

MINISTRY OF HEALTH (MoH)

Quarterly Expenditure Report

Quarter 2, 2017

Expenditure Section, Ministry of Finance and Economic Management

1. Introduction to the Ministry

The key activity of MoH is to provide quality health care services to the people of Vanuatu. This is done through the delivery of public and curative health services. Public health services are provided by a number of vertical programs (such as those for vaccinations and malaria) and are heavily funded by donors. Curative health services are provided through two referral hospitals (Northern District Hospital in Luganville and Vila Central Hospital in Port Vila), four provincial hospitals, 34 health centers, 92 dispensaries and 220 aid posts spread throughout the country.

2. Summary of Analysis and Recommendations

Overview
Overall, the largest issue identified by MFEM is transactions (expenses and revenues) outside the GoV system, which lead to inefficient outcomes for both MoH and the GoV as a whole. Some adjustments are also possible between payroll and operations and to cash flows on selected CoAs. Revenue collections can be further strengthened, especially on compliance and enforcement.

Area	Recommendation
Expenditure Management and Planning 2012-2015	<ul style="list-style-type: none">• MoH to enforce correct processes for recruitment of employees to allow execution of planned budgets and avoid situation, where back pay is needed• In cooperation with MFEM, increased steps to be taken to enforce compliance with the GoV LPO system and to ensure salary related claims are not withheld, but submitted in a timely manner• MoH to allocate sufficient budget to areas, where spending outside the system occurs. it is understandable that this may be difficult to achieve given the number of competing priorities for departments• MoH to restart preparation of Monthly Financial Reports to track offline liabilities under MoH (last one received by MFEM is July 2015) to aid with planning to pay these off and decision making at Executive level
Activity and Cost Centre Management and Planning	<ul style="list-style-type: none">• Increased steps to be taken to enforce compliance with the GoV LPO system and to ensure salary related claims are not withheld, but submitted in a timely manner• MoH to continue reporting outstanding offline liabilities in a timely manner

	<ul style="list-style-type: none"> • MoH to confirm legitimacy of the offline liabilities and to create a realistic payment plan for these • Adjust cash flow requirements based on the average actual expenditure per month over the past years for continuously overspending activities.
Payroll Budget Management and Planning	<ul style="list-style-type: none"> • Pursue the recruitment of the HR Manager as a priority for 2017 • Ensure adequate capacity building for HR Officers in other provinces with the help of MFEM • Produce a fully costed structure for MoH by the end of 2015 with support from MFEM • Develop a HR plan as soon as possible (possibly influenced by the approved structure) • Put into place a process that requires regular (e.g. monthly) submission of salary related claims to allow for adequate planning and management of these by the HR and Finance Units at MoH • Provide adequate training to provincial HR officers to prepare claims that are accurate and complete when forwarded to the Ministry HR Unit • Continue the strong recurrent budget execution on the payroll side.
Detailed Chart of Accounts Patterns in Payroll Expenditure Management and Planning	<ul style="list-style-type: none"> • Cease all current and disallow all further 'off-book' employment at MoH • Ensure timely renewal of contracts, where necessary • Start and complete the process of collecting and storing relevant HR data that will be necessary for planning purposes. • Further pursue the priority of shifting contract employees to permanent posts • Produce a HR plan to understand HR needs of all areas of MoH
Operations Budget Management and Planning	<ul style="list-style-type: none"> • MoH to confirm legitimacy of the offline liabilities and to create a realistic payment plan for these • Increased steps to be taken to enforce compliance with the GoV LPO system • Make small adjustments to cash flow requirements for operational expenditures based on the average actual expenditure per month over the past years

	<ul style="list-style-type: none"> • Ensure a health split between payroll and operations budgets that reflects the actual needs of the ministry in order for the ministry to operate most efficiently
Detailed Patterns in Operations Expenditure Management and Planning	<ul style="list-style-type: none"> • Collect and store relevant HR data to inform a HR plan that would allow predicting the upcoming severance payments for future years and the financing required to cover these costs • For the next budget, adjust cash flow profiles of expenditures adequately based on average actual expenditures of the previous years for these months • For the next budget, reprioritise/reallocate funding across accounts based on average actual expenditures over the previous years
Revenue Management and Planning	<ul style="list-style-type: none"> • Continued cooperation with MFEM for a recent review of revenue initiatives across the GoV is appreciated and will hopefully help rationalize and further improve revenue collections • Transfer remaining PCF and Medical Student Funds under the GoV system to ensure legal compliance, accountability and transparency, improved management and control of funds • Verify large outstanding revenues and develop a recovery plan

3. Expenditure¹ Management and Planning 2012-2015

3.1. General Budget Management and Planning

3.1.1. Situation Report

By the end of the first two quarters of 2017, MoH has underspent its budget by VT 8.4 million with VT 854.7 million of expenditures. This marks another underspend at the end of Q2 over the past three years, where overspending was between VT 53.2 million and VT 148.4 million ([Figure 1](#)). It is important to note that the budget for the first two quarters has seen little change over the years. In 2017, the budget for the first two quarters is slightly higher than over the last three years. This is in line with the slightly higher base budget allocation for 2017 for MoH that included three recurrent NPPs of VT 238.8 million GoV contribution to finance the new 2017 MoH structure, referral and outreach and health care equipment and infrastructure program. Further, MoH distributed the 2017 budget for referral and outreach more across all provinces as planned with substantial funding of VT200million for the structure implementation stored in period 12. The full budget 2017 amounts to VT 2,018.4 million versus VT 1,735.2 million in 2016, which mainly is due to the approved NPPs.

However, the numbers captured by the financial system do not reflect the reality of spending or revenues at MoH, as many transactions are made outside the system. Considering these, it can be seen that expenditures at MoH were much higher. While it appears that MoH is slowly paying out outstanding and the processes for doing so have significantly improved, the outstanding amount yet to be informed is expected to be high.

The MoH budget for Q2 was underspent by 3% and overspent Q1 by 1.1% ([Figure 3](#)). In a monthly breakdown¹, it can be seen that for 2017 large overspending occurred in June with 115% of its budget expended ([Figure 2](#)). Only January and May came in under budget.

Noticeable is also that the split between operations and payroll expenditure and budget is significantly skewed towards the payroll with about two thirds of the budget for the first two quarters allocated to it. The actual spending profile shows that about 74% of actual spending occurred on payroll in 2017 so far ([Figure 4](#)). Note that this figure does not take into account offline liabilities.

Given the current rate of expenditure, it is expected that by the end of the year MoH will underspend its budget by about VT 397.0 million. This is not a realistic number and hides the fact that (a) large outstanding bills exist and (b) large expenses from the NPP of the MoH structure are yet to be made. As such, MoH may yet again finish the year with large outstanding liabilities.

3.1.2. Analysis

The most evident area of concern with the overall budget at MoH is the high number of offline liabilities. These are hard to keep track of accurately and lead to an inaccurate picture of expenditures at MoH. As many transactions outside the GoV system are done under 'good faith' that the GoV will materialize payments eventually, virtually anyone can commit the GoV, as it appears. This implies that financial

¹ Note that Expenditure here includes Actual and Committed Expenditure.

controls at MoH are rather weak. As such, on the system, MoH came in under budget both in 2014 due to strict financial controls at MFEM, but this hides the fact that accounting for transactions outside the GoV system, MoH would have overspent.

Previously, MoH has been continuously to accurately capture offline liabilities through Monthly Financial Reports. However, the last Monthly Financial Report shared with MFEM is from July 2015. It would be of great use for both MoH and MFEM if such reports continued on a monthly basis to understand the full financial requirements at MoH and aid decision making at leadership level. For example, at the end of Q1 2017, outstanding payroll liabilities from 2016 have not been estimated, but once data on these will be gathered, payments will come of the 2016 budget or later years restricting activities in these year. Given the impact of previous liabilities on current budgets, accurate reporting on such liabilities provides crucial guidelines to allow planning for payment of these.

On a different note, there appears to be some room for adjustments of cash flow, in particular on a monthly breakdown. Some adjustments between payroll and operations budget could also be made, as will be discussed in more detail below.

3.1.3. Recommendations

- MoH to enforce correct processes for recruitment of employees to allow execution of planned budgets and avoid situation, where back pay is needed
- In cooperation with MFEM, increased steps to be taken to enforce compliance with the GoV LPO system and to ensure salary related claims are not withheld, but submitted in a timely manner
- MoH to allocate sufficient budget to areas, where spending outside the system occurs. it is understandable that this may be difficult to achieve given the number of competing priorities for departments
- MoH to restart preparation of Monthly Financial Reports to track offline liabilities under MoH (last one received by MFEM is July 2015) to aid with planning to pay these off and decision making at Executive level.

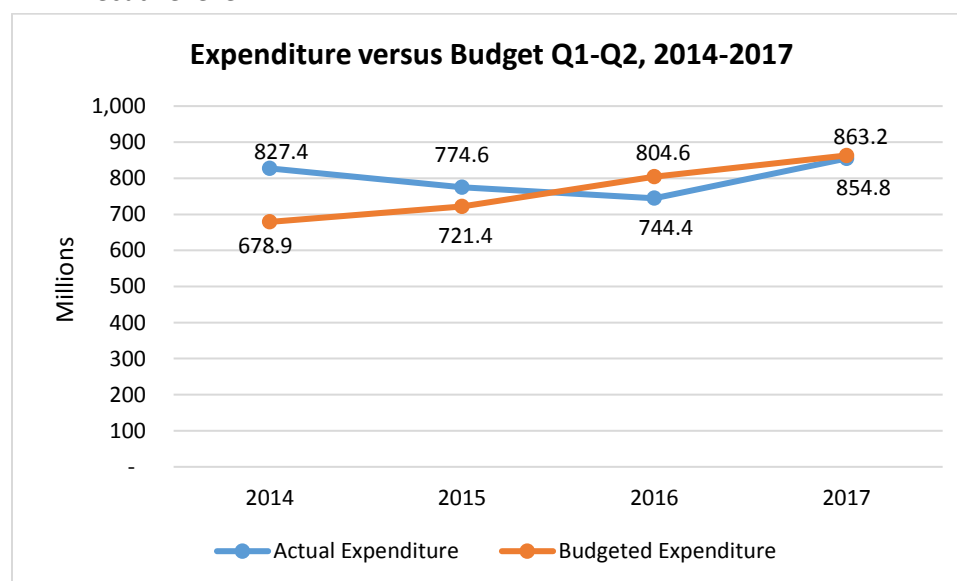


Figure 1: Expenditure versus Budget

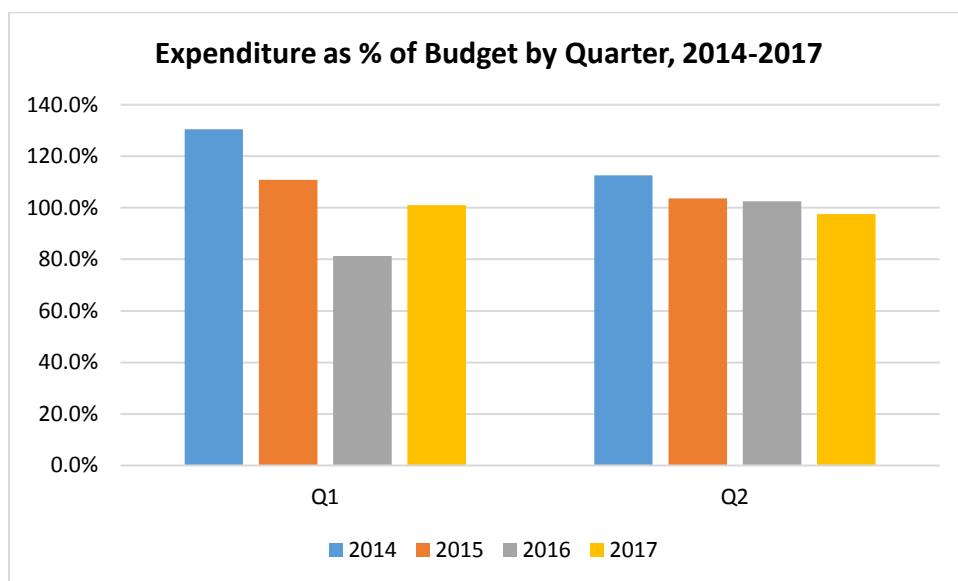


Figure 2: Expenditure as % of Budget by Quarter

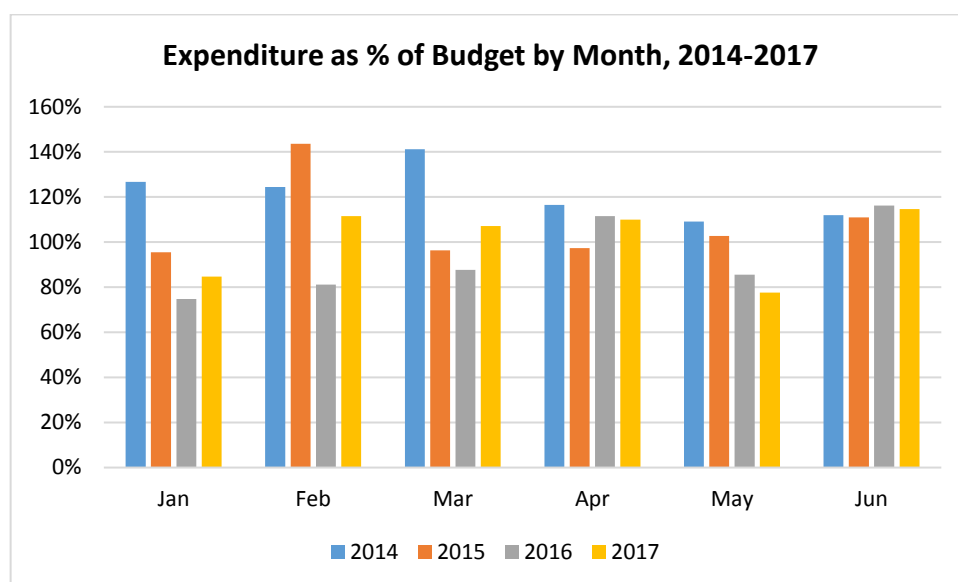


Figure 3: Expenditure as % of Budget by Month

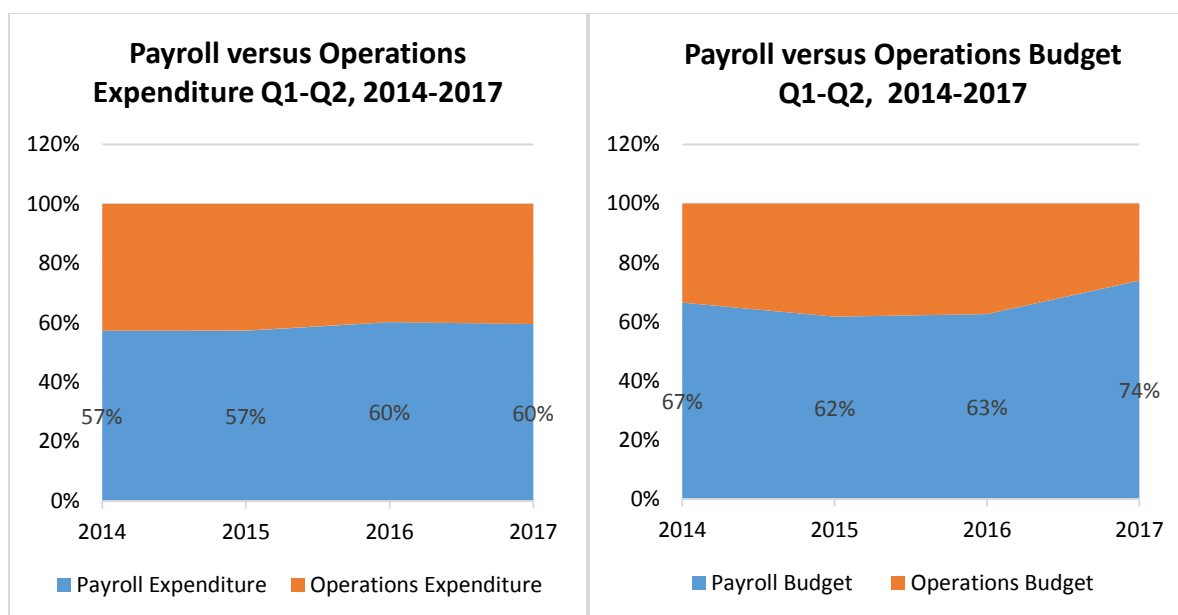


Figure 4: Payroll versus Operations Expenditure and Budget

3.2. Activity and Cost Centre Management and Planning

3.2.1. Situation Report

It can be seen that the largest expenditures over the first two quarters occur under MHCA – Hospital Services, which is reflective of the budget. This is followed by expenditures on MHCB – Community Health Services and Medical supplies stock (Figure 5).

After two quarters in 2017, only Cabinet Support overspent (by 4.6%) while the other two programme underspends namely Executive Management and Corporate Services (by 0.1%) and Health Services (by 1%) (Figure 7 and Table 1). A closer look, MHC – Health Services comprised of 3 activities including Portfolio Management (MHAA), Corporate Services (MHBB) and Medical Supplies Stock (MHCD). Spending on medical supplies (MHCD) has led to a overspending (by 1167%) but does not overspent the programme because of ample savings generated from other activity under the similar programme. Funds for this activity are stored in the December warrant to protect the funding and hence, when advance released are made to make related purchases during the year, it appears as overspending. MHCD expended VT 131.3 million so far against a budget of VT 10.3 million for 2017.

Further, it appears that MHAA – Portfolio Management – has overspent with 2.1% above its budget allocation for the first two quarters. This has been because of the new 4 OSA staff which comprises of the parliamentary secretary to MoH and three of his support staff joining at the start of Q2 thus is the driver of this overspending at the cabinet support.

On the cost center level it is particularly interesting to look at Hospital and Community Services. Doctor's visitation overspent by 1.4% and interestingly hospital patients' referrals had underspent although by 0.1% was overspending by 39% in 2016 Q2. A number of community health centers spent on hospital services, as did Planning and Administration and Director – Northern Health Care. Under Community

Health Services all the activity had underspent which was not the case for the three past years. Further three hospitals, VCH, NDH and Torba spent on community health services with no budget against it.

Further, it can be seen that the budget allocated to Public Health is comparatively low. This occurs a majority of public health programmes is donor funded (e.g. Global Fund funding for Malaria, TB and HIV).

3.2.2. Recommendations

- Increased steps to be taken to enforce compliance with the GoV LPO system and to ensure salary related claims are not withheld, but submitted in a timely manner
- MoH to continue reporting outstanding offline liabilities in a timely manner
- MoH to confirm legitimacy of the offline liabilities and to create a realistic payment plan for these
- Adjust cash flow requirements based on the average actual expenditure per month over the past years for continuously overspending activities.

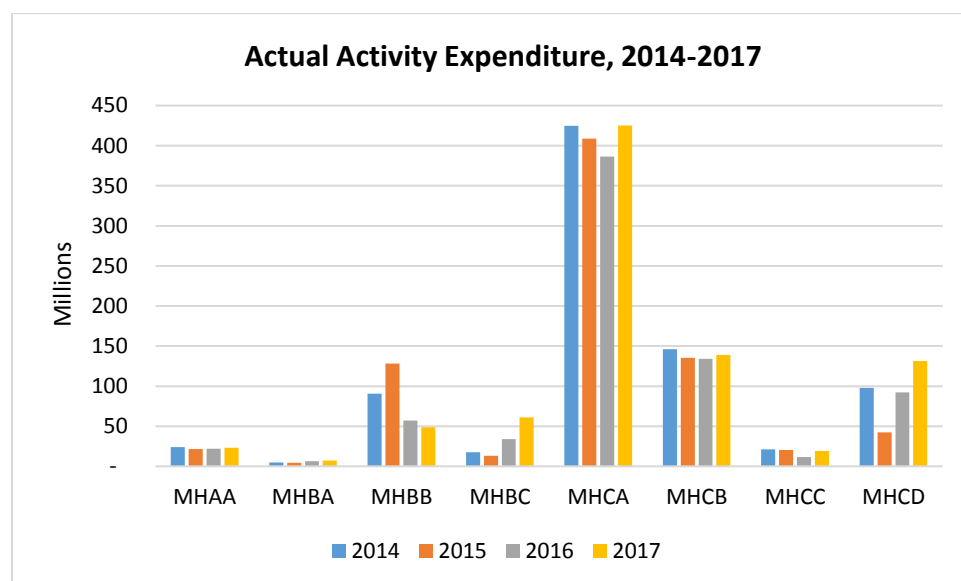


Figure 5 Actual Activity Expenditure

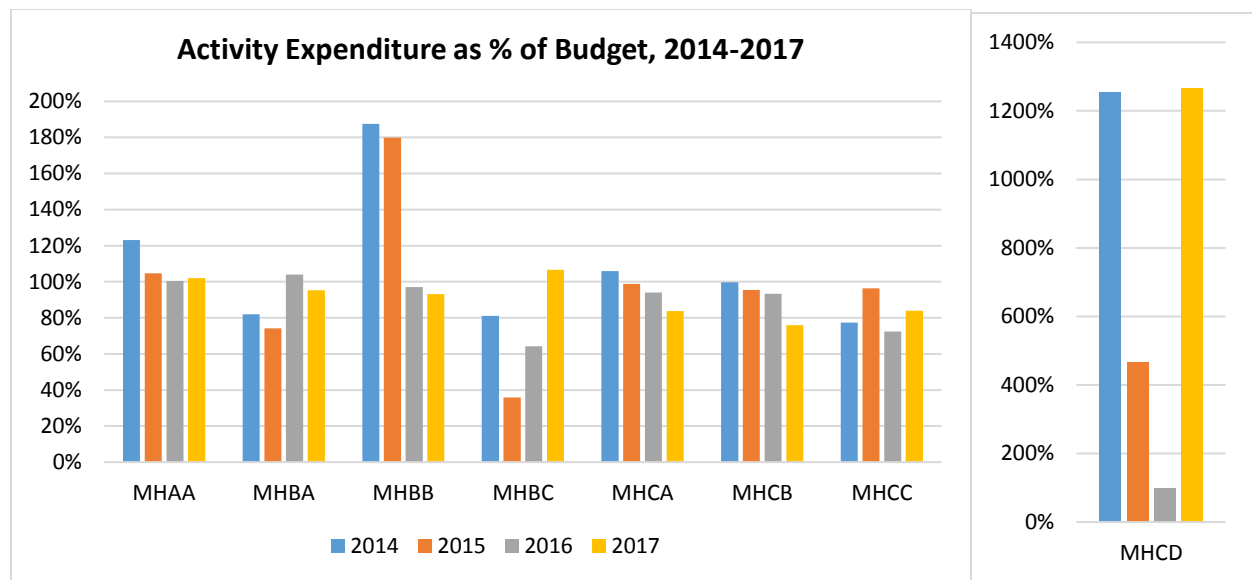


Figure 6: Expenditure as % of Budget by Activity

Cost Centre Expenditure Q1-Q2, 2014-2017										
Activity	Description	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Expenditure as % of Budget
		2014	2014	2015	2015	2016	2016	2017	2017	2017
60AA	Cabinet Operations	23,819,937	19,336,019	21,698,699	20,737,204	21,969,938	21,887,886	23,256,188	22,778,292	102.1%
MHAA	Portfolio Management	23,819,937	19,336,019	21,698,699	20,737,204	21,969,938	21,887,886	23,256,188	22,778,292	102.1%
MHA	Cabinet Support	23,819,937	19,336,019	21,698,699	20,737,204	21,969,938	21,887,886	23,256,188	22,778,292	102.1%
60BA	Office of the Director General	4,986,342	6,087,057	4,360,599	6,118,960	6,286,875	6,045,823	7,086,755	7,443,815	95.2%
61VA_E	Planning & Administration			174,178	-					
MHBA	Ministry Executive	4,986,342	6,087,057	4,534,777	6,118,960	6,286,875	6,045,823	7,086,755	7,443,815	95.2%
61VA	Planning & Administration	90,683,373	48,358,562	123,206,963	58,218,795	43,055,601	47,124,136	46,582,787	52,204,578	89.2%
61VH	Capital Projects			4,822,630	12,966,888	10,516,834	11,735,870	2,003,244	-	89.6%
61VY	Training & Professional Development					3,556,701	-			
61SK_CO	Community Health Malampa Province									
MHBB	Corporate Services	90,683,373	48,358,562	128,029,593	71,185,683	57,129,136	58,860,006	48,586,031	52,204,578	93.1%
61VX	Purchase of Drugs					914,143	-			
61VA	Planning & Administration							1,078,675	-	
61VY	Training & Professional Development	17,781,024	21,917,525	13,300,036	37,137,794	33,226,272	53,094,675	60,124,711	57,398,134	104.8%
MHBC	Health Sector Human Resource Development	17,781,024	21,917,525	13,300,036	37,137,794	34,140,415	53,094,675	61,203,386	57,398,134	106.6%
MHB	Executive Management and Corporate Services	113,450,739	76,363,144	145,864,406	114,442,437	97,556,426	118,000,504	116,876,172	117,046,527	99.9%
61QA	Director - Curative & Hospital Services	1,324,299	4,360,874	-	-	285,563	1,605,230	1,973,729	4,989,654	39.6%
61QB	Doctors' visitations	16,680,742	9,730,933	1,640,920	3,358,128	3,608,128	3,358,128	3,404,554	3,358,128	101.4%
61QR	Hospital Referral of Patients			15,779,156	9,999,960	13,872,926	9,999,960	16,420,370	16,499,934	99.5%

61RA	Director - Southern Health Care	239,085	-	5,625	-					
61RB	Vila Central Hospital	216,851,437	206,196,105	197,634,265	198,938,996	184,801,389	207,054,492	208,548,607	239,514,210	87.1%
61RG	Lenakel Hospital	28,781,499	27,974,965	29,212,684	30,460,725	31,500,472	32,642,894	34,631,644	44,189,744	78.4%
61SA	Director - Northern Health Care	1,058,979	-	10,265	-					
61SB	Northern District Hospital	108,570,206	102,763,940	104,659,144	109,282,463	95,360,657	101,940,755	103,206,047	126,329,593	81.7%
61SD	Torba Hospital	2,962,947	4,293,762	9,287,003	9,956,278	6,681,333	7,468,560	8,795,724	9,096,218	96.7%
61SF	Norsup Hospital	27,665,708	27,067,454	29,000,235	29,250,302	27,055,707	26,411,773	29,956,031	39,440,032	76.0%
61SG	Lolowai Hospital	20,284,987	18,995,553	19,631,953	22,745,230	17,666,691	20,465,394	15,761,645	23,879,806	66.0%
61SI_H	Community Health Sanma Province	515,764	-	4,621	-					
61SJ_H	Community Health Penama Province			831,869	-	402,966	-	504,044	-	
61SK_H	Community Health Malampa Province			520,748	-	260,979	-	441,038	-	
61RH_H	Community Health Shefa Province			416,774	-	840,893	-	913,633	-	
61SH_H	Community Health Torba Province									
61VA_H	Planning & Administration			251,328	-			199,702	-	
61VY	Training & Professional Development					4,214,879	-	510,198	-	
MHCA	Hospital Services	424,935,653	401,383,586	408,886,590	413,992,082	386,552,583	410,947,186	425,266,966	507,297,319	84%
61RB_C	Vila Central Hospital			535,097	-	989,096	-	1,074,444	-	
61RH	Community Health Shefa Province	25,752,594	27,658,451	21,527,369	25,781,416	20,804,635	23,812,954	21,067,670	30,938,420	68.1%
61RI	Community Health Tafea Province	18,076,840	18,088,823	18,945,320	18,569,427	17,267,373	20,027,034	19,235,037	25,030,919	76.8%
61SB_C	Northern District Hospital	2,836,131	-	343,161	-	657,189	-	702,005	-	
61SD	Torba Hospital							274,240	-	
61SH	Community Health Torba Province	13,572,896	15,451,430	10,330,165	10,434,849	10,544,396	12,356,772	11,838,861	13,179,712	89.8%
61SI	Community Health Sanma Province	27,256,296	27,451,346	27,159,618	27,603,236	23,814,541	24,526,111	27,427,391	33,242,183	82.5%
61SJ	Community Health Penama Province	27,249,005	26,356,882	24,746,021	25,981,306	24,814,031	25,157,088	20,317,984	35,188,017	57.7%
61SA_C	Director - Northern Health Care									

61SK	Community Health Malampa Province	31,528,681	31,583,256	31,810,473	33,416,673	35,430,719	38,065,951	36,911,328	45,235,543	81.6%
61 VY	Training & Professional Development							140,135	-	
MHCB	Community Health Services	146,272,443	146,590,188	135,397,224	141,786,907	134,321,980	143,945,910	138,989,095	182,814,794	76%
61RB_PH	Vila Central Hospital	239,085	-	109,359	-	396,833	-			
61QA	Director - Curative & Hospital Services							482,728		
61RH	Community Health Shefa Province							624,429		
61SJ	Community Health Penama Province							322,136		
61UA	Director of Public Health	16,571,421	4,271,135	13,070,361	-	570,710	1,581,547	4,012,283	4,603,579	87.2%
61UB	Health Promotion	597,805	3,938,545	-	-	2,189,525	2,337,161	2,463,765	3,695,015	66.7%
61UC	Malaria & Other Vector-Borne Diseases	1,268,867	3,345,964	- 5,000	-	2,098,862	3,096,353	2,635,220	3,640,978	72.4%
61UD	Nutrition	29,730	1,282,777			-	447,830	485,289	1,051,429	46.2%
61UE	NCD & Mental Health	605,089	2,180,586			1,310,729	1,534,559	3,128,692	3,162,502	98.9%
61UF	IMCI	307,000	1,173,579	-	-	1,152,836	1,379,513	1,408,228	1,449,306	97.2%
61UG	EPI	-	1,497,886							
61UH	TB/Leprosy	-	1,727,286	-	-	343,821	488,225	230,055	735,021	31.3%
61UI	Reproductive Health & Family Planning	477,663	1,787,225			873,484	850,503	769,254	848,790	90.6%
61UJ	STI & HIV/AIDS	-	828,003			1,356,403	1,467,399	1,396,659	1,424,112	98.1%
61UK	Environmental Health	1,177,084	4,370,826	-	-	1,124,251	1,664,752	1,263,670	2,307,132	54.8%
61UL	Neglected Tropical Diseases	-	397,697			-	393,165			
61UM	Disease Surveillance & Response	-	691,643			-	964,301			
61UN	Family Health			1,558,205	8,300,655	-	-	-	-	
61UO	Control of Diseases			2,876,132	6,230,414	- 3,561	-	-	-	
61UP	Health Promotion & Health Standards			2,958,397	6,813,437	- 84,242	-			
61SB_PH	Northern District Hospital									
61VA	Planning & Administration					398,086	-			
MHCC	Public Health Services	21,273,744	27,493,152	20,567,454	21,344,506	11,727,737	16,205,308	19,222,408	22,917,864	83.9%

61RH_M	Community Health Shefa Province			257,360	-					
61UA_M	Director of Public Health	- 19,547	-							
61VW	Management of Medical Supplies	8,588,156	7,796,217	7,667,973	9,062,409	7,328,269	7,776,010	8,628,800	10,362,955	83.3%
61VX	Purchase of Drugs	89,069,996	-	34,241,592	-	84,994,753	85,853,000	122,673,683	-	
MHCD	Medical Supplies Stock	97,638,605	7,796,217	42,166,925	9,062,409	92,323,022	93,629,010	131,302,483	10,362,955	1267.0%
MHC	Health Services	690,120,445	583,263,143	607,018,193	586,185,904	624,925,322	664,727,414	714,780,952	723,392,932	99.0%
Total		827,391,121	678,962,306	774,581,298	721,365,545	744,451,686	804,615,804	854,913,312	863,217,751	99%

Table 1: Expenditure and Budget by CC

3.3. Payroll Budget Management and Planning

3.3.1. Situation Report

At the end of Q2 2017, the payroll is under budget with VT 508.9 million expended of VT 638.1 million budgeted (Figure 8). This is the third consecutive year that the payroll came on budget for the first two quarters (Figure 9) with overspending of 5% in 2014. Given that payroll budget actually declined in 2015 compared to previous years, this marks a consistent improvement in budget execution on the payroll side. However, as previously mentioned, offline liabilities need to be taken into account.

The payroll came in under budget in Q1 with 90% of its quarterly budget spent and came in under budget for Q2 with only 73% of budget spent (Figure 9). These estimates do not include outstanding liabilities. In a monthly breakdown, it can be seen that for 2017 there was a significant underspend with more savings made in May (51% of budget) (Figure 10). This was around the time that cyclone Pam hit and a number of expenditures related to that, e.g. on volunteers, were incurred in addition to standard payroll expenditures. In a quarterly total, the March overspend is compensated by savings made in other months.

Note that the numbers above do not include past outstanding liabilities and also those that are currently accumulating, but not being submitted to or processed by MoH HR Unit or MoH Finance Unit. These claims are being withheld by claimants, due to frustration that these will not be processed in a timely manner and fear that their claims will be eventually lost.

3.3.2. Analysis

There are a number of significant, more general issues that lead to payroll overspending for MoH. Some of these are outlined below.

- **MoH HR Unit Capacity**

While MoH HR Unit's is working hard to improve capacity to plan, manage and oversee HR issues, it remains low. Amongst other, the key HR Manager position has recently made vacant. An acting appointment has been made until recruitment of a new HR manager is affected. Recruitment is yet to occur. One further issue, that came up in discussion with HR Unit MoH is that further capacity building and development of provincial HR Officers/Units is required to ensure that claims passed on to the Ministry HR Unit are accurate and complete. This would allow speeding up the time to process claims and reduce workloads from the Ministry HR Unit to allow them to focus on other issue requiring attention. Some capacity building by the Ministry HR Unit for the provincial officers appears to have occurred, but further training is required.

- **MoH Structure**

MoH has no clear structure at the moment. Most staff members are employed to a structure from 2005. However, in 2012 a new structure was developed, but only a small part of it was approved by PSC (DG's Office and three Directorates). After the development of another new structure in 2014, which failed to be implemented, PSC approved for MoH to revert back to the 2012 structure from 2015 onwards. It is of concern that this structure in total caters for some **2,600 positions**, as opposed to the around 840 employees currently paid under MoH. As such the financial viability of the structure needs very close and rigorous analysis, clear identification of funding sources, a clear phasing plan and potential review. In

October a meeting between MFEM and MoH, including the A/DG MoH, occurred, where this issue was raised. It is anticipated that by the end of 2015 a fully costed structure will be shared by MoH with MFEM for a check of viability and sustainability before going to PSC.

- **Human Resources Plan**

MoH does not have a budgeted Human Resources plan for the medium term as yet. This has led to far more recruitment occurring than there is available budget. One example of a mismatch of budget to training is found in the VCNE. Each year the VCNE trains a cohort of around 35 nurses. If all are successful this would mean the MoH would need to meet an extra VT 24.5 million in payroll costs for salary alone. The MoH simply cannot afford this year on year, especially when other obligations such as severances are taken into account.

Developing and implementing such a plan, based on a PSC approved structure, has been made a priority for Business Planning in 2017. This is expected to help MoH handle severances, movement of staff onto and out of payroll and help quantify training needs more adequately.

- **Limited Financial Resources**

Although the total budget for MoH in absolute numbers somewhat recovered from its low in 2012, in percentage terms the share of the MoH budget in the total government budget has stagnated between 2011 and 2014. The MoH budget as percentage share of total government budget slightly declined from 10.8% in 2011 to 9.6% in 2014, but increased to 10.9% again in 2015. Excluding the one off payment for severances of VT 234 million in 2015, the base budget would be 9.7% only. Given population growth and the thus expanding need for health services, this situation may be a contributing factor to some of the difficulties experienced within the MoH.

- **Offline Liabilities**

In general, improvements in the execution of the MoH budget are commendable for the first two quarters of the year. The relatively strong execution of the recurrent payroll budget indicates that offline liabilities are the major issue at MoH. It is noteworthy that expenditures on allowances in 2015 for the most part were not for claims from 2015, but from earlier years. Irregular submission of new salary related claims implies that MoH cannot manage and plan for payment of these. Further, while HR Unit MoH is currently working on this, many salary related claims are unverified yet and only preliminary amounts are logged in the HR Unit database.

3.3.3. Recommendations

- Pursue the recruitment of the HR Manager as a priority for 2017
- Ensure adequate capacity building for HR Officers in other provinces with the help of MFEM
- Produce a fully costed structure for MoH by the end of 2015 with support from MFEM
- Develop a HR plan as soon as possible (possibly influenced by the approved structure)
- Put into place a process that requires regular (e.g. monthly) submission of salary related claims to allow for adequate planning and management of these by the HR and Finance Units at MoH

- Provide adequate training to provincial HR officers to prepare claims that are accurate and complete when forwarded to the Ministry HR Unit
- Continue the strong recurrent budget execution on the payroll side

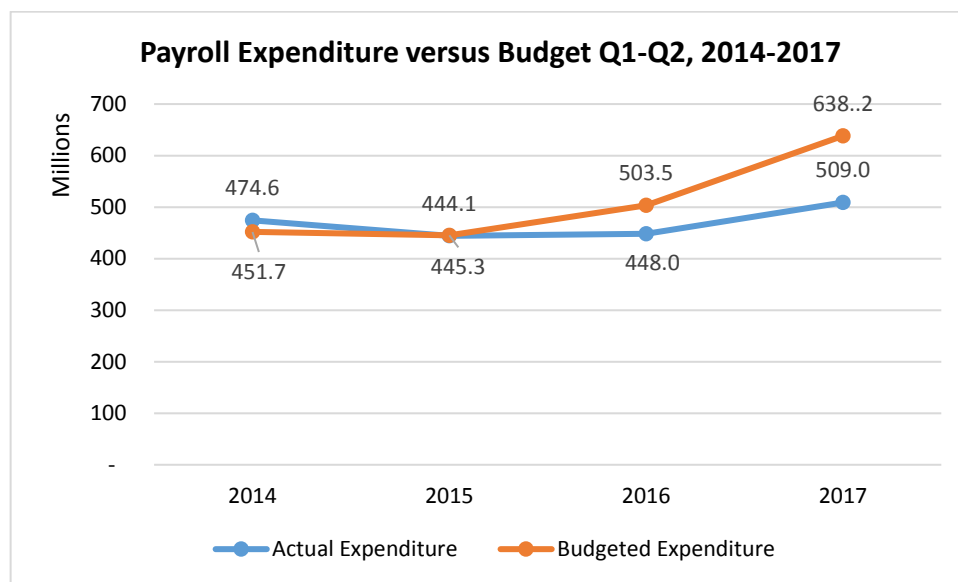


Figure 8: Total Payroll Expenditure versus Budget

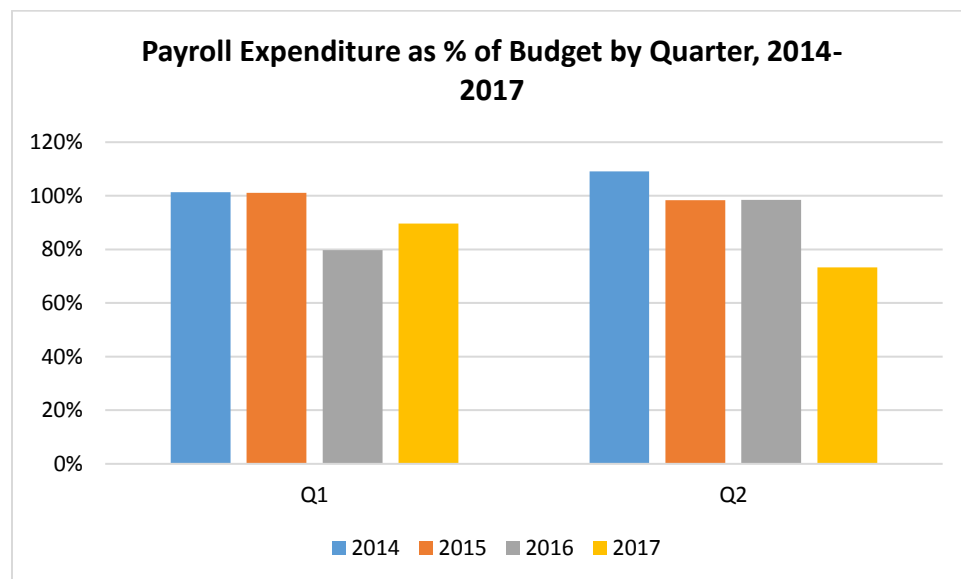


Figure 9: Total Payroll Expenditure as % of Budget by Quarter

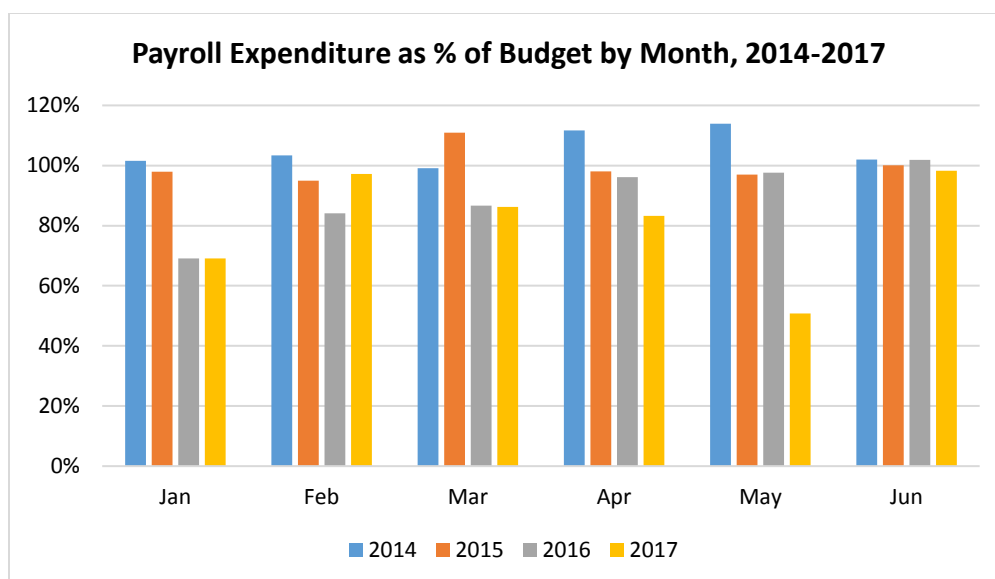


Figure 10: Total Payroll Expenditure as % of Budget by Month

3.4. Detailed Chart of Accounts Patterns in Payroll Expenditure Management and Planning

3.4.1. Situation Report

Looking in more detail at the payroll charts of accounts, a number of persisting and significant issues can be identified (see [Figure 11](#), [Figure 12](#) and [Table 2](#)).

(1). Unbudgeted Allowances (Gratuities, Contract wages and Leave Expense)

Budgeting for most allowances was inadequate in 2017 as well as in the three previous years. Gratuities, Contract wages and Leave Expense were not budgeted for in 2017, but VT 6.4 million in total was spent against these charts of accounts by the end of Q2. It is worth noting that since 2014, these allowances were expended with no budget.

(2). Lack of Adequate Budget for Contract Wages

Another important issue is Contract Wages when MoH continues to recruit large numbers of employees under contracts, (a) the practice of occupying generic position where contract employees do not need to be matched to position numbers in the structure, (b) permanent employees are entitled to a number of allowances that contract workers are not and are thus more expensive to sustain and (c) due to the already overburdened payroll situation then recruitments can often not be authorized, but contract recruitments tend to by-pass the financial visa process conducted by MFEM. Contracts pose a further challenge, as whenever they expire, there is a significant gap between their old and new contract. During this period, many employees work 'off-book', which should not be the case.

(3). Outstanding Salary-related Liabilities

Outstanding salary-related liabilities are significant. Amongst others, problems described in the payroll analysis in [Section 3.3.2](#) combined with those outlined here in (1)-(4) lead to a payroll overspending that in turn hampers operational expenditure and thus, service delivery. It also eventually leads to the accumulation of offline liabilities to sustain sufficient operational funding. Such liabilities are pushed into the next year and affect that year's budget.

On top of that, difficulties in verifying accuracy of allowance claims, due to unclear procedures on some MoH specific allowances and non-adherence to existing processes, means that payments of allowances have been held back until adequate verification was completed. With regards to contract wages, employees often drop off the payroll when their contracts elapse, due to issues with HR Management. This leads to situations, where employees are working within the MoH, but are not being paid for certain periods. During those times morale of these staff are low and possibilities to control attendance and work of non-paid staff also pose difficulties. When these employees re-enter the payroll, they claim back pay. As such, then payroll projections of the MoH are not always accurate.

MoH HR Unit, MoH Finance Unit and relevant units at MFEM have been working closely together over the past months to establish adequate procedures for allowances and minimize disruption of service delivery, however further work remains to be done on this.

(4). Gratuity Allowance

This was an unexpected expenditure incurred due to the reshuffle of GoV and an appointment of the new minister of MoH earlier this year.

(5). Overspending on Permanent Wages, Acting, other, responsibility, on-call, shift, home island passage and overtime allowances

According to the instruction 1 of 2017 the on-call rates have been reinstated to 1.25% for the work done component and 0.75 for the standby rate. The increase from 0.075 to 1.25% exerts further payroll pressure as all on-call paid from 2012 at the mentioned low rate will be back paid appropriately. There were savings of VT 21.7 million on Permanent Wages at the end of Q2. This is unusual compared to all previous year's, where permanent wages overspent by this point in time.

(6). Underspending on Permanent wages, overtime, housing and Childs allowances and Provident fund

It is commendable that the spending on overtime wages has reduced in 2015. However, it is not clear whether this occurred, as overtime claims are accumulation outside the system, or as they have been better managed this year. Another is overtime rate have been used for on-call claims but given that the rates have been rectified there is direct reduction in overtime expenses. More importantly, this second quarter have revealed that MoH have adequately budgeted for permanent, housing, child and VNPF allowances.

3.4.2. Analysis

Temporary employment and a number of allowances appear to compensate for lack of funding to employ further permanent staff members. These are however not adequately catered for in the budget. Offline liabilities continue to pose a challenge on the payroll.

3.4.3. Recommendations

- Cease all current and disallow all further 'off-book' employment at MoH
- Ensure timely renewal of contracts, where necessary
- Start and complete the process of collecting and storing relevant HR data that will be necessary for planning purposes.

- Further pursue the priority of shifting contract employees to permanent posts
- Produce a HR plan to understand HR needs of all areas of MoH

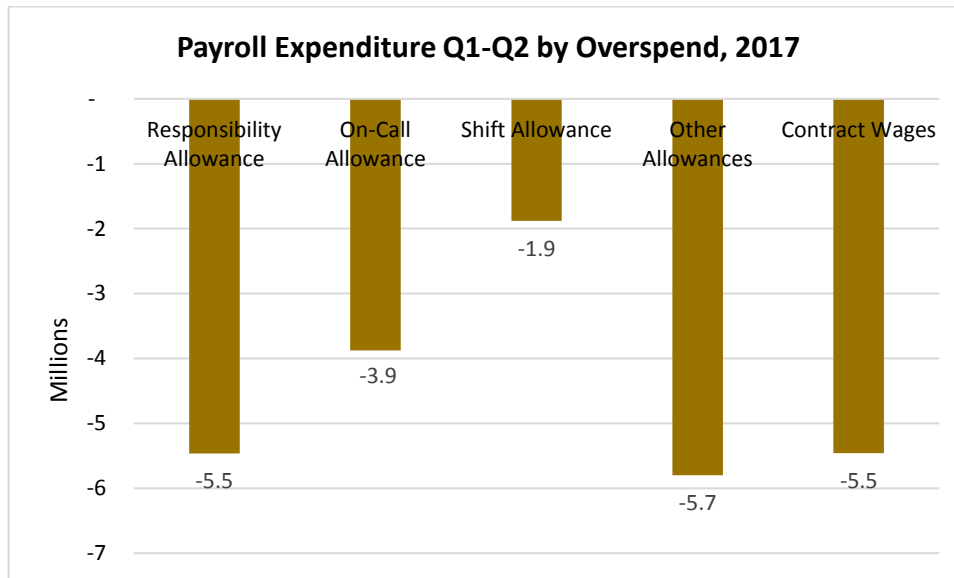


Figure 11: Major Payroll Overspend by CoA

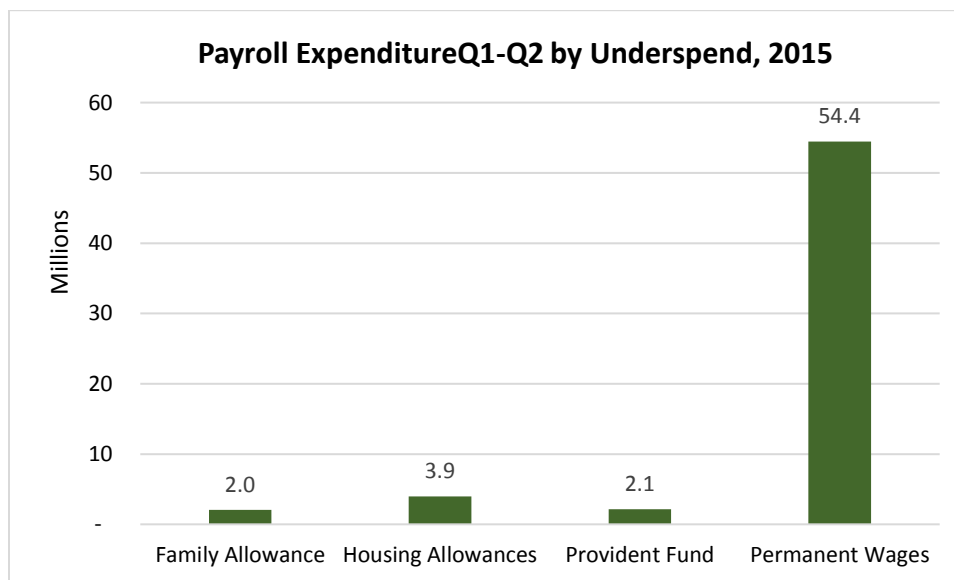


Figure 12: Major Payroll Underspend by CoA

Payroll Expenditure Q1-Q2, 2014-2017									
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Expenditure as % of Budget
	2014	2014	2015	2015	2016	2016	2017	2017	2017
Acting Allowances	4,394,527	-	7,410,161	-	4,788,681	-	2,620,354	921,928	284.2%
Responsibility Allowance	442,980	-	631,580	-	497,751	-	5,877,003	410,547	1431.5%
On-Call Allowance	2,958,697	-	2,467,324	-	702,517	7,147,491	7,356,410	3,479,796	211.4%
Shift Allowance	2,070,044	-	2,376,874	-	2,094,988	-	2,199,392	318,449	690.7%
Family Allowance	7,509,235	8,049,031	7,132,909	7,990,328	6,731,771	8,477,400	7,612,185	9,662,511	78.8%
Gratuitie Allowances	1,859,400	-	1,690,544	-	433,506	-	214,416	-	-
Housing Allowances	40,700,184	36,663,919	35,559,188	35,903,311	33,263,016	38,738,467	40,419,868	44,368,936	91.1%
Other Allowances	210,985	570,252	25,100	1,953,631	623,199	761,303	7,251,302	1,452,352	499.3%
Home Island Passage Allowances	686,544	-	399,027	-	220,537	-	590,584	455,793	129.6%
Special Allowances	788,936	-			-	1,128,551	2,813	89,999	3.1%
Provident Fund	16,469,402	15,587,059	15,293,080	15,744,756	15,865,106	17,571,546	17,142,475	19,273,921	88.9%
Contract Wages	5,781,474	-	11,409,393	-	3,257,928	-	5,460,935	-	-
Daily Rated Wages	510,160	754,907	1,113,847	846,510	420,399	-	973,644	107,750	903.6%
Leave expense	851,628	-	1,353,578	-	670,828	-	764,169	-	-
Overtime Wages	1,628,255	126,021	36,400	3,768,480	995,500	4,543,641	250,522	448,871	55.8%
Permanent Wages	387,732,007	380,175,416	357,355,203	379,059,429	377,464,122	417,230,155	410,219,202	464,657,602	88.3%
Payroll expenses	-	9,814,544	-	-	-	7,905,592	-	92,536,673	0.0%
Total	474,594,458	451,741,149	444,254,208	445,266,445	448,029,849	503,504,146	508,955,274	638,185,128	79.8%

Table 2: Payroll Expenditure by CoA

3.5. Operations Budget Management and Planning

3.5.1. Situation Report

For the first two quarters of 2017, total expenditure on operations overspent its budget with VT 345.8 million expended versus a budget of VT 225.0 million ([Figure 13](#)). This appears to be in line with the trend across the previous years for this time period, although the overspend in 2015 is comparatively higher and the underspending in 2016. With expenditures amounting to 154% of its allocated budget for the first two quarters of 2015, this is a very high overspend. It is also noteworthy that considering offline liabilities, MoH overspent its operational budget by 54% at the end of Q2. This however does not take into account (a) large outstanding bills exist and (b) transfers of MoH staff to the new structure with higher salary scale yet to be made by the end of the year.

Operational expenditures overspent Q1 and Q2 in every year since 2014 ([Figure 14](#)). In a monthly breakdown, it can be seen that for 2017 there was a particularly high overspend in May (205% of budget spent) ([Figure 10](#)). Only one month of January came in under budget in 2017 with 83% of their budget spent.

3.5.2. Analysis

Overspending on the operations side appears to be a persistent trend over the first two quarters at MoH. The pressure the payroll and outstanding salary related claims put on MoH, uses significant operational resources. It is further worth noticing that MoH uses the practice of storing funding in period 12 for safekeeping, which however also distorts the picture of budget execution during the year.

There is some, but little room to adjust cash flow allocation over the months. In general, the budget execution on the operations side needs to be strengthened and potentially the split between payroll and operations reconsidered. MoH cannot function without the adequate budget to run facilities, maintain them and the equipment, etc.

3.5.3. Recommendations

- MoH to confirm legitimacy of the offline liabilities and to create a realistic payment plan for these
- Increased steps to be taken to enforce compliance with the GoV LPO system
- Make small adjustments to cash flow requirements for operational expenditures based on the average actual expenditure per month over the past years
- Ensure a health split between payroll and operations budgets that reflects the actual needs of the ministry in order for the ministry to operate most efficiently

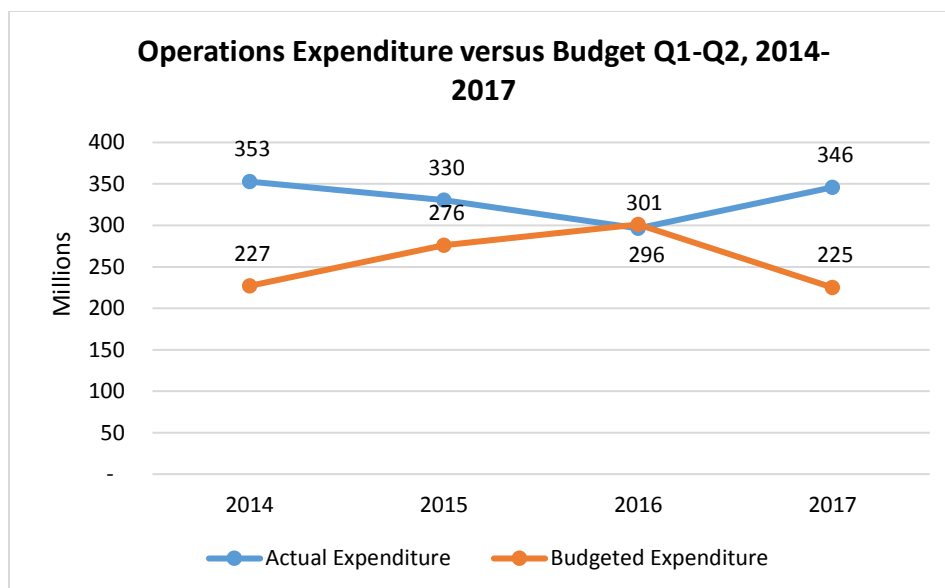


Figure 13: Total Operations Expenditures versus Budget

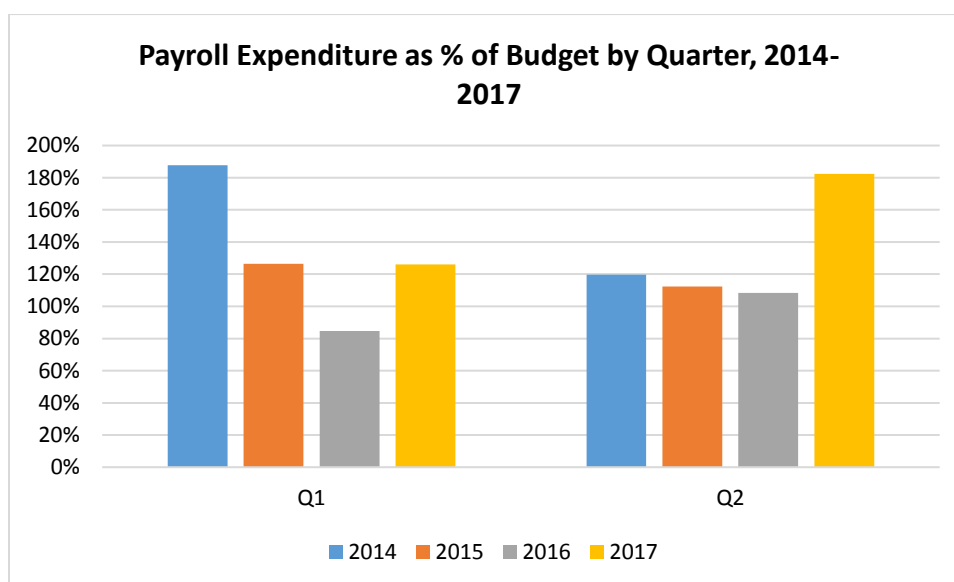


Figure 14: Total Operations Expenditures as % of Budget by Quarter

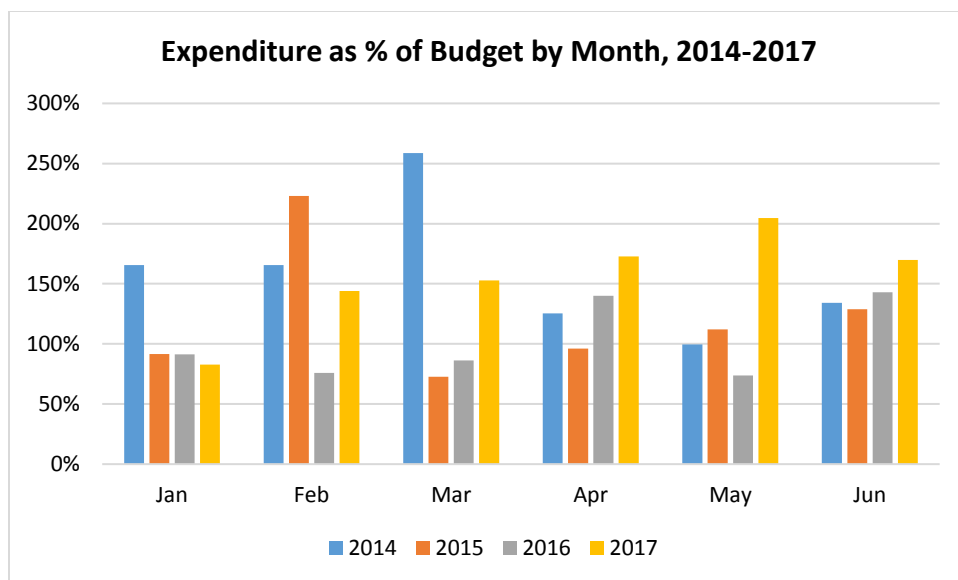


Figure 15: Total Operations Expenditures as % of Budget by Month

3.6. Detailed Patterns in Operations Expenditure Management and Planning

3.6.1. Situation Report

Looking in more detail at the operations charts of accounts, a number of persisting and significant issues can be identified (see [Figure 16](#), [Figure 17](#) and [Table 3](#))

(1). Medicines supplies

This CoA appears overspent, as VT 104.1 million is spent against no budget because of the practice of stored funding in period 12 and only expensed through advance releases.

(2). Unbudgeted Expenditures

A number of CoAs spent against no budget in 2015. The total amount of unbudgeted expenditures at the end of Q2 amounted to VT 345.8 million. As such, Medicines supplies is the largest actual expenditure against no budget with VT 104.1 million, followed by VT 1.9 million on Vehicle – Additional Vehicle and VT 1.3 million on Equipment Replacement General.

(3). Vehicle Related Expenditures

MoH had high expenditures on vehicle related CoAs (Vehicle – Replacement, Vehicle – Repairs & Maintenance, Vehicle – Hire, Vehicle – Additional Vehicle) in all four previous years for this time period however since the fleet management was set up to overlook and endorse any vehicles purchase, In 2017 saw a steady decline in vehicles related expenditures. Yet again these expenditures amounted to VT 11.9 million. Vehicle –Fuel is the only vehicle related account that did not overspend.

(4). Buildings Repairs & Maintenance

Overspending on this CoA may have occurred due to renovations post-cyclone.

(5). Underspending

A number of CoAs incurred underspending by the end of Q2. Majorly so did Gas – Medical Utilities, Vehicle Fuel, Fees - Scholarships, Food - Suppliers and Buildings - New. This is the third year in a row that these

accounts incurred savings over this time period. The worry is that for some of these CoAs there will be a number of offline liabilities.

(6). Improvements on CoA Management

A number of CoAs have been corrected in 2017 for the first two quarters. For example, Telephone/Fax Communications, Transport – Freight, Furniture – Office Furniture and International Accommodation came in under budget, as compared with two to three previous years. Commendable is also the decreased usage of the Incidentals CoA and adherence to the budget allocated to it.

3.6.2. Analysis

It is commendable that some improvements occurred on budget execution for the first two quarters on a number of CoAs. However, there remains space both for reprioritization and adjustments of cash flows across CoAs for this time period.

3.6.3. Recommendation

- Collect and store relevant HR data to inform a HR plan that would allow predicting the upcoming severance payments for future years and the financing required to cover these costs
- For the next budget, adjust cash flow profiles of expenditures adequately based on average actual expenditures of the previous years for these months
- For the next budget, reprioritise/reallocate funding across accounts based on average actual expenditures over the previous years

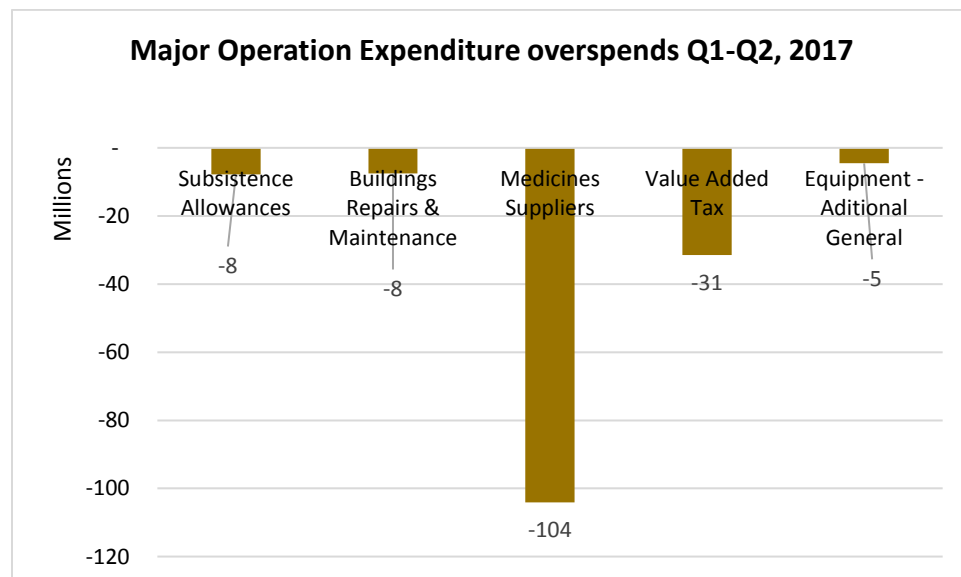


Figure 1 Major Operations Overspend by CoA

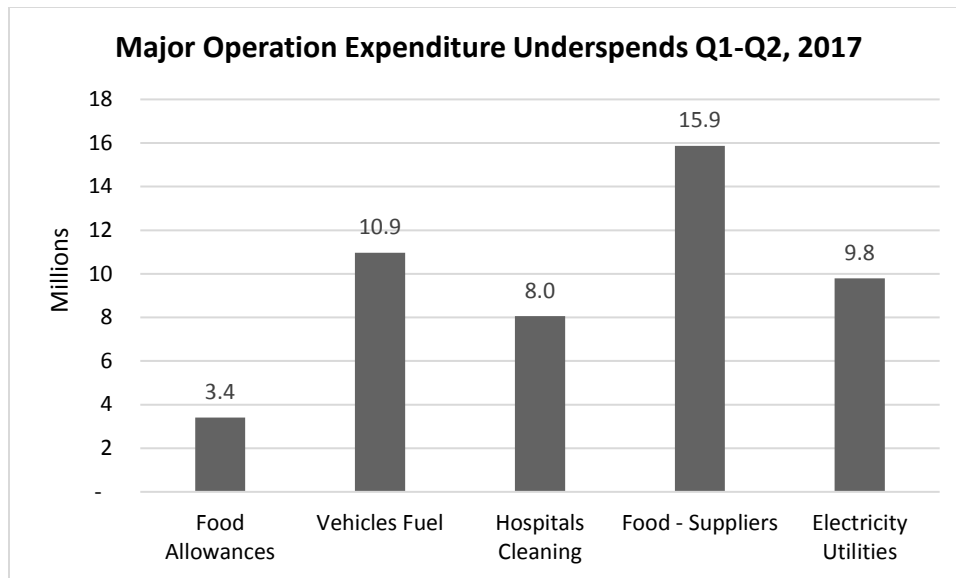


Figure 2 Major Operations Underspend by CoA

Operations Expenditure Q1-Q2, 2014-2017									
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Expenditure as % of Budget
	2014	2014	2015	2015	2016	2016	2017	2017	2017
M.P. Allocation Allowances	100,000	0							
Subsistence Allowances	10,488,100	10,925,168	13,377,633	12,807,834	20,110,638	10,551,360	20,373,524	12,551,430	162%
M. P. Gratuity Allowances					52,839	-			
Food Allowances	1,128,400	4,234,986	2,662,183	4,570,986	10,000	3,285,612	2,251,650	5,663,980	40%
Sitting Allowances									
International Accommodation	877,000	169,746	690,000	746,244	260,000	771,246	-198,240	499,998	-40%
Local Accommodation	1,409,820	1,565,962	1,677,758	3,584,076	2,221,057	2,016,474	1,035,380	1,304,178	79%
Local Courses	22,500	0					95,798	300,000	32%
Compensation Damages	1,793,800	0					45,000	0	
Software Maintenance Fees							0	1,151,406	0%
Security Services	4,763,333	2,230,992	3,761,358	2,620,992	3,887,142	3,174,990	4,073,755	2,549,994	160%
Ship and Boat Fuel					246,329	-	141,787	0	
Other Fees	3,126,104	0	1,585,747	0	151,967	-	1,053,225	0	
Freight Fuel	0	58,200	0	288,000	12,050	175,002	288,676	0	
Vehicles Fuel	7,656,028	10,872,648	6,630,417	15,016,032	5,450,113	9,950,094	7,223,443	18,185,138	40%
Mail Carriage Freight	960	0							
Other Charges - Freight	425,312	297,306	254,623	330,264	178,332	1,026,978	139,080	330,162	42%
Transport - Freight	4,400,583	3,379,240	4,370,476	4,581,390	4,310,778	3,737,304	3,556,517	3,044,550	117%
Storage - Freight			0	0	129,519	-	97,166	0	
International Medical Treatment	814,284	1,030,626	1,190,978	1,030,620	-	1,030,620	197,454	1,030,620	19%
Local Medical Treatment	16,612,846	9,251,784	12,964,082	9,927,660	11,902,206	9,530,670	17,828,576	15,534,918	115%
Visiting Specialist - Medical Treatment	0	4,201,534	3,000,000	3,479,376	-	3,423,732	1,000,000	3,587,790	28%
Equipment Hire	51,000	0	190,096	0	25,223	-	0	110,000	
Facilities Hire	37,112	129,014	277,056	124,266	308,332	255,264	581,214	1,261,228	46%
Vehicles Hire	261,889	48,498	630,336	280,356	52,890	224,586	855,791	698,576	123%

Hospitals Cleaning	4,921,108	4,526,394	5,003,057	4,519,152	4,391,879	4,442,868	4,009,818	12,074,562	33%
Office Cleaning	1,090,030	1,004,632	1,426,745	1,396,332	1,747,922	1,087,428	1,815,255	1,811,386	
Advertising - Communications	-36,178	230,373	35,823	192,786	217,811	225,936	246,819	175,002	141%
Translation Communications	180,000	0	44,445	0					
Postage - Communications	155,027	160,638	399,280	425,598	173,109	605,022	3,551	295,002	1%
Printing - Communications	691,224	1,838,351	1,582,347	3,032,616	2,516,238	1,482,726	3,471,277	3,148,032	110%
Stationery - Communications	7,515,916	7,810,974	6,173,683	10,110,384	6,084,211	7,852,674	6,669,052	9,495,016	70%
Telephone / Fax - Communications	6,566,410	5,244,072	7,032,615	7,828,104	4,469,776	5,106,612	3,786,395	5,498,936	69%
Leases - Land	500,901	217,278	282,901	246,360	291,901	252,882	293,901	219,816	134%
Survey Cost - Land	0	315,252	0	121,248	-	121,248			
Curriculum - Materials	0	58,200	88,000	58,200	44,444	194,502	0	292,896	0%
General - Materials	0	97,002	102,356	237,000	385,041	1,473,324	481,204	191,556	251%
Hospitals - Materials	0	672,618	1,727,058	3,170,370	3,594,444	4,042,788	2,657,261	18,000	14763%
Office - Materials	254,270	494,724	464,595	572,814	368,301	652,134	337,545	519,408	65%
Schools Materials	0	101,850	0	101,850	-	421,926			
Other Rental	5,402,169	8,419,566	2,462,035	7,763,808	1,897,491	5,791,152	1,869,037	1,349,994	138%
Court Costs	200,000	0	2,083,334	0			956,784	0	
Refunds	1,464,176	0	1,243,262	0	360,146	-	39,780	0	
Incidentals	9,566,081	6,542,046	4,687,579	4,754,472	3,412,213	2,731,212	2,666,716	2,475,169	108%
Medals	0	7,278							
Official Entertainment	1,055,614	1,896,868	1,911,191	1,805,106	2,477,144	1,258,308	3,358,756	1,000,218	336%
Recruitment Costs	0	48,498			102,920	-	0	1,050,000	0%
Insurance							0	175,002	
Termination Payment	39,743,645	0	64,330,318	0	505	-			
Uniforms	216,000	1,017,252	332,771	2,439,402	3,377,477	1,577,238	1,726,291	1,162,338	
Allowances - Scholarships	0	2,484,990	0	2,484,990	-	2,484,990	0	240,000	0%
CBC Roads Repairs and Maintenance							38,222		
Buildings Repairs & Maintenance	9,926,058	7,952,501	13,977,783	6,098,808	15,458,696	6,152,466	13,997,907	6,475,948	216%
Equipment Repairs & Maintenance	2,694,130	6,355,102	5,173,659	5,794,344	3,114,573	5,729,388	6,968,216	2,935,706	237%

Houses Repairs & Maintenance	0	24,252	229,909	343,746	144,416	631,998	572,492	699,996	82%
Maintenance Contrac	0	43,650	380,064	0	728,574	-	128,575	444,564	29%
Vehicles Repairs & Maintenance	8,897,473	3,383,480	6,623,229	6,245,322	4,982,604	4,945,134	7,786,436	4,492,572	173%
Food - Suppliers	18,027,648	18,516,498	17,723,086	23,801,004	20,696,370	14,256,378	11,759,098	27,633,180	43%
Medicines Suppliers	84,024,995	150,000	33,234,013	0	70,754,688	85,853,000	104,103,082	0	
Other Suppliers	419,698	432,762	119,253	204,864	94,018	1,538,190	3,348,961	72,282	4633%
Rations Suppliers	86,505	0	16,676	0	53,320	2,213,742	62,460	0	
International Travel	6,103,920	5,378,262	4,228,818	5,528,424	4,256,078	4,582,908	2,565,609	3,938,934	65%
Local Travel	6,659,272	10,575,606	9,194,855	9,757,428	8,415,219	7,071,852	12,272,300	10,598,804	116%
Gas - Cooking Utilities	2,886,646	3,479,884	1,805,126	3,716,958	1,331,825	4,459,770	2,049,884	1,690,470	121%
Electricity Utilities	40,507,030	34,273,692	37,208,536	41,752,068	29,943,163	34,346,796	26,394,585	36,189,318	73%
Lighting Utilities	5,140	97,002	75,846	122,004	288,505	-	381,539	0	
Gas - Medical Utilities	9,303,904	22,300,064	1,031,762	9,688,800	894,244	2,237,028	16,000	2,381,208	1%
Water Utilities	3,503,935	6,640,530	3,709,544	7,623,270	1,003,489	3,894,750	4,867,913	5,927,820	82%
Local Workshops	0	1,313,370	0	1,007,178	21,645	736,554	2,000	2,376,174	0%
Value Added Tax	21,269,013	5,896,650	20,385,437	20,682,900	29,906,998	15,540,618	37,513,692	6,081,362	617%
Buildings - New	0	557,046	0	5,624,976					
Buildings - Renovation	0	1,891,492	0	2,874,990	-	5,000,000	508,115	0	
Equipment - Additional General	4,386,134	10,670,658	5,881,416	9,702	(2,586,597)	102,300	5,065,142	523,998	967%
Equipment - Computer	229,651	2,181,848	4,731,122	678,348	6,849,121	2,455,235	3,530,150	628,002	562%
Equipment - Photocopiers	30,223	208,548	290,667	0	361,361	-			
Equipment - Replacement General	0	174,602	144,005	1,303,344	762,798	821,240	1,327,770	0	
Equipment - Specialised	0	33,948	0	1,249,992	70,222	821,240	617,687	0	
Furniture - Housing Furniture	0	72,750	102,258	0			240,973	0	
Furniture - Office Furniture	203,062	179,448	389,157	841,944	498,578	1,296,695	695,520	330,002	211%
Houses - Renovation	57,440	242,496					32,356	0	
Vehicle - Additional Vehicle	0	2,425,000	2,850,352	0	9,910,444	-	1,999,996	0	
Bank Charges	119,322	0	61,962	0	100,000	-	98,125	0	
International Courses			208,146	0					
Consultants Fees			110,000	0	-	-	56,972	249,996	23%

Office Rental							65,520	0	
Fees - Scholarships			28,000	10,000,000	67,881	4,999,980			
Other							0	49,998	0%
Other Grant									
Consultants Fees			3,823,170	0			101,536	0	
Infrastructure - Other									
Repatriation Allowances			80,000	0					
Drug Distribution - Medical							78,425	2,249,988	3%
Schools Cleaning					316,516	-	39,999	66,000	61%
Compensation Land									
Distribution Supplies									
Stationery Grant									
Arbitration Allowances									
Other Medical Treatment							108,557	0	
Resale Items									
Terminal Payments									
Infrastructure - Water Supply							188,444	0	
Roads Repairs & Maintenance			55,323	0	1,425,778	-	1,186,667	0	
Ships and Boats Purchases			0	499,998	1,099,733	-			
Vehicle - Replacement			1,777,778	0	-	2,500,000	0	0	
Equipment - Computer Software Purchases					235,189	-			
Infrastructure - Electricity									
Overhead expenses	0	-9,814,544	0	0	-	(2,034,506)	0	0	
Total	352,796,663	227,221,157	330,327,090	276,099,100	296,421,837	301,111,658	345,800,163	225,032,623	154%

Table 1 Total Operations Expenditures by CoA

4. Revenue Management and Planning

4.1. Situation Report

At the end of Q2 2017, total revenues came in under budget with only VT 9.1 million collected versus VT 9.8 million budgeted. This means that 93% of planned revenues were collected ([Figure 18](#)). This however does not consider revenues stored outside the GoV system. This includes outpatient fees that are directly paid into patient care funds (PCFs) operated across all hospitals in Vanuatu. Data is only available for the PCF under VCH at this point in time. So far in 2017, VT 0.6million was collected, which is considerably low. PCFs have been subject to abuse and mismanagement and given the discrepancy to previous years, this may have occurred more so in 2015 with limited resources reaching the actual PCF. Furthermore, both VCH and NDH operate medical student funds, whereby students that do attachments with either hospital as part of their education have to pay a fee of VT 10,000. It is estimated that approximately 100 students come on this programme to MoH every year.

In a quarterly breakdown, it can be seen that Q1 and Q2 revenues did not meet their targets, but were nonetheless higher than in 2014 ([Figure 19](#)). In a monthly breakdown, June provided the largest collections to date ([Figure 20](#)).

The main sources of revenues at MoH are Hospital Fees ([Figure 21](#)). In total, revenue collected is very small compared to total expenditure. When only central government finances are taken into account revenue only made up 1.1% of total expenditure in 2014, which is similar to previous years. If one includes available data on the PCFs and Medical Student Funds, this reaches to 2.3% in 2014.

MoH is also in charge of enforcing the Food (Control) Act, the Public Health Act and the Tobacco Control Act. These pieces of legislation allow MoH to fine individuals and companies that breach their provisions. MoH has had very limited success in enforcing these pieces of legislation or collecting fines. Enforcement should be explored further from both a revenue and public health perspective.

Six new revenue initiatives were proposed under MoH during the Revenue Retreat at Le Lagon in 2012. One initiative, in conjunction with and spearheaded by MFEM, has been introduced – an excise tax on soft drinks. This initiative is hoped to bring in VT 60 million in additional revenues, however, due to stark resistance from the private sector in Vanuatu, full implementation has yet to be made effective.

There have been some consultations on two further initiatives, namely the review of hospital fee structures and the reintroduction of an equivalent 5-10% duty on pharmaceuticals by amending the Export Duties Act. Together these two initiatives were estimated to collect revenues between VT 108 million to VT 253 million, dependent on exact reform measure taken.

Progress on the remaining three initiatives – increased tax on alcohol (no estimate), food safety and border control (estimated at VT 86 million) and health screening for Government employees (no estimate) – has stalled since 2012.

MoH has a total of VT 47.52 million outstanding revenues reaching as far back as 1995. It is likely that early debts will be hard to recover, however, it would nonetheless be necessary for MoH to work through and follow up on the list of outstanding revenues to gain clarity on why these revenues are still

outstanding. Based upon such an analysis, actions to be taken should be suggested in consultation with MFEM based on a clear time frame.

4.2. Analysis

Yet again transactions occurring outside the GoV system cause a bulk of the problem. MoH, spearheaded by VCH and in cooperation with MFEM, is working on transferring the VCH PCF as a project under the GoV. A project profile has been filled out and sent to DSPPAC for consideration. The hope is that moving the funds under a project will (a) allow for better control and management of funds, (b) better accountability and transparency, (c) compliance with the PFEM Act and (d) still allow for these funds to be used for the purpose of improving health services delivery.

There is a clear lack of capacity under MoH to collect revenues from other sources other than Hospital Fees. A research project on this is currently being worked on by MFEM as part of their strategy to improve revenue collections from NTRs and will be discussed with MoH in the near future.

4.3. Recommendations

- Continued cooperation with MFEM for a recent review of revenue initiatives across the GoV is appreciated and will hopefully help rationalize and further improve revenue collections
- Transfer remaining PCF and Medical Student Funds under the GoV system to ensure legal compliance, accountability and transparency, improved management and control of funds
- Verify large outstanding revenues and develop a recovery plan

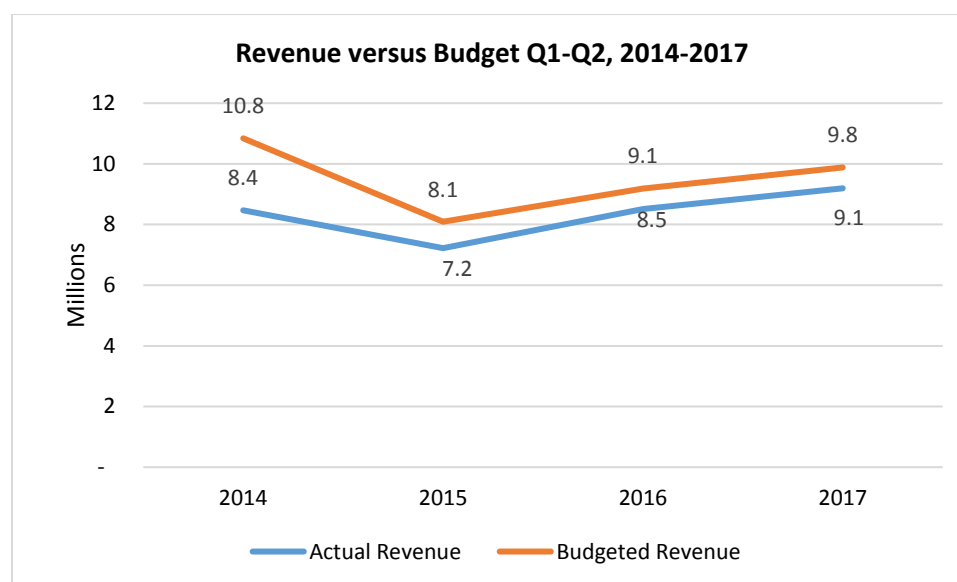


Figure 3 Revenue versus Budget

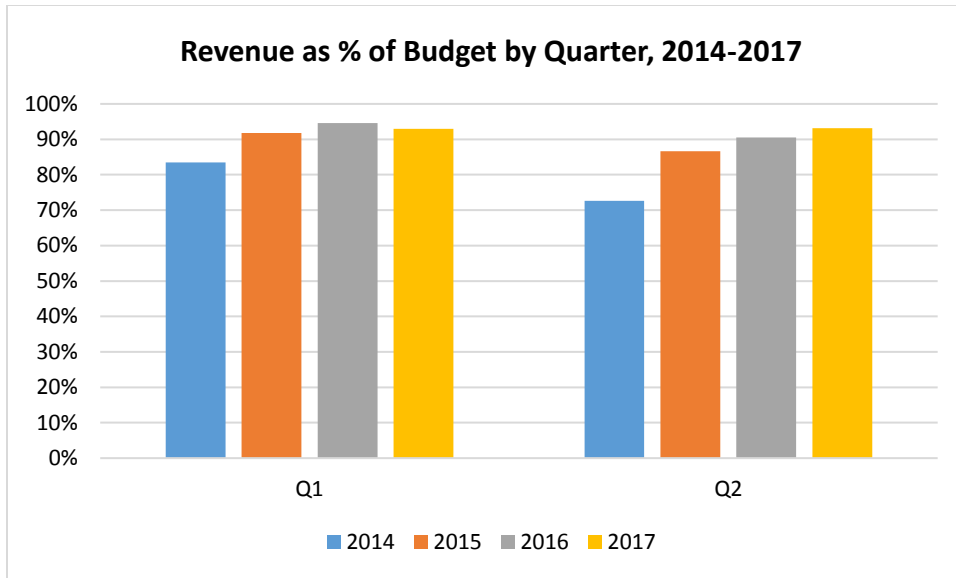


Figure 4 Revenue as % Budget by Quarter

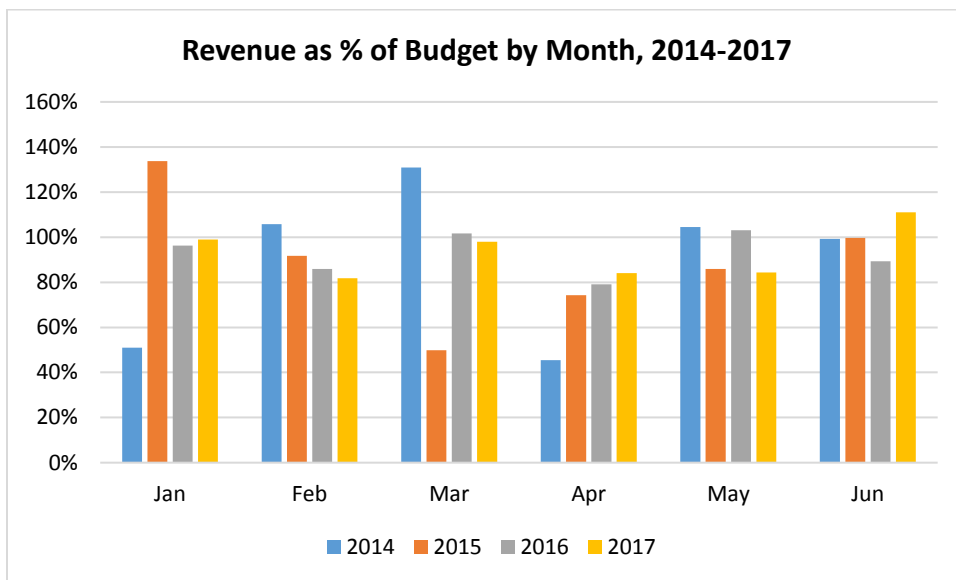


Figure 5 Revenue as % Budget by Month

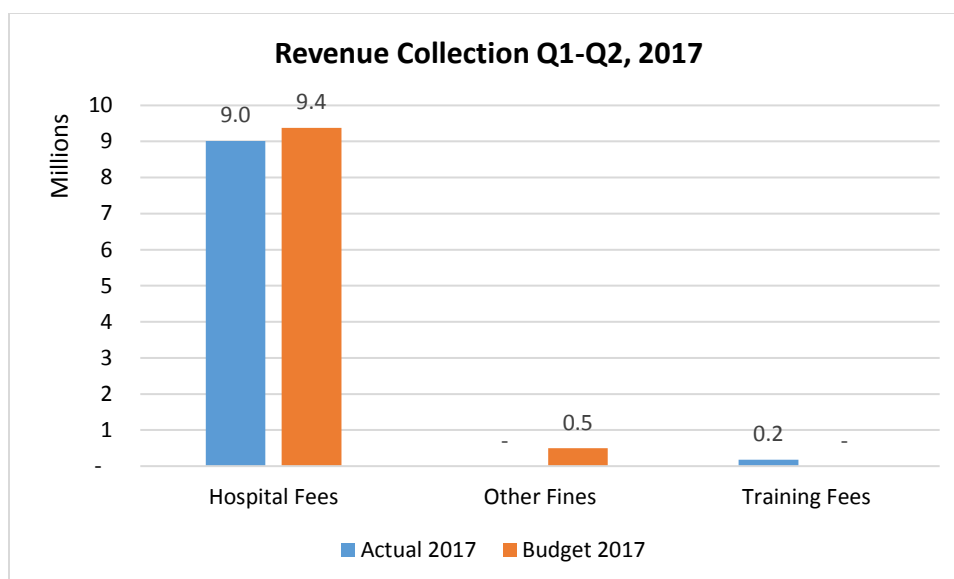


Figure 6 Major Revenue Collection

5. Virements

5.1. Situation Report

MoH undertook a total of 2 Virements by the end of Q2 2017 with a total volume of 3.8million compared to 4 in 2016 and 6 in 2015 and 7 in 2014. The volume is lower than in 2014 and 2015 but significantly lower than in 2016 (Figure 22).²

Two significant points can be noted. Namely, that in 2017 no Virements were incurred over the second quarters and that over the past two years the number of Virements significantly reduced. In 2015, Virements only occurred in Q2 (Figure 23). 2015 saw a high volume of Virements, in particular, because of Virements for contract renewals and permanency appointments, international medical treatment and payment of offline liabilities under VCH. MoH is anticipating more payroll Virements when it implements its new structure into the 3rd and 4th quarter of the 2017.

By the end of Q2 in 2015, most Virements occurred from payroll to payroll to make adjustments. This is followed by Virements from operations to payroll, due to reasons explained above (Figure 24). This is in line with Virements trends in 2014.

5.2. Analysis

The volume of Virements would be considered high compared across the GoV and indicates that a number of line items were not adequately budgeted for. However, it is commendable that MoH took steps to find budget to shift employees to permanent posts and to pay off a number of liabilities. Likewise, the

² Dates used to classify Virements are based on the date that the Virements was released by Budget Section, DOFT.

international medical treatment could not have been adequately anticipated by MoH in its budget preparation

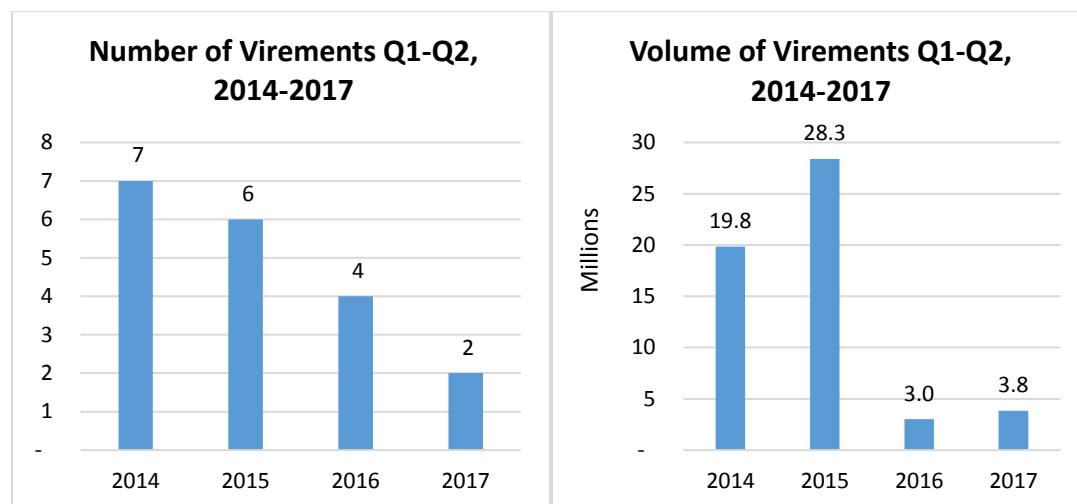


Figure 7 Total Number and Volume of Virements

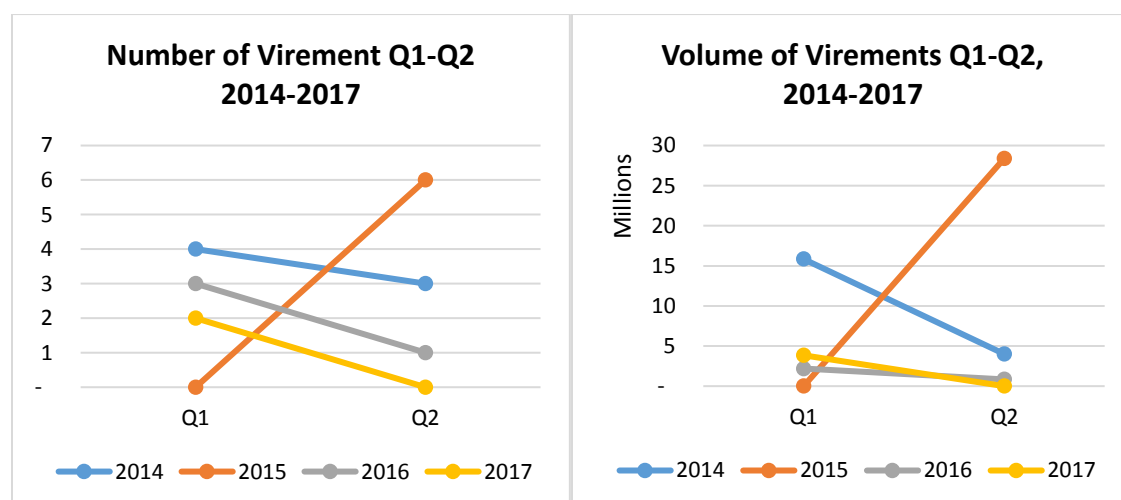


Figure 8 Total Number and Volume of Virements by Quarter and Year

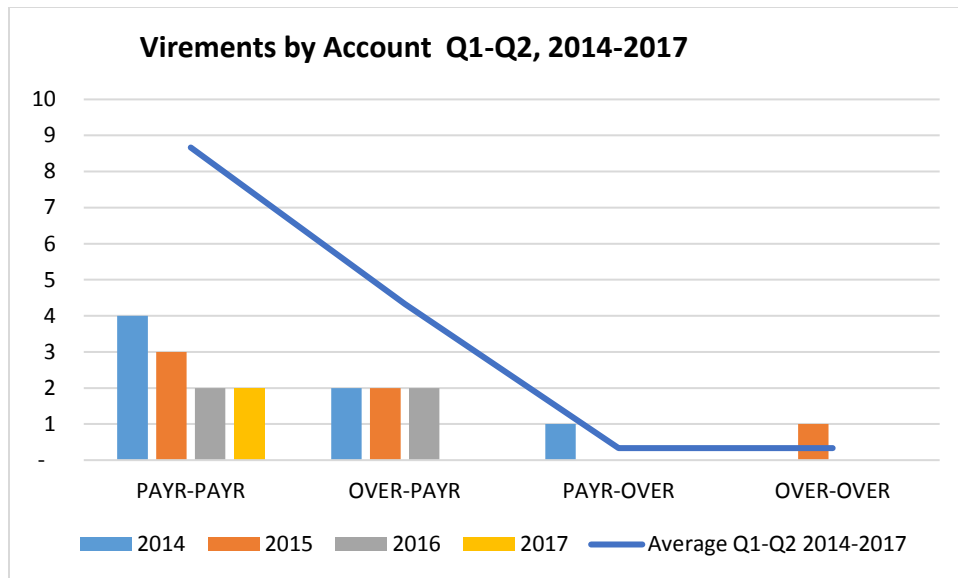


Figure 9 Total Number of Virements across Categories

Year	Vired Out				Vired In				Amount	Quarter
	Fund	Department	Activity	Account	Fund	Department	Activity	Account		
2017	2	61VY	MHBC	PAYR	2	60BA	MHBA	PAYR	1,124,462	Q2
2017	2	61VA	MHBB	PAYR	2	61QA	MHCA	PAYR	2,723,018	Q2

Table 2 Detailed Virements