER	Overhead expenses	-	(4,361,000)	(4,361,000)	(1,361,000)	0.0%
	Operating Expenses	50,081,857	31,445,158	(18,636,699)	116,735,276	42.9%
	Total Expenditure	152,428,337	138,342,772	(14,085,565)	333,976,946	45.6%

Source: Smart-Stream Vision Report

Table 2: Expenditure by Cost Centre

Code	Description	Total Spending at end of QTR 2	QTR 2 Budget	Under/(Over)	2017 Annual Budget	% of 2017 Annual Budget Spent
M09	Ministry of Lands, Mines & Water Resources					
65	Corporate Services					
6502	Executive Management	5,993,930	6,946,966	953,036	13,393,933	44.8%
6503	Corporate Services Unit	5,596,249	6,107,657	511,408	15,615,310	35.8%
6504	Land Reform Package	8,044,279	(3,600,000)	(11,644,279)	17,051,992	47.2%
6505	Human Resource Management	1,888,182	2,004,559	116,377	4,259,101	44.3%
6506	Information Technology	5,868,665	5,661,908	(206,757)	12,223,824	48.0%
65	Corporate Services	27,391,305	17,121,090	-10,270,215	62,544,160	43.8%
66	Department of Lands					
660	Department of Lands	-	-	-	-	0.0%
6601	Urban & Rural Lands Unit	15,369,897	13,394,286	(1,975,611)	31,273,665	49.1%
6603	Santo Office	5,073,808	5,326,985	253,177	12,053,971	42.1%
6604	Enforcement & Compliance	3,813,442	3,577,587	(235,855)	7,855,184	48.5%
66	Department of Lands	24,257,147	22,298,858	-1,958,289	51,182,820	47.4%
67	Department of Land Records					
6701	Land Records Unit	10,457,684	9,086,030	(1,371,654)	19,772,065	52.9%
67	Department of Land Records	10,457,684	9,086,030	-1,371,654	19,772,065	52.9%

68	Department of Land Survey					
6801	Land Survey Unit	13,032,663	12,375,973	(656,690)	28,168,351	46.3%
68	Department of Land Survey	13,032,663	12,375,973	-656,690	28,168,351	46.3%
69	Department of Geology and Mines					
6901	Geology & Mines - Minerals	6,811,068	6,836,576	25,508	18,223,161	37.4%
6902	Geology & Mines - Geo. Research	1,336,047	-	(1,336,047)	3,000,000	44.5%
6903	Geology & Mines - Rural Water Supply	11,056,115	11,020,340	(35,775)	29,880,707	37.0%
6904	Water Analysis	4,334,658	5,483,271	1,148,613	9,676,552	44.8%
6905	Sanma Water Supply Services	18,860,838	18,953,258	92,420	38,256,666	49.3%
6906	Penama Water Supply Services	3,232,104	3,698,154	466,050	7,396,326	43.7%
6907	Malampa Water Supply Services	5,087,675	5,309,624	221,949	9,669,255	52.6%
6908	Tafea Water Supply Services	3,525,207	4,370,137	844,930	8,290,292	42.5%
69	Department of Geology and Mines	54,243,712	55,671,360	1,427,648	124,392,959	43.6%
95	Cabinet Operations					
9501	Cabinet Operations	18,179,011	17,295,106	(883,905)	37,747,570	48.2%
95	Cabinet Operations	18,179,011	17,295,106	-883,905	37,747,570	48.2%
96	Valuer General					
9601	Valuer General	4,866,815	4,494,355	(372,460)	10,169,021	47.9%
96	Valuer General	4,866,815	4,494,355	-372,460	10,169,021	47.9%
M09	Ministry of Lands, Mines & Water Resources	152,428,337	138,342,772	-14,085,565	333,976,946	45.6%
	REPORT TOTAL	152,428,337	138,342,772	-14,085,565	333,976,946	45.6%

Source: Smart-Stream Vision Report

Table 3: Revenue Collection

	Description	Revenue	Budget	Over/(Under)	Cash Received	2017 Budget	% of Revenue Collected
	Revenue						
7NDE	Equipment Disposals	65,839	0	65,839	64,039	0	
7NDT	Other Asset Disposals	11,000	3,200,000	(3,189,000)	11,000	3,200,000	0.3%
7NFO	Other Fees	1,687,788	26,560,000	(24,872,212)	1,623,888	26,560,000	6.1%
7NOA	Application Charges Recoveries	0	11,000,000	(11,000,000)	2,000	11,000,000	0.0%
7NOO	Other Recoveries	20,000	0	20,000	20,000	0	
7NOT	Testing Charges Recoveries	0	3,769,800	(3,769,800)	0	3,769,800	0.0%
7NOU	Other User Charges Recoveries	39,801	0	39,801	3,200	0	
7NOW	Water Charges Recoveries	36,674,325	0	36,674,325	27,000,861	0	
7TLP	Prospector Licences & Registration	0	19,750,000	(19,750,000)	0	19,750,000	0.0%
7TPG	Land Registration	288,726,418	419,285,967	(130,559,549)	278,489,109	419,285,967	66.4%
7TPP	Land Premiums	(312,745)	21,485,000	(21,797,745)	(300,330)	21,485,000	-1.4%
7TPR	Land Rent	330,949	126,800,000	(126,469,051)	44,688,845	126,800,000	35.2%
7TVA	Value Added Tax	25,043	0	25,043	104,724	0	
	Revenue	327,268,418	631,850,767	(304,582,349)	351,707,336	631,850,767	55.7%
	Total Revenue and Receipts	327,268,418	631,850,767	(304,582,349)	351,707,336	631,850,767	55.7%

Source: Smart-Stream Vision Report

Table 4: Virements

Period	Vired Out				Vired In				Amount
	Fund	Department	Activity	Account	Fund	Department	Activity	Account	
QTR_2_17	2	40AD	MTFD	PAYR	2	40AG	MTFD	PAYR	73,828
QTR_2_17	2	6503	MLBB	PAYR	2	6506	MLBB	PAYR	100,000
QTR_2_17	2	6503	MLBB	PAYR	2	9501	MLAA	PAYR	150,000
QTR_2_17	2	6503	MLBB	PAYR	2	6604	MLEG	PAYR	200,000
QTR_2_17	2	6503	MLBB	PAYR	2	6601	MLED	PAYR	100,000
QTR_2_17	2	6502	MLBA	PAYR	2	6601	MLED	PAYR	100,000
QTR_2_17	2	6502	MLBA	PAYR	2	6601	MLEC	PAYR	200,000
QTR_2_17	2	6502	MLBA	PAYR	2	6601	MLEB	PAYR	200,000
QTR_2_17	2	6504	MLBB	OVER	2	6701	MLEF	PAYR	400,000
QTR_2_17	2	6504	MLBB	OVER	2	6604	MLEG	PAYR	600,000
QTR_2_17	2	6504	MLBB	OVER	2	6601	MLEC	PAYR	600,000
QTR_2_17	2	6504	MLBB	OVER	2	6904	MLGB	PAYR	1,000,000
QTR_2_17	2	6504	MLBB	OVER	2	9501	MLAA	PAYR	1,000,000
QTR_2_17	2	6906	MLGA	PAYR	2	6907	MLGA	PAYR	150,000
QTR_2_17	2	6905	MLGA	PAYR	2	6907	MLGA	PAYR	450,000
QTR_2_17	2	6908	MLGA	PAYR	2	6905	MLGA	PAYR	100,000
QTR_2_17	2	6904	MLGB	PAYR	2	6903	MLGA	PAYR	160,000
QTR_2_17	2	6904	MLGB	PAYR	2	6907	MLGA	PAYR	250,000
QTR_2_17	2	6908	MLGA	PAYR	2	6907	MLGA	PAYR	100,000
TOTAL									5,933,828

Source: Smart-Stream Vision Report