

## **PARLIAMENT**

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### **Quarterly Expenditure Report**

**Quarter 2, 2017**

**Expenditure Section, Ministry of Finance and Economic Management**

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## 1. Introduction to the Constitutional Body

The Parliament of the Republic of Vanuatu is a constitutional body that meets regularly to make laws for the peace, order and good government of Vanuatu. Some of core responsibilities of the Parliament are to:

- To be a watchdog to the Government and to scrutinize the Government so as to ensure that there is accountability, transparency and good government.
- Make laws, approval of Annual Appropriation Bill, rectification of the International treaties and other business as provided under the standing Orders of Parliament.
- Conduct parliamentary diplomacy, exchange of visits with other Parliament of other countries and participation in the parliamentary conference.

## 2. Summary of Analysis and Recommendations

Overview	
<p>The Parliament faces significant challenges with budget execution, and budget planning appears equally weak. Improved planning at the Parliament would allow anticipating expenditures and allocating budget more accurately across departments, CoAs and time periods. Some adjustments are possible between payroll and operations and to cash flows on selected CoAs. Reprioritization between several CoAs, especially on the operational side, can be undertaken. Revenue collections appear similar to previous years. Advance releases are of larger concern than the small amount of virements incurred by the Parliament.</p>	

Area	Recommendation
<b>Expenditure Management and Planning</b>	<ul style="list-style-type: none"><li>• Parliament to allow for an environment, where the budget can be executed</li><li>• Parliament to strengthen and tighten up budget execution to ensure optimal usage of public funds</li><li>• Improve the planning for activities at the Parliament to allow adequate budget to be allocated to these</li></ul>
<b>Activity and Cost Centre Management and Planning</b>	<ul style="list-style-type: none"><li>• Reprioritize the budget according to average spending patterns over the past 3 years</li></ul>
<b>Payroll Budget Management and Planning</b>	<ul style="list-style-type: none"><li>• Parliament to adequately budget for payroll costs to allow for improved budget</li></ul>

<b>Detailed Chart of Accounts Patterns in Payroll Expenditure Management and Planning</b>	<ul style="list-style-type: none"> <li>• Parliament to allocate budgets to allowances based on previous years' expenditures and improve management of allowances (e.g. imposing time off in lieu of overtime worked)</li> <li>• Parliament to strengthen leave management and planning to allow staff to take leave instead of accumulating it and thus provide for better productivity, health, and motivation of staff</li> <li>• Parliament to consider revising the Parliamentary Staff Manual to include leave accrual limits to increase incentives to take leave, and help manage budgetary pressures</li> <li>• Parliament to identify key HR needs and fill these to reduce Responsibility and Acting Allowances expenses, and allow staff to go on leave more easily instead of accumulating it</li> <li>• Parliament to adequately budget for all permanent vacancies that it plans to fill in the following budget year, and ensure that unplanned recruitments are matched by virements from operation to payroll</li> </ul>
<b>Operations Budget Management and Planning</b>	<ul style="list-style-type: none"> <li>• Adjust monthly cash flow requirements for operational expenditures based on the average actual expenditure per month over the past years</li> </ul>
<b>Detailed Patterns in Operations Expenditure Management and Planning</b>	<ul style="list-style-type: none"> <li>• For the next budget, adjust cash flow profiles of expenditures adequately based on average actual expenditures of the previous years for these months</li> <li>• For the next budget, reprioritise/reallocate funding across accounts based on average actual expenditures over the previous years</li> </ul>
<b>Revenue Management and Planning</b>	<ul style="list-style-type: none"> <li>• Parliament to clarify why and how revenues are collected in the first place</li> <li>• Improvements to revenue forecasts for the coming budget are necessary based on previous years' performance and expected outturns</li> <li>• Cash flow can be adjusted in a quarterly and monthly perspective</li> </ul>
<b>Virements</b>	<ul style="list-style-type: none"> <li>• Adjust payroll budget to cater for all permanent posts and allocate funds to allowances to abolish the need for virements from operations to payroll</li> </ul>

### **3. Expenditure<sup>1</sup> Management and Planning**

#### **3.1. General Budget Management and Planning**

##### **3.1.1. Situation Report**

In the first two quarters of 2017, Parliament overspent its budget by VT 61.1 million with VT 344.3 million of expenditures (121.6% of its budget) ([Figure 1](#) and [Figure 2](#)). This overspending was seen since 2014 except an underspent at the end of Q2 in 2016. In 2014 and 2015, the Parliament's budget was overspent by between VT 15.6 and VT 45.2 million<sup>2</sup> respectively. The budget for the first two quarters decreased to VT 277.8 from VT 283.3 in 2015, and further lower in 2016 with VT277.8 although its underspent. This directly opposes the trends in the overall budget, which decreased from 2015, but stayed above levels in 2013 and 2014 respectively. In 2016, the first two quarters have the highest unbudgeted expenditures since 2013 with VT 12.4 million compared to between VT 6.7 and VT 11.9 over the past three years.

In a quarterly breakdown, it can be seen that most savings were incurred in Q1 2016 and none in either quarter of year 2017. This marked the first time since 2014 that the first quarter was underspent with only 88.6% of budget expended. Q2 of 2017 overspent its budget by 21%.

In a monthly breakdown, it can be seen that the only savings in the first two quarters of 2017 were incurred in April, when only 75% of that month's budget was expended ([Figure 3](#)) while all remaining months of 2017 saw overspent in budget. June marks the largest spending in Q2 with 63.6% above its budget and is the highest of that month since 2014 with VT 68.1 million compared to the previous maximum amount of VT 53.6 million incurred in 2015 that month.

The split between operations and payroll expenditure and budget appears significantly skewed towards operations with between 81-85% of the budget for the second quarter allocated to it and slightly lower amounts spent on it ([Figure 4](#)). This is because the Parliament holds a large number of allowances for MPs like MP Representation Allowances, MP Allocation Allowances and MP Touring Allowances in its operational budget. At the end of Q2 2017 expenditures on these, amounted to VT 228.7 million. Considering these, the picture of the split between payroll and operations appears drastically different. In 2017, for example, for the first two quarters only VT 45.8 million was budgeted for other operational expenditures.

##### **3.1.2. Analysis**

Generally, overspending at Parliament is relatively large and appears to be a strong trend over the past years. Budget execution at the Parliament appears to pose a large challenge and be very weak. It is noted that under the Parliament political pressure is contributing to the difficulty of executing the budget. At this point in time it appears that the budget has ceased to have a lot of meaning to the Parliament with the constant overspending occurring and little planning occurring.

One major problem that persists is the lack of adequate planning for activities at the Parliament. The budget may be limited, but improved planning could still lead to significant efficiency gains in the usage

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<sup>1</sup> Note that Expenditure here includes Actual and Committed Expenditure.

of funds. Examples are purchases of four unplanned vehicles at the end of 2015, expected purchase of 58 computers in Q2 2016 and a number of other commitments (e.g. furniture) to be made in 2016 against no budget. Prior knowledge of such commitments would allow to plan ways to fund these activities. It is evident that political changes and pressures make it significantly more difficult to plan and anticipate activities, however, it would be in the interest of Parliament leadership to push more for a move towards strong business planning.

While it is understandable that the Parliament requires sufficient funding to perform its duties, as the representative body of the people of Vanuatu, it should be leading by example for other government agencies.

### 3.1.3. Recommendations

- Parliament to allow for an environment, where the budget can be executed
- Parliament to strengthen and tighten up budget execution to ensure optimal usage of public funds
- Improve the planning for activities at the Parliament to allow adequate budget to be allocated to these

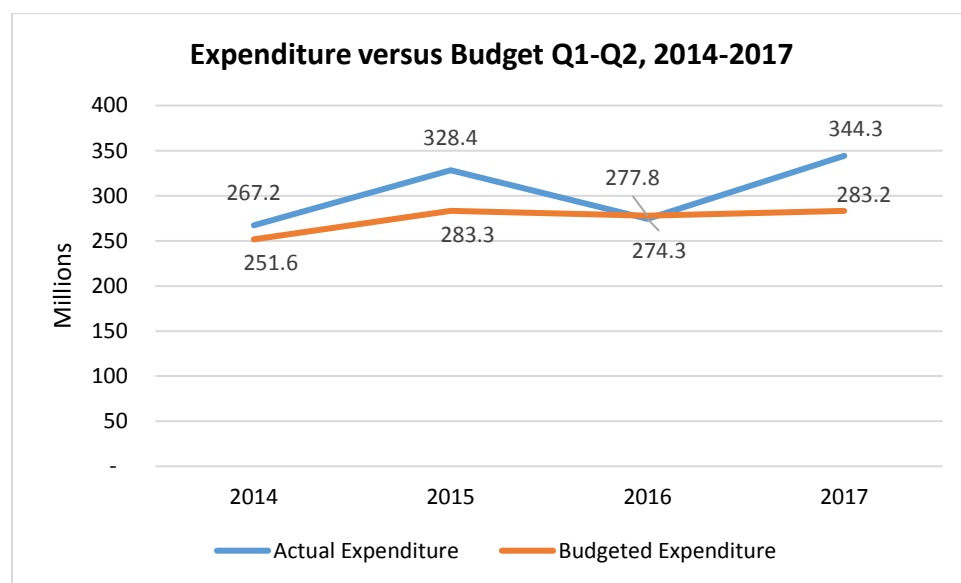
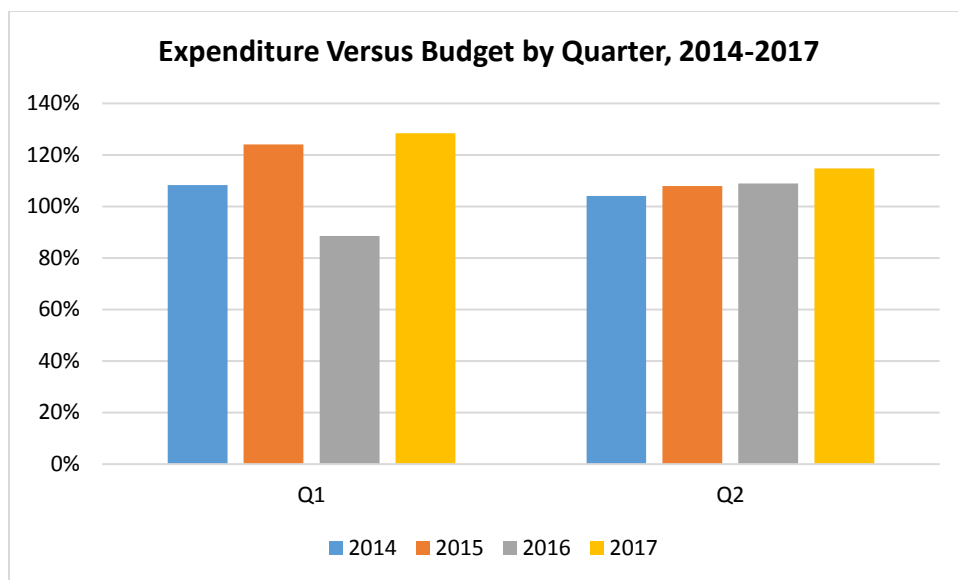
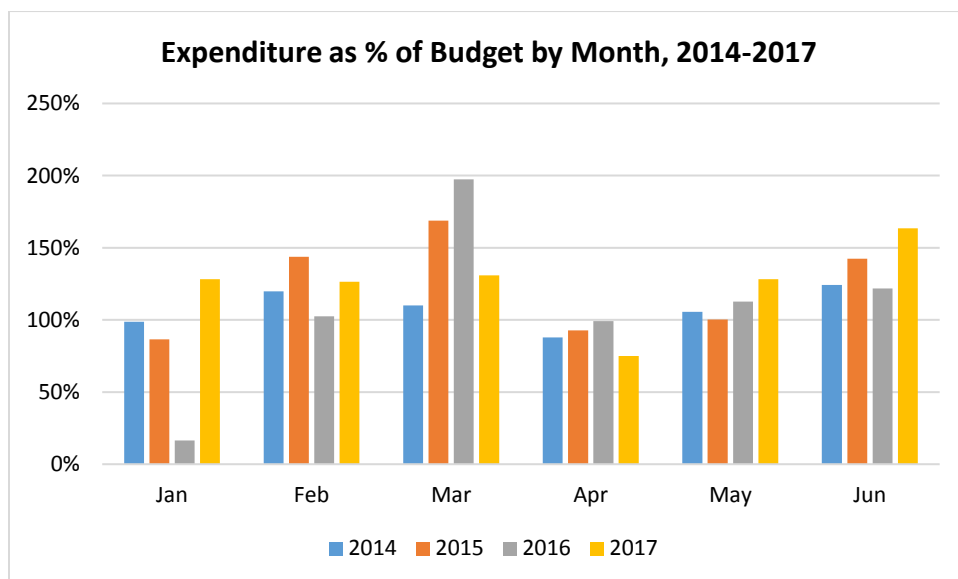


Figure 1 Expenditure versus Budget



**Figure 2** Expenditure as % of Budget by Quarter



**Figure 3** Expenditure as % of Budget by Month

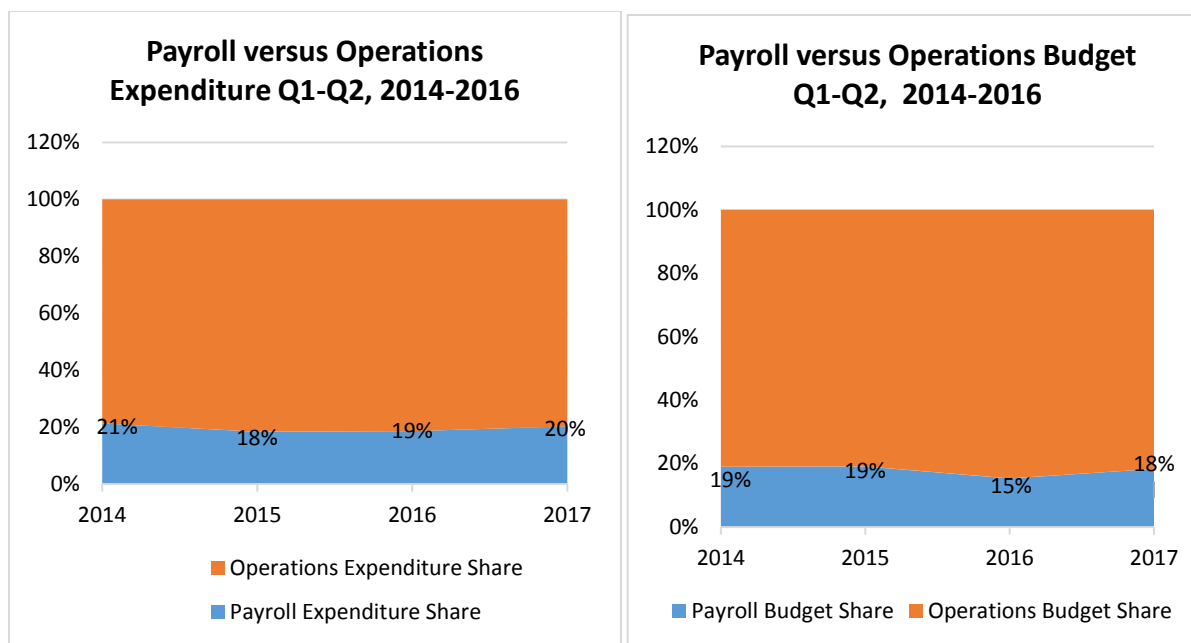


Figure 4 Payroll versus Operations Expenditure and Budget

### 3.2. Activity and Cost Centre Management and Planning

#### 3.2.1. Situation Report

At the end of Q2, three out of four activities across Parliament are significantly overspent, namely the CBA Procedure and legislative office by VT32.5million(16.5%), CBC Hansard Office by VT 1.5 million (20.7% of budget) and CBD Corporate Services Office by VT 30.1 million (47.1% of budget) . This is in line with trends in previous years ([Figure 5](#), [Figure 6](#) and [Table 1](#)). CBD Standing Committee Office came in exactly on budget and underspent by VT 3.0 million with only 79.6% of its budget for this time period expended.

Under CBC, both programs are overspent. CBCB Library and Archives overspent its budget by 10.5% and CBCA Parliamentary Reporting by 26.0% ([Table 1](#)). Under CBD, two out of three programs overspent. CBDA Financial Management and CBDC Members Allocation overspent their budgets by 31.4% and 58.2% respectively. The two other program that overspent is CBAB Security and Protocol with 133% of its budget overspent and legislative section with 17.7% above its budget expended.

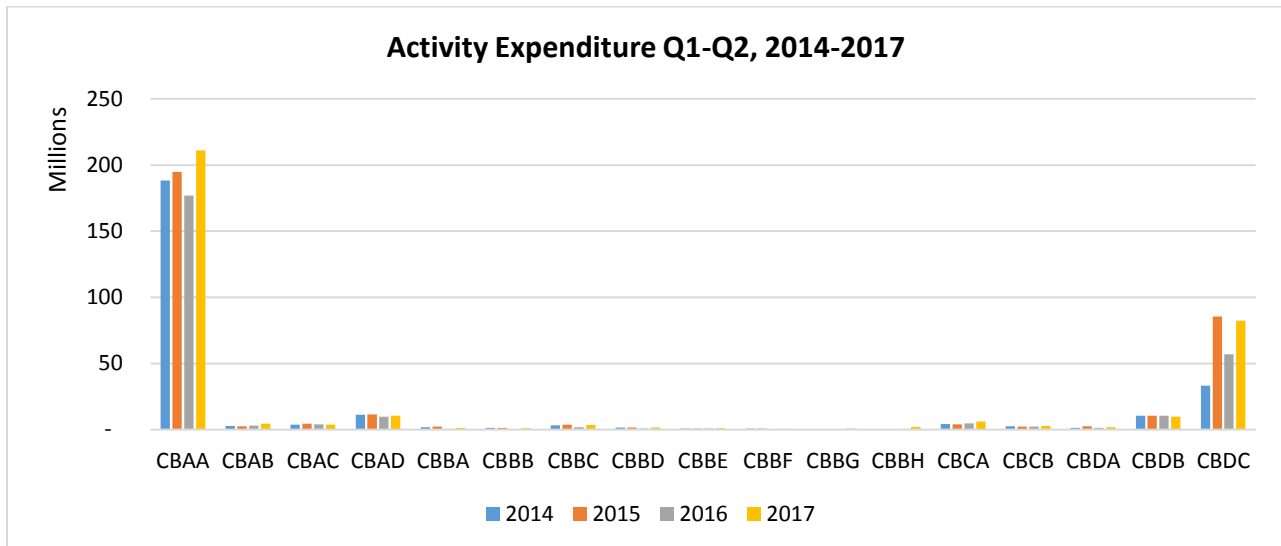
#### 3.2.2. Analysis

The same trends of overspending appear to occur on a very regular basis at the Parliament. The Parliament should consider to make changes to its budget to reflect savings incurred under the standing committees to cover higher spending in other areas.

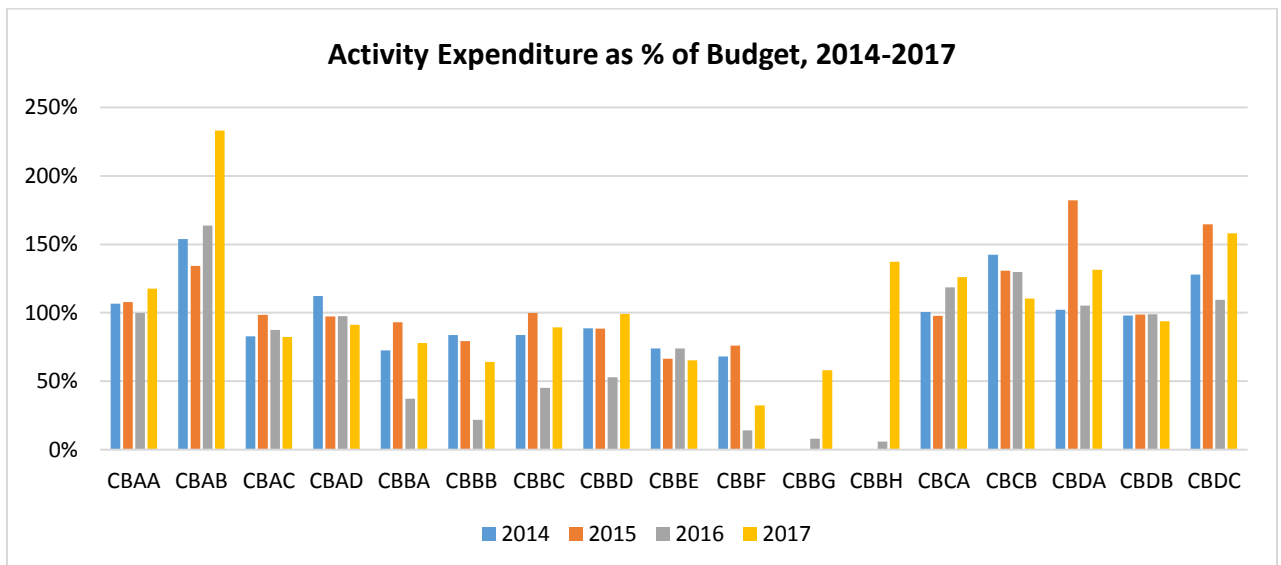
Importantly it is a concern that the Standing Committees are severely underusing their funds and may reflect upon low levels of activity in these important bodies. As the budget is there to conduct activities, inactivity could be likely traced back to organizational and planning issues. It may be recommendable for committees to establish annual or bi-annual working plans.

#### 3.2.3. Recommendations

- Reprioritize the budget according to average spending patterns over the past 3 years
- Increased activity on Standing Committees through improved planning



**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
02AA	Legislative Section	188,391,368	176,760,233	194,823,977	180,654,576	176,963,984	177,202,121	211,144,735	179,327,330	117.7%
CBAA	Procedure and Legislative Affairs	188,391,368	176,760,233	194,823,977	180,654,576	176,963,984	177,202,121	211,144,735	179,327,330	117.7%
02AB	Security & Protocol Section	2,771,424	1,801,854	2,419,008	1,801,842	2,889,673	1,766,416	4,402,655	1,889,150	233.0%
CBAB	Security and Protocol	2,771,424	1,801,854	2,419,008	1,801,842	2,889,673	1,766,416	4,402,655	1,889,150	233.0%
02AC	Inter-Parliamentary Section	3,728,270	4,499,772	4,429,017	4,499,766	3,939,338	4,499,766	3,706,669	4,499,766	82.4%
CBAC	Inter-Parliamentary Relations	3,728,270	4,499,772	4,429,017	4,499,766	3,939,338	4,499,766	3,706,669	4,499,766	82.4%
02AD	Office of the Opposition	11,238,752	10,013,864	11,562,266	11,889,911	9,889,053	10,143,330	10,434,487	11,430,164	91.3%
CBAD	Office of the Leader of the Opposition	11,238,752	10,013,864	11,562,266	11,889,911	9,889,053	10,143,330	10,434,487	11,430,164	91.3%
CBA	Procedure and Legislative Office	206,129,814	193,075,723	213,234,268	198,846,095	193,682,048	193,611,633	229,688,546	197,146,410	116.5%
02BA	Standing Orders Committee Support	1,762,465	2,432,067	2,198,651	2,364,126	665,212	1,789,303	1,216,973	1,561,989	77.9%
CBBA	Committee of the Standing Orders	1,762,465	2,432,067	2,198,651	2,364,126	665,212	1,789,303	1,216,973	1,561,989	77.9%
02BB	Parliamentary Privileges Committee Support	1,319,043	1,573,995	1,195,370	1,506,060	340,875	1,569,235	1,019,836	1,591,923	64.1%
CBBB	Committee on Parliamentary Privileges and Immunities	1,319,043	1,573,995	1,195,370	1,506,060	340,875	1,569,235	1,019,836	1,591,923	64.1%

02BC	Public Accounts Committee Support	3,224,459	3,852,007	3,842,628	3,844,622	1,725,949	3,823,177	3,529,605	3,952,910	89.3%
<b>CBBC</b>	<b>Committee on the Public Accounts</b>	<b>3,224,459</b>	<b>3,852,007</b>	<b>3,842,628</b>	<b>3,844,622</b>	<b>1,725,949</b>	<b>3,823,177</b>	<b>3,529,605</b>	<b>3,952,910</b>	<b>89.3%</b>
02BD	Institutions Committee Support	1,454,304	1,642,257	1,452,423	1,642,245	866,000	1,637,491	1,547,033	1,560,177	99.2%
<b>CBBD</b>	<b>Committee on Institutions</b>	<b>1,454,304</b>	<b>1,642,257</b>	<b>1,452,423</b>	<b>1,642,245</b>	<b>866,000</b>	<b>1,637,491</b>	<b>1,547,033</b>	<b>1,560,177</b>	<b>99.2%</b>
02BE	Legislative Review Committee	910,188	1,230,861	817,350	1,230,861	905,567	1,226,107	1,010,179	1,548,783	65.2%
<b>CBBE</b>	<b>Committee on Economic Policy</b>	<b>910,188</b>	<b>1,230,861</b>	<b>817,350</b>	<b>1,230,861</b>	<b>905,567</b>	<b>1,226,107</b>	<b>1,010,179</b>	<b>1,548,783</b>	<b>65.2%</b>
02BF	Provincial Affairs Committee	842,415	1,238,847	942,777	1,238,841	172,793	1,234,087	503,533	1,556,763	32.3%
<b>CBBF</b>	<b>Committee on Social Policy</b>	<b>842,415</b>	<b>1,238,847</b>	<b>942,777</b>	<b>1,238,841</b>	<b>172,793</b>	<b>1,234,087</b>	<b>503,533</b>	<b>1,556,763</b>	<b>32.3%</b>
02BG	Committee on Foreign Affairs & External Trade			-	1,223,994	145,065	1,789,309	904,650	1,561,989	57.9%
02BA_FA	Standing Orders Committee Support	-	1,249,494							
<b>CBBG</b>	<b>Committee on Foreign Affairs &amp; External Trade</b>		<b>1,249,494</b>	<b>-</b>	<b>1,223,994</b>	<b>145,065</b>	<b>1,789,309</b>	<b>904,650</b>	<b>1,561,989</b>	<b>57.9%</b>
02BH	Committee on Members of Parliament Ethics & Integrity			-	1,594,116	88,392	1,521,427	2,117,927	1,544,115	137.2%
02BA_MP	Standing Orders Committee Support	-	1,568,616							
<b>CBBH</b>	<b>Committee on Members of Parliament Ethics &amp; Integrity</b>		<b>1,568,616</b>	<b>-</b>	<b>1,594,116</b>	<b>88,392</b>	<b>1,521,427</b>	<b>2,117,927</b>	<b>1,544,115</b>	<b>137.2%</b>
<b>CBB</b>	<b>Standing Committees Office</b>	<b>9,512,874</b>	<b>14,788,144</b>	<b>10,449,199</b>	<b>14,644,865</b>	<b>4,909,853</b>	<b>14,590,136</b>	<b>11,849,736</b>	<b>14,878,649</b>	<b>79.6%</b>

02CA	Parliamentary Reporting Section	4,125,522	4,099,991	4,010,834	4,099,991	4,784,667	4,038,163	6,064,048	4,811,848	126.0%
02AC_PR	Inter-Parliamentary Section									
<b>CBCA</b>	<b>Parliamentary Reporting</b>	<b>4,125,522</b>	<b>4,099,991</b>	<b>4,010,834</b>	<b>4,099,991</b>	<b>4,784,667</b>	<b>4,038,163</b>	<b>6,064,048</b>	<b>4,811,848</b>	<b>126.0%</b>
02CB	Library & Archives	2,403,514	1,687,450	2,205,408	1,687,444	2,162,701	1,666,166	2,781,644	2,517,235	110.5%
<b>CBCB</b>	<b>Library and Archives</b>	<b>2,403,514</b>	<b>1,687,450</b>	<b>2,205,408</b>	<b>1,687,444</b>	<b>2,162,701</b>	<b>1,666,166</b>	<b>2,781,644</b>	<b>2,517,235</b>	<b>110.5%</b>
<b>CBC</b>	<b>Hansard Office</b>	<b>6,529,036</b>	<b>5,787,441</b>	<b>6,216,242</b>	<b>5,787,435</b>	<b>6,947,368</b>	<b>5,704,329</b>	<b>8,845,692</b>	<b>7,329,083</b>	<b>120.7%</b>
02DA	Accounts Section	1,367,578	1,337,442	2,426,985	1,332,052	1,385,377	1,316,504	1,854,349	1,410,908	131.4%
<b>CBDA</b>	<b>Financial Management</b>	<b>1,367,578</b>	<b>1,337,442</b>	<b>2,426,985</b>	<b>1,332,052</b>	<b>1,385,377</b>	<b>1,316,504</b>	<b>1,854,349</b>	<b>1,410,908</b>	<b>131.4%</b>
02DB	Personnel Section	10,447,880	10,667,572	10,520,283	10,662,229	10,416,920	10,536,507	9,819,980	10,459,310	93.9%
<b>CBDB</b>	<b>Personnel Administration and Maintenance</b>	<b>10,447,880</b>	<b>10,667,572</b>	<b>10,520,283</b>	<b>10,662,229</b>	<b>10,416,920</b>	<b>10,536,507</b>	<b>9,819,980</b>	<b>10,459,310</b>	<b>93.9%</b>
02DC	Members Allocations	33,245,068	26,000,000	85,596,528	52,000,000	56,932,240	52,000,000	82,255,671	52,000,000	158.2%
<b>CBDC</b>	<b>Members Allocation</b>	<b>33,245,068</b>	<b>26,000,000</b>	<b>85,596,528</b>	<b>52,000,000</b>	<b>56,932,240</b>	<b>52,000,000</b>	<b>82,255,671</b>	<b>52,000,000</b>	<b>158.2%</b>
<b>CBD</b>	<b>Corporate Services Office</b>	<b>45,060,526</b>	<b>38,005,014</b>	<b>98,543,796</b>	<b>63,994,281</b>	<b>68,734,537</b>	<b>63,853,011</b>	<b>93,930,000</b>	<b>63,870,218</b>	<b>147.1%</b>
<b>Total</b>		<b>267,232,250</b>	<b>251,656,322</b>	<b>328,443,505</b>	<b>283,272,676</b>	<b>274,273,806</b>	<b>277,759,109</b>	<b>344,313,974</b>	<b>283,224,360</b>	<b>121.6%</b>

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 has overspent its budget by VT 17.9 million with VT 69.8 million expended against its budget (Figure 7). This is a spending of 135% of the allocated budget for this period (Figure 8). Over the past three years the payroll at the end of Q2 was always overspent by between VT 6.3 million and VT 8.9 million. Thus, this year marks the largest overspending over that period. Notably the payroll budget for the first two quarters is also lower than in 2015 but higher than in 2014 and 2016. At the current rate of expenditure, it is estimated that the payroll for the Parliament will overspend its budget by VT 32.1 million by the end of the year. This is not unlikely given that in previous years the payroll overspent by VT 24.8million(2016), VT 241.3 million (2015)and VT 20.0 million (2014).

In a quarterly breakdown, it can be seen that Q2 like previous years except in 2015 incurred no savings with 42.2% above its budget expended. Q2 in turn expended VT38.9 of its VT27.4million budget reversing a positive outcome from 2015, where the Parliament came over budget for Q2.

#### 3.3.2. Analysis

The Parliament is consistently under-budgeting its payroll. This then leads to overspending and takes up funding from operations under the controls implemented by MFEM. As such, this is a hindrance to adequate execution of the operations budget as well.

#### 3.3.3. Recommendations

- Parliament to adequately budget for payroll costs to allow for improved budget execution

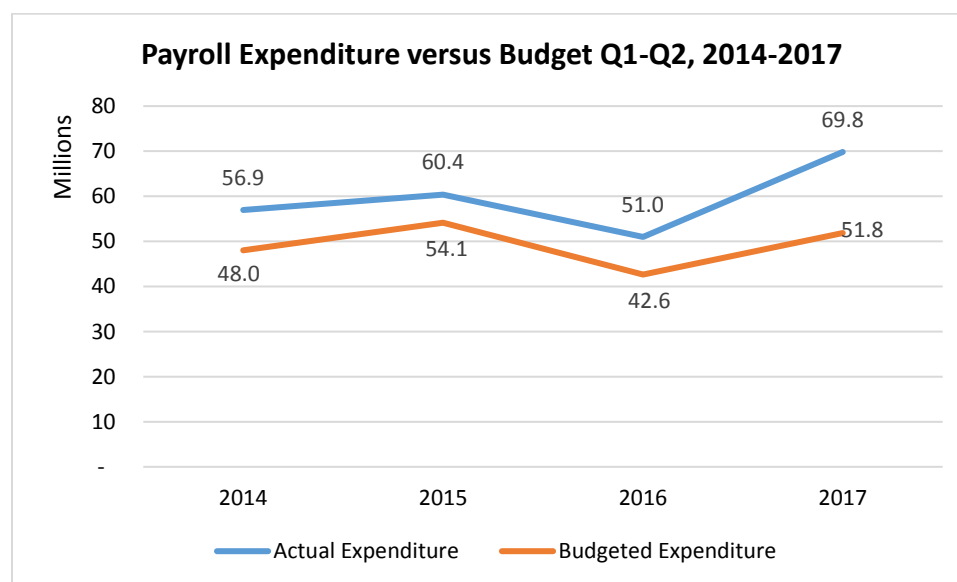


Figure 7 Total Payroll Expenditure versus Budget

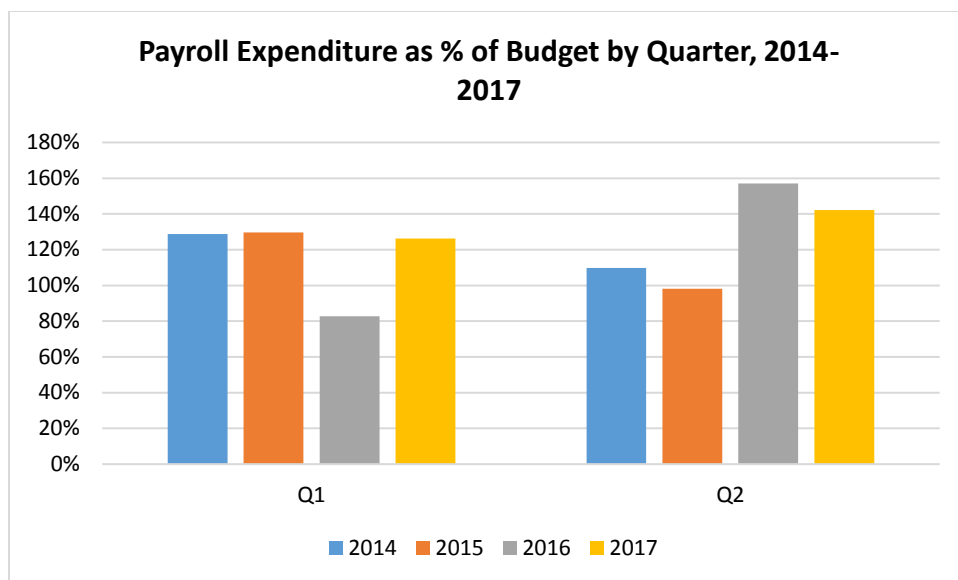


Figure 8 Total Payroll Expenditure as % of Budget by Quarter

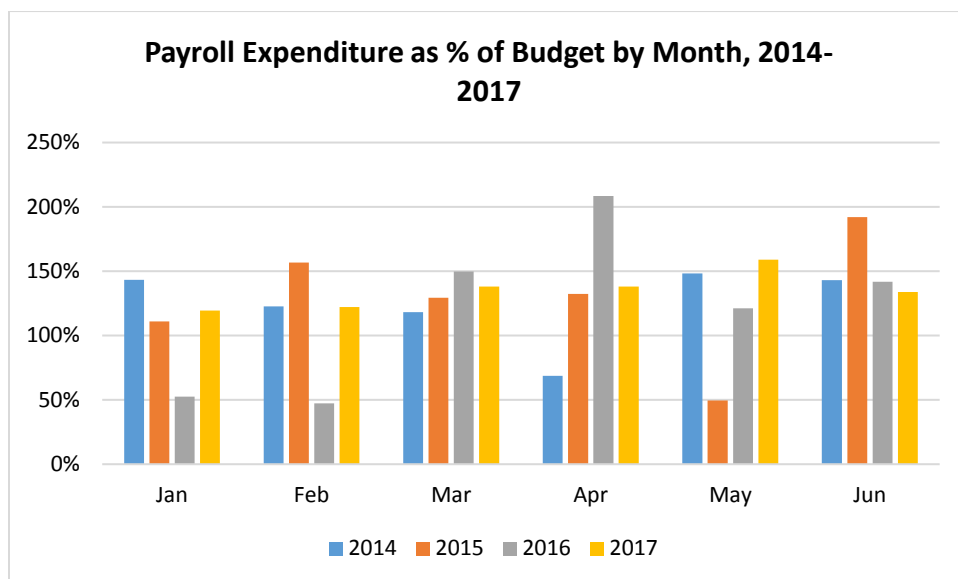


Figure 9 Total Payroll Expenditure as % of Budget by Month

### 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 10](#), [Figure 11](#) and [Table 1](#)).

##### (1). Underspending Daily Rated Wages and Payroll expenses

Daily Rated Wages and Payroll expenses have significantly underspent their respective budgets in 2017. While this is an ongoing trend for Daily Rated Wages and payroll expenses over the past years in Q2 the Daily Rated Wage budget for this time period was higher than the previous years.

##### (2). Overspending on Allowances and Provident Fund

All other payroll CoAs at the Parliament were overspent at the end of Q2 2017. This includes Family Allowances overspending by VT0.2million, housing by 0.7million and permanent wages by 4.8million. In line with unplanned spending on allowances, the Provident Fund overspent its budget by VT 3.9million.

### **(3). Overspending with no budget**

Since 2014 no budget was allocated to Leave Expenses, yet spending was incurred every year against this CoA and In 2017 so far VT 3.9 million was expended. Similarly, Gratuity Allowances, Responsibility Allowance, Home Island Passage Allowances, Other Allowances, Overtime Wages, Acting Allowances and special allowances had incurred expenditures with no budget.

#### **3.4.2. Analysis**

The second quarter saw that the spending trend has fallen back to old patterns of overspending. Importantly the overspending on Permanent Wages carries the largest overspending in 2017 and it is worth emphasizing that the Parliamentary Management Board, as the employment agency for the Parliament, should ensure that adequate checks and balances are in place that will allow to cover wages of new permanent staff adequately. In the context of the Public Service Commission, for example, MFEM is required to check whether sufficient funding is available to make a new permanent recruitment for the year and provide advice to the Public Service Commission prior to any appointments being made. It is crucial to check if budget exists to pay new employees, as by employing them the Parliament is making this promise as employer to its employees. If this is not adequately budgeted for and matched by virements, then the payroll overspends and unexpectedly uses up the operations funds.

It is of serious concern that the Parliament struggles to manage other payroll CoAs adequately. It is consistently under-budgeting for allowances and thereby, leading to overspending on the Provident Fund as well. Several issues are worth noting. Firstly, Leave appears as one of the largest areas of overspending in 2017. This may indicate shortage of staff at the Parliament with officers compensating for work done by leaves payout. This would need to be further investigated and if the reason is an HR shortage, and heavy work loads then adequate plans to manage leaves would have to be taken. Secondly, for all allowances the trend of spending against no budget has been going on since at least 2013 and corrective measures should be applied to the budget to reflect the reality of the situation. For example, while Gratuitie Allowances payments are often incurred due to unanticipated deaths of MPs, it can be observed that since 2014 every year at least one payment of between VT 2.6 million and VT 3.6 million was incurred. A contingency budget for this purpose within that magnitude should be set aside. Finally, while the budget of the Parliament may be restricted, management could be strengthened to explore alternatives for some allowances like time off in-lieu of payment for e.g. Overtime Wages.

Stronger management could also be applied to Leave Expenses. Current practice at the Parliament is that employees to not take their leave days and continuously accumulate further these. In early 2016, payments for large outstanding leaves accumulated over the past years were made to staff. As staff are not employed under the PSC the leave accrual rules of the PSSM do not apply to them and the Parliamentary Staff Manual does not impose leave accrual limits. There are several important considerations to be made here. If there is a shortage of staff taking leave would be much more difficult for existing staff and could lead to negative consequences for services delivery. If this is the case,

Parliament together with reasons outlined above should consider expanding HR capacity, where needed and appropriate. However, in any case, with adequate planning and management some staff could be going leave, even if only for shorter intervals (e.g. 5 days). If planned in advance, important work could be conducted prior to taking leave and adequate replacement could be sought for the time staff are on leave. Such emphasis on taking leave should be placed by employers and it directly and positively contributes to the welfare and productivity of staff. Vacations have been shown to increase staff productivity, motivation and retention, and provide significant health benefits.

### 3.4.3. Recommendations

- Parliament to allocate budgets to allowances based on previous years' expenditures and improve management of allowances (e.g. imposing time off in lieu of overtime worked)
- Parliament to strengthen leave management and planning to allow staff to take leave instead of accumulating it and thus provide for better productivity, health, and motivation of staff
- Parliament to consider revising the Parliamentary Staff Manual to include leave accrual limits to increase incentives to take leave, and help manage budgetary pressures
- Parliament to identify key HR needs and fill these to reduce Responsibility and Acting Allowances expenses, and allow staff to go on leave more easily instead of accumulating it
- Parliament to adequately budget for all permanent vacancies that it plans to fill in the following budget year, and ensure that unplanned recruitments are matched by virements from operation to payroll

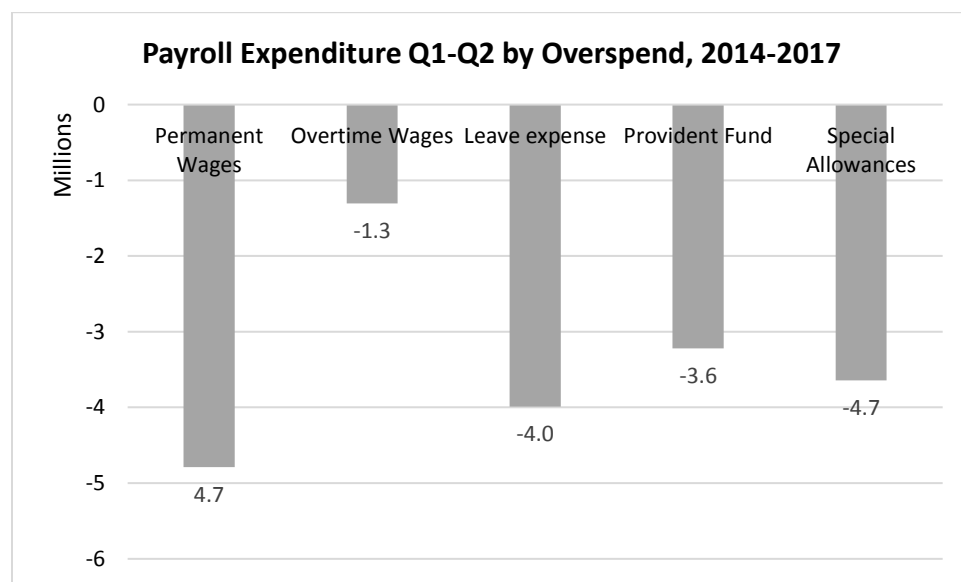
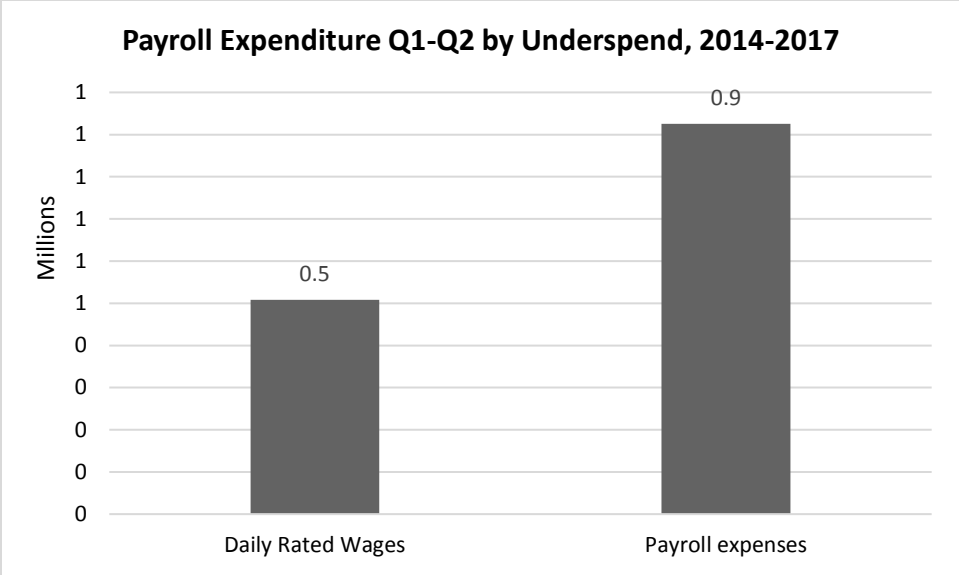


Figure 10 Major Payroll Overspend by CoA



**Figure 11** 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
Housing Allowances	7,888,258	7,018,752	8,206,572	6,548,587	5,210,596	5,997,033	7,022,491	6,345,389	111%
Permanent Wages	38,586,518	33,867,656	38,972,320	32,582,181	34,284,646	34,643,686	46,853,453	42,066,991	111%
Daily Rated Wages	0	265,570	0	468,681	173,262	261,252	0	507,827	0%
Payroll expenses	0	5,310,902	0	12,932,012	0	0	0	925,561	0%
Family Allowance	348,403	219,482	336,720	185,552	389,178	327,525	441,852	279,609	158%
Acting Allowances					84,385	0	961,847	0	0
Overtime Wages	2,018,396	0	269,884	0	110,867	0	1,304,383	0	0
Other Allowances	42,000	0	13,650	0	131,983	0	0	0	0
Home Island Passage Allowances	195,471	0	92,866	0	199,755	0	145,185	0	0
Leave expense	141,976	0	4,084,720	0	1,467,824	0	3,987,857	0	0
Responsibility Allowance					1,595,466	0	335,277	0	0
Provident Fund	5,064,590	1,350,106	4,820,810	1,332,849	4,036,052	1,409,283	4,933,343	1,714,157	288%
Gratuitie Allowances	2,651,720	0	3,595,831	0	3,302,136	0	193,315	0	0
Special Allowances			0	84,827			3,644,700	0	0
Total	56,937,332	48,032,468	60,393,373	54,134,689	50,986,150	42,638,779	69,823,703	51,839,534	135%

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 by VT 43.1 million against a budget of VT 274.5 million ([Figure 12](#)). Thus, only 119% of its budget was expended so far ([Figure 13](#)). This overpending is similar in previous years except in 2016 that operations are not overspent at this point in time. 2014 and 2015 overspent their budgets by VT 6.7 million and VT 38.9 million respectively. 2016 incurred VT 11.8 million of savings.

In a quarterly breakdown it can be seen that no savings were incurred its budget expended. Q2 overspent its budget by 8.3%.

In a monthly breakdown, it can be seen that for 2017 there was particularly low spending in April with only VT 36.9 million (66% of the budget) spent and in fact the lowest underspent in all years. Expenditure in May and June increased significantly with 120% and 175% expended respectively ([Figure 14](#)). In all previous years January underspent its budget, but this is the largest underspend by far. In turn, March expenses in 2016 are higher than those in any previous year. April saw similar underspending to previous years with 85% of its budget spent.

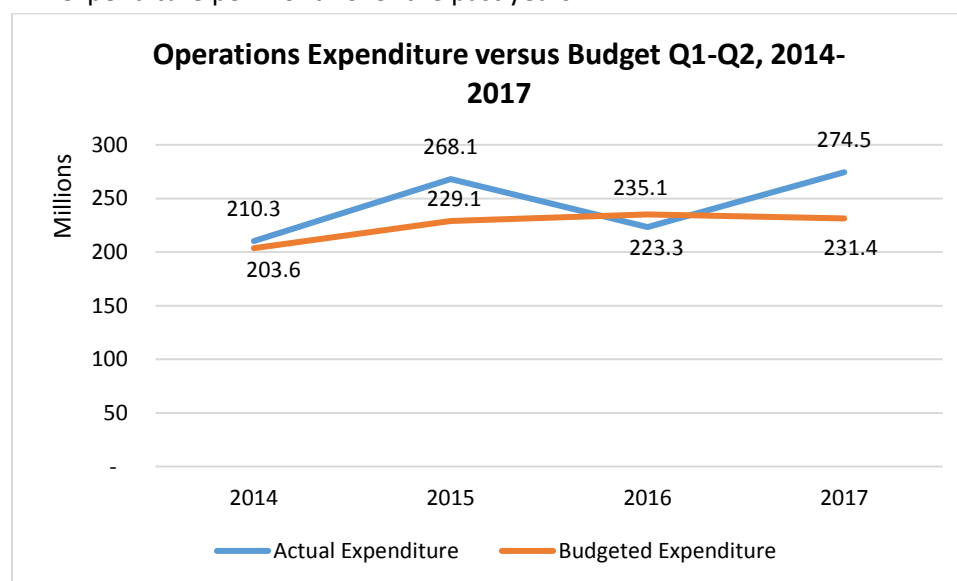
#### 3.5.2. Analysis

This year first two quarter saw the largest overspending compared to all previous years since 2014.

Given that in the previous three years operations expenditures came in under budget at the end of the year, it can be assumed that this is a rather a cash flow issue than a budget issue or that tighter expenditure controls at the end of the year restrict overspending on this account.

#### 3.5.3. Recommendations

- Adjust monthly cash flow requirements for operational expenditures based on the average actual expenditure per month over the past years



[Figure 12](#) Total Operations Expenditures versus Budget

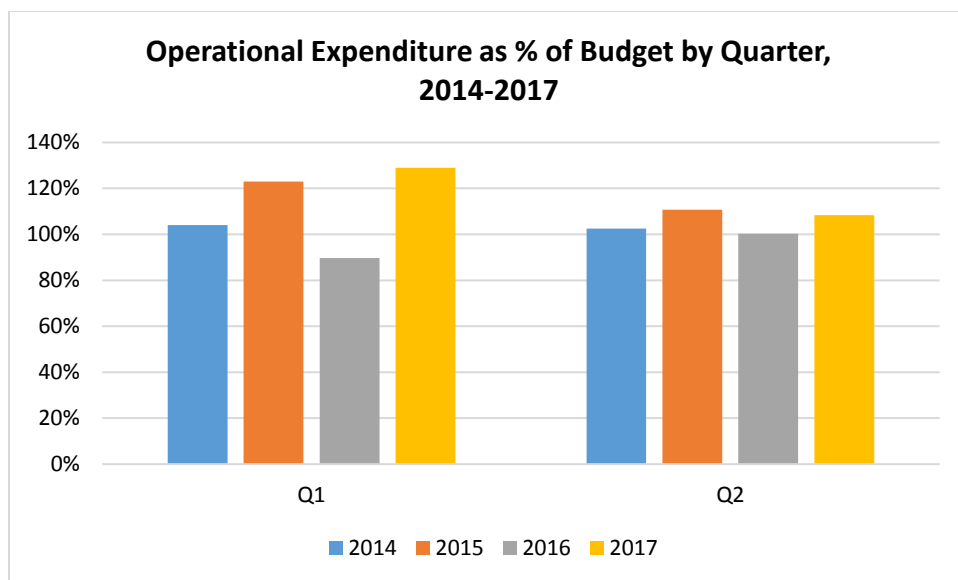


Figure 13 Total Operations Expenditures as % of Budget by Quarter

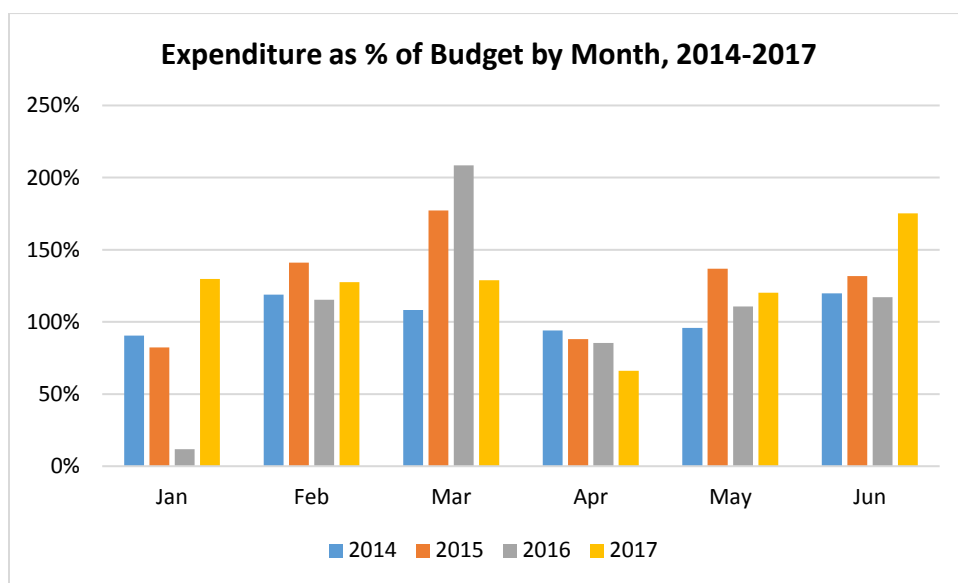


Figure 14 Total Operations Expenditures as % of Budget by Month

### 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 15](#), [Figure 16](#) and [Table 1](#)).

##### (1). MP Allocation Allowances Overspending

MP Allocations by the end of Q2 overspent their budget by VT 34.5 million. This has been a trend over the years since 2014 but this quarter saw the largest overspent in all previous years.

**(2). International medical treatment**

This CoA spent VT 8.5 million against no budget. Similar since to 2014, Parliament failed to budget for such court medical treatment.

**(3). Vehicles Additional Vehicle**

VT 2.8 million was expended against no budget and this has been the trend since 2016.

**(4). Unbudgeted Spending**

Total unbudgeted spending at the end of Q2 in 2017 stands at VT 12.1 million. Major unbudgeted items are International medical treatment and Vehicle – Additional Vehicle mentioned above followed by Equipment – photocopiers.

**(5). Underspending**

A number of CoAs incurred underspending. Majorly so did Subsistence Allowances followed by international organisational fee and sitting allowances. Commendably, water utilities with an annual budget of VT2.2 million for 2017 is underspent by VT 0.8 million its budget for this time period of VT 1.1 million. Notably also, Electricity Utilities are underspent by VT 1.21 million. This is expected due to the installation of solar panels that directly provide electricity to the Parliament since late 2015.

**3.6.2. Analysis**

2017 quarter two overspending on most CoAs outlined above occurs on a regular basis – year by year. As by the end of the year the operations expenditures came in under budget for the last three years, it appears that reprioritization of expenditures and adjustment of cash flow are necessary steps to be taken to aid budget execution.

**3.6.3. Recommendation**

- 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

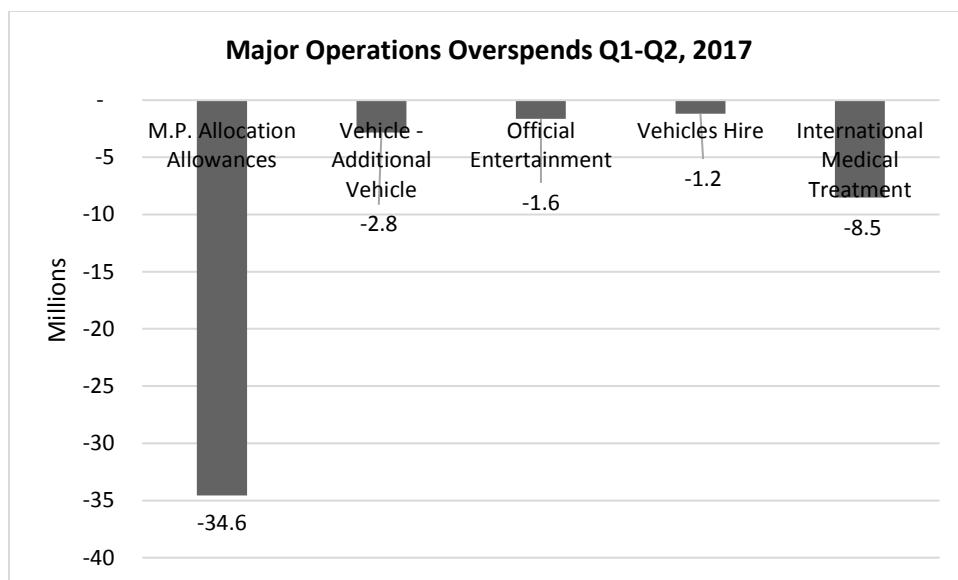


Figure 15 Major Operations Overspend by CoA

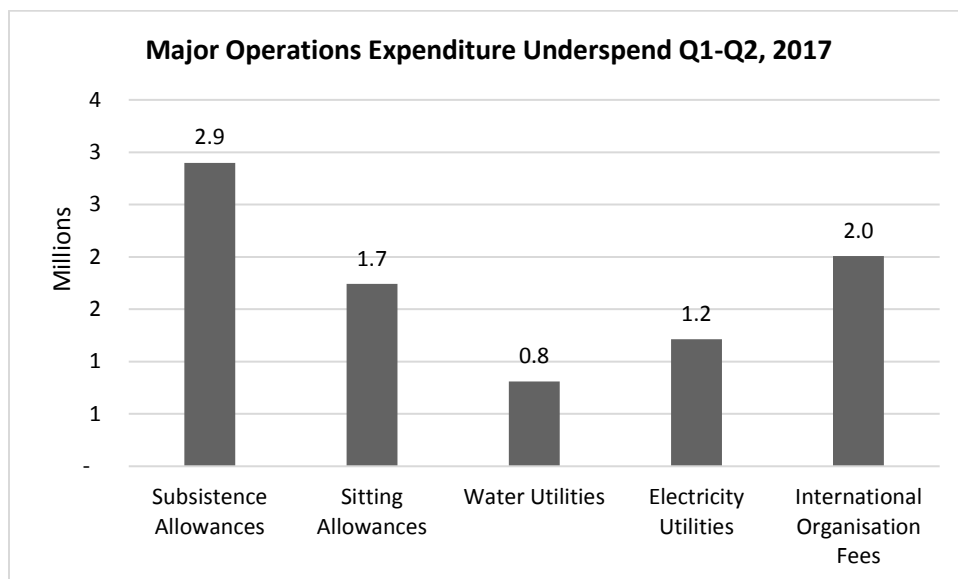


Figure 16 Major Operations Underspend by CoA

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. Representation Allowances	112,582,808	120,795,618	112,974,576	120,795,618	103,199,059	119,999,520	120,382,756	119,999,520	100%
M.P. Allocation Allowances	40,817,802	26,000,000	84,509,022	26,000,000	59,281,909	52,000,000	86,552,421	52,000,000	166%
M.P. Touring Allowances	20,354,943	21,839,910	20,425,756	21,839,910	17,414,901	21,499,914	21,765,172	21,499,914	101%
Court Costs			1,750,000	0	4,782,750	0	-	-	-
Incidentals	3,718,292	13,220,658	6,662,141	11,097,354	4,566,436	7,970,694	5,779,063	5,229,858	111%
Value Added Tax	2,718,038	1,770,858	2,986,868	1,882,728	4,555,163	2,122,494	2,731,061	2,038,008	134%
Local Travel	2,958,013	2,162,292	1,783,946	2,410,236	4,427,965	3,123,024	2,406,712	2,574,972	93%
Subsistence Allowances	8,866,500	4,358,796	14,052,048	7,804,032	4,270,000	9,474,960	6,927,289	9,824,964	71%
Vehicles Repairs & Maintenance	1,410,213	1,289,256	1,433,227	1,329,126	3,848,545	1,115,004	945,568	1,050,000	90%
Vehicle - Additional Vehicle					3,697,777	0	2,844,445	-	-
Buildings Repairs & Maintenance	162,741	1,009,284	2,811,684	1,040,496	2,809,534	1,040,496	925,104	1,749,996	53%
Official Entertainment	915,612	533,496	906,969	549,996	1,987,639	549,996	2,387,560	747,210	320%
Stationery - Communications	881,066	901,812	1,145,394	1,004,700	1,951,697	1,096,212	1,057,445	1,511,532	70%
Office Cleaning	214,566	723,690	287,234	746,070	1,641,739	746,070	258,416	709,998	36%
Equipment Repairs & Maintenance	672,209	1,321,626	1,106,311	1,439,412	1,573,332	1,415,496	1,951,392	943,986	207%
Sitting Allowances	2,752,000	3,647,982	2,046,000	3,897,978	1,342,000	3,623,004	1,882,000	3,623,004	52%
Telephone / Fax - Communications	1,572,747	244,386	1,192,958	258,090	1,182,174	309,600	1,379,247	298,992	461%
Vehicles Fuel	1,071,859	523,884	849,459	601,086	933,564	579,000	827,550	819,498	101%
Vehicle - Replacement					924,444	0			
Vehicles Hire	479,644	0	744,773	127,116	808,797	127,116	1,312,278	124,998	1050%
Consultants Fees	0	291,000	0	300,000	792,937	300,000	814,666	424,998	192%
Equipment - Additional General	72,001	0			724,532	0			

Uniforms	349,593	0			586,444	0	21,600	-	-
International Accommodation	675,000	484,998	955,000	499,998	500,000	499,998	475,000	499,998	95%
Furniture - Housing Furniture					238,063	0	125,956	-	-
International Travel	1,595,155	848,748	1,895,556	874,998	233,547	874,998	1,008,284	874,998	115%
International Medical Treatment							8,505,000	-	-
Local Medical Treatment	14,250	0			193,189	49,998	111,533	147,654	76%
Water Utilities	312,543	1,485,546	1,021,912	1,531,488	156,401	1,031,496	290,815	1,099,998	26%
Office - Materials					124,262	0			
Gas - Cooking Utilities					110,133	0			
Furniture - Office Furniture			100,107	0	89,778	0			
Local Accommodation	50,000	97,002	180,000	100,002	78,778	100,002	-	100,002	0%
Advertising - Communications	1,743,420	0	1,333,333	0	65,690	0			
Electricity Utilities	3,141,869	3,059,400	4,278,585	3,154,020	49,881	3,154,020	37,280	1,249,998	3%
Equipment - Replacement General					41,778	0			
Equipment Hire	68,660	0			25,000	0			
Local Courses					9,600	0			
Postage - Communications	0	194,016	0	220,002	6,000	185,004	10,444	133,512	8%
Mail Carriage Freight	0	48,504			6,000	0			
Refunds	12,000	0	0	124,998	0	124,998			
International Organisation Fees	0	2,081,994	0	2,007,216	0	2,007,216	-	2,007,216	0%
Equipment - Computer					-5,943,782	0	188,436	100,002	188%
Equipment - Photocopiers							577,778	-	-
Other Fees			114,444	0					
Facilities Hire			115,500	0					
Termination Payment			387,329	0					
General - Materials	4,707	0							
Other Rental	106,667	0							

M. P. Gratuity Allowances									
Transport - Freight									
Printing - Communications									
Bank Charges							8,000	-	-
Other Suppliers									
Other									
Overhead expenses	0	-5,310,902	0	17,501,317	0	0			
<b>Total</b>	<b>210,294,918</b>	<b>203,623,854</b>	<b>268,050,132</b>	<b>229,137,987</b>	<b>223,287,656</b>	<b>235,120,330</b>	<b>274,490,271</b>	<b>231,384,826</b>	<b>119%</b>

Table 3 Total Operations Expenditures by CoA



## 4. Revenue Management and Planning

### 4.1. Situation Report

At the end of Q2 2017, total revenues came in significantly over budget with VT 0.9 million collected versus VT 0.75 million budgeted ([Figure 17](#)). This means that 120% of planned revenues were collected ([Figure 18](#)). This is the second year, where a budget was allocated for revenues under the Parliament. Revenues are in line with previous collections for this time period.

Q1 and Q2 collected the same amount of revenues of VT 375,000 in each period.

In a monthly breakdown, January, April and June collections were particularly strong and consistent in value in 2016 with 240% each of its budget collected ([Figure 20](#)). Revenue collections at the Parliament appear not to have any particular trend over the years though ([Figure 19](#)).

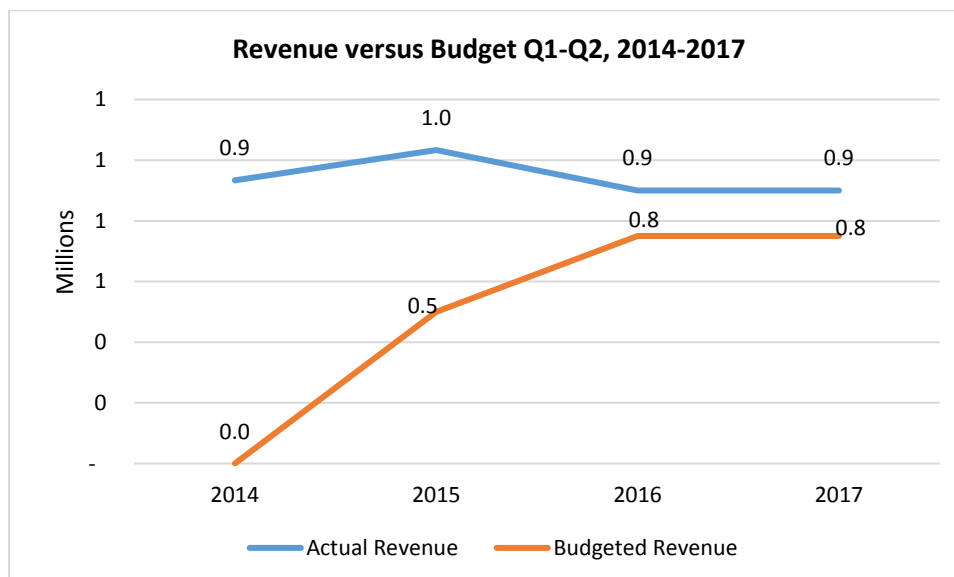
The only sources of revenues at the Parliament is Other Recoveries and rent and leases recoveries.

### 4.2. Analysis

It is interesting to note that the Parliament is collecting revenues in the first place. Revenues appear to perform well and constant over the past years. It is commendable that for 2017 a budget has been assigned for the third time to revenue collections under the Parliament.

### 4.3. Recommendations

- Parliament to clarify why and how revenues are collected in the first place
- Improvements to revenue forecasts for the coming budget are necessary based on previous years' performance and expected outturns
- Cash flow can be adjusted in a quarterly and monthly perspective



[Figure 17](#) Revenue versus Budget

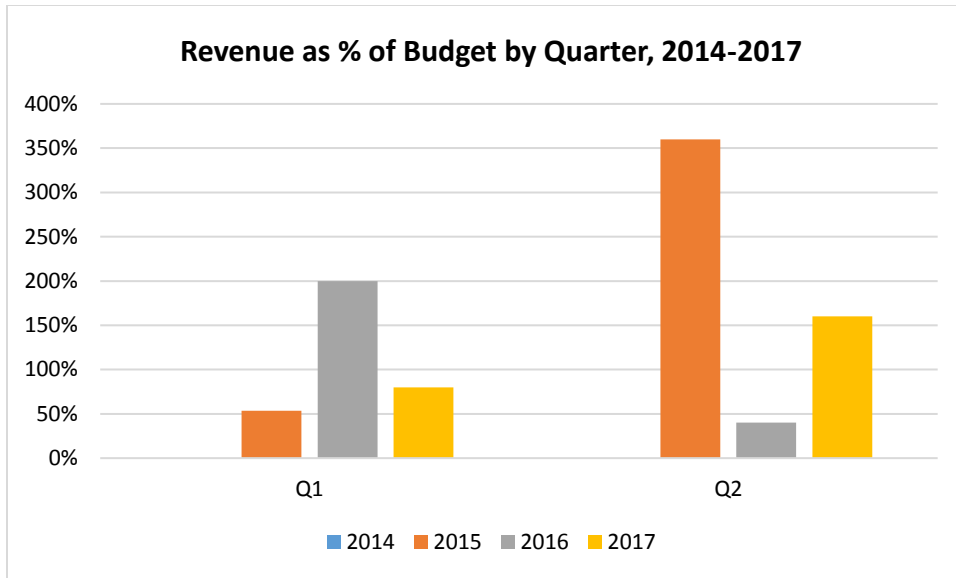


Figure 18 Revenue as % Budget by Quarter

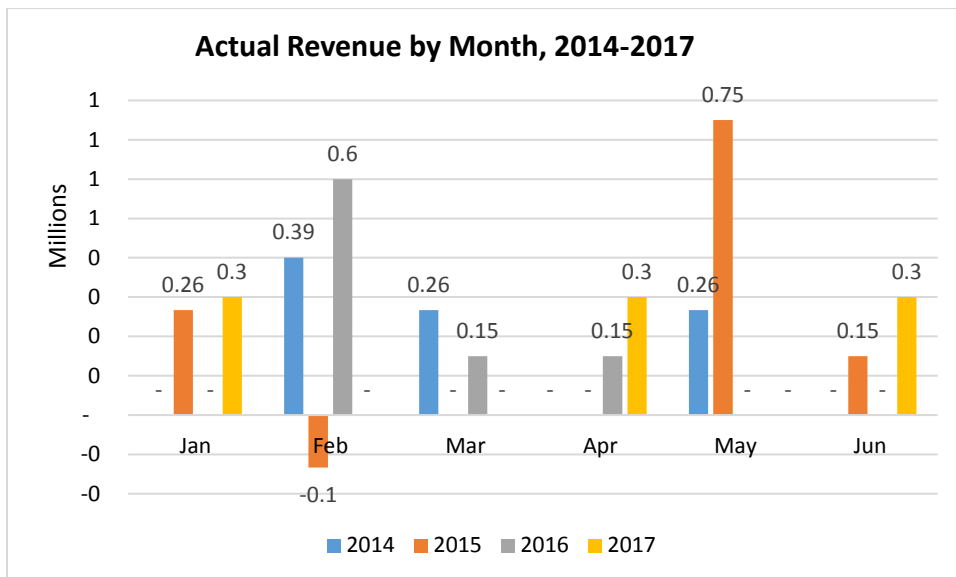


Figure 19 Actual Revenue by Month

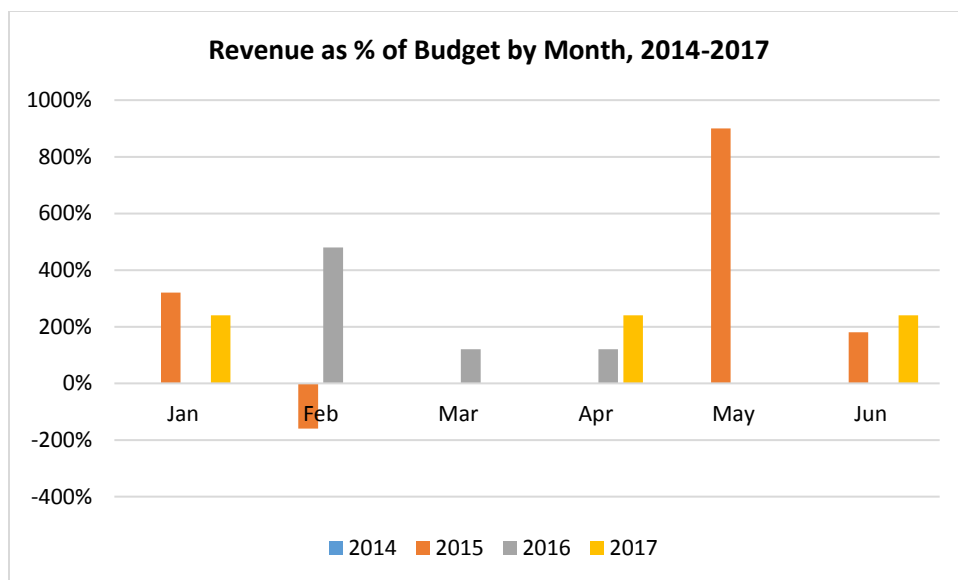


Figure 20 Revenue as % Budget by Month

## 5. Virements

### 5.1. Situation Report

Generally, the Parliament does not undertake many or large virements. Advance releases are a more widespread practice under the Parliament, as it regularly keeps expending more funds than budgeted for in any given time period. In the first two quarters of 2017, the Parliament undertook no virements. Comparatively, 2013, 2014 and 2015 saw 1, 2 and 3 virements respectively during the same time period of VT 3.4 million, VT 5.3 million and VT 8.5 million respectively ([Figure 21](#)).<sup>3</sup>

Virements to date in the first two quarters have only ever occurred from operations to payroll ([Figure 23](#)). Given the allocation of the budget between operations and payroll that is severely skewed towards the former, it is not surprising that virements are necessary to support spending on payroll.

### 5.2. Analysis

Virements do not appear to be a large issue at the Parliament. Most striking is to note that if adjustments are made to fully budget for all posts and allocate a budget for allowances under the Parliament, there will be no further need for most of these virements.

### 5.3. Recommendation

- Adjust payroll budget to cater for all permanent posts and allocate funds to allowances to abolish the need for virements from operations to payroll

<sup>3</sup> Dates used to classify virements are based on the date that the virements was released by Budget Section, DOFT.

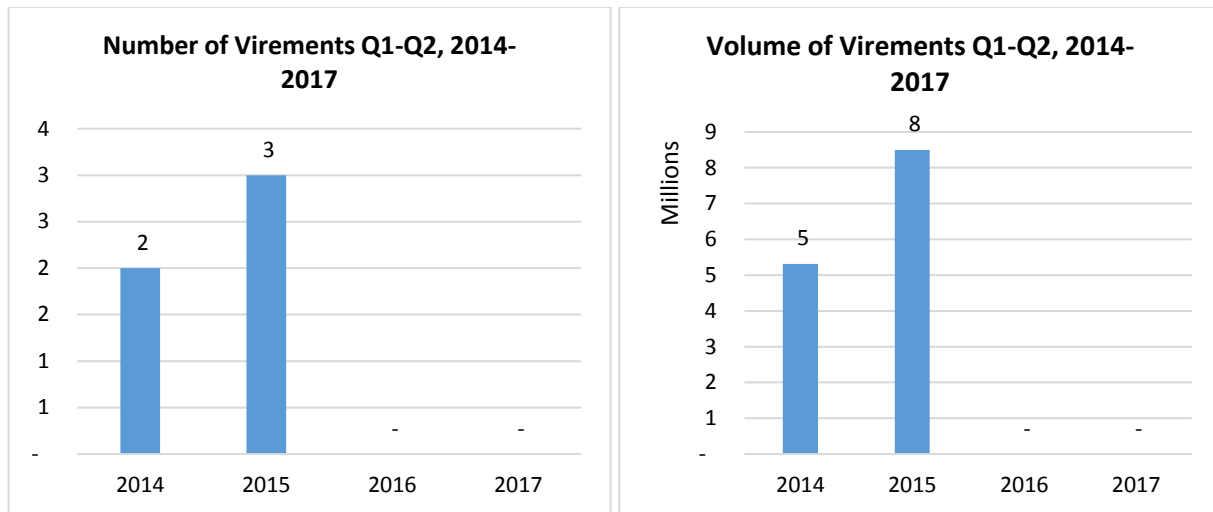


Figure 21 Total Number and Volume of Virements

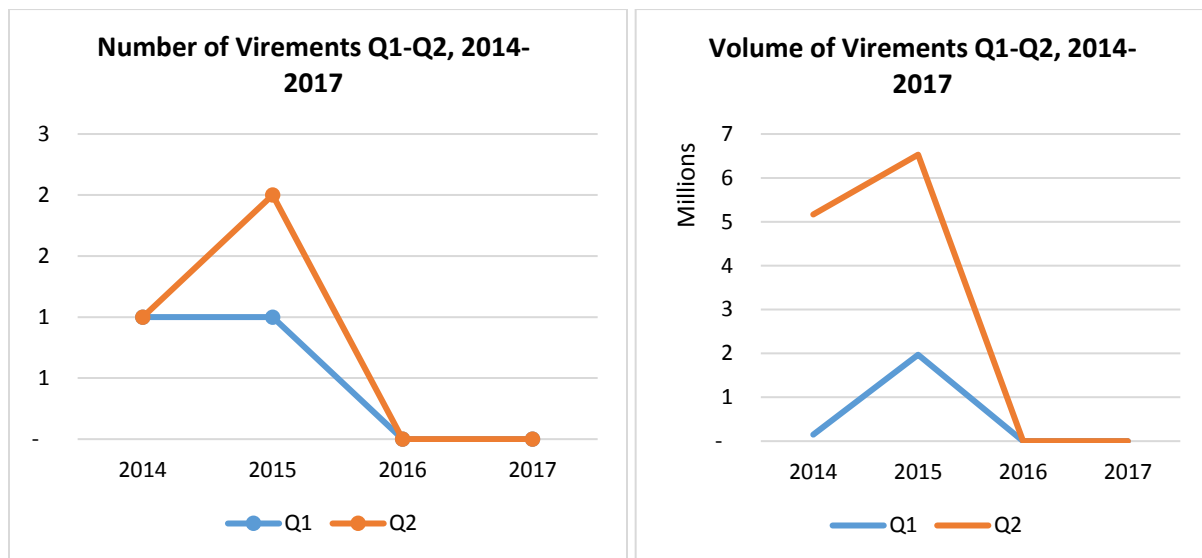
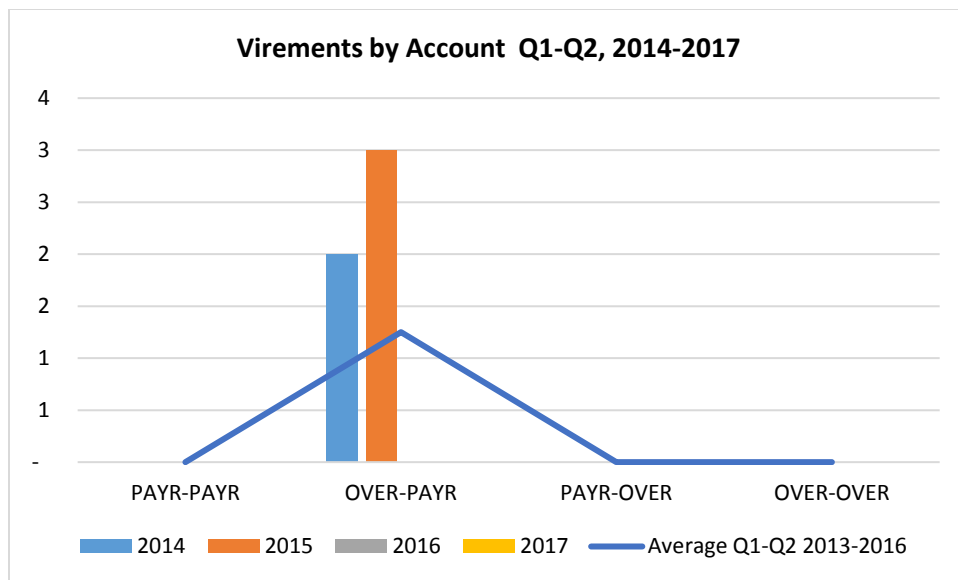


Figure 22 Total Number and Volume of Virements by Quarter



**Figure 23** Total Number of Virements across Categories