

# MALVATUMAURI NATIONAL COUNCIL OF CHIEFS

## INTRODUCTION AND KEY FINDINGS

The Malvatumauri National Council of Chiefs (MNCC) is a constitutional body set up under Chapter 5 of the Constitution. The Malvatumauri Council of Chief consists of 3 Custom Chiefs elected by their island Council of Chiefs. The 31 members of the Council represent the 20 island Councils and the 2 Urban Councils.

The Office of the Malvatumauri Council of Chiefs is located in Port Vila in the Chiefs area called "Chiefs Nakamal". The Chiefs Executive Officer (CEO) is responsible for managing the Malvatumauri Council of Chiefs.

The Malvatumauri Council of Chiefs works with people and the Government of Vanuatu to promote developments that can help to sustain the tradition and cultural values in the Republic. Recently, with the new land reform development plan, chiefs play a major role in the implementation of custom land issues throughout the country.

To ensure that Vanuatu's unique customs, culture, languages and custom Land are preserved, the Malvatumauri Council of Chiefs needs to be better organized to carry out its constitutional functions in the face of mounting challenges pose by foreign system.

It is becoming increasingly clear that in modern Vanuatu life, these values that uphold respect for custom, culture and languages and custom land are very important since they provide strong social connections and relationship including custom land dispute resolution which provides the social security and well-being.

## SUMARRY OF KEY FINDINGS

Area	Finding
<b>Budget Management and Planning</b>	Analysis shows that MNCC had an allocated 2017 annual budget of VT 53,791,321. The MNCC had already spent 58.1 percent of the annual budget and with that current rate of spending it is most likely that it will overspent its budget at the end of the year.
<b>Activity and Cost Centre Management and Planning</b>	All cost centers had overspent its half year budget up to 100.9 percent. MNCC has an NPP budget of over 24 million and was requesting it from time to time to be advanced from December and then expended in the first half of the year thus causing the overspent.
<b>Payroll Budget Management and Planning</b>	The half year budget for payroll for 2017 was VT12,183,808 and the total expenditure was VT 10,833,295. MNCC had underspent on its payroll budget by 11.1 percent or VT 1.4 million in the first half of the year.
<b>Operation Budget Management and Planning</b>	The operation budget for the first half of the year for 2017 was VT 1,518,354 and the total expenditure was VT 20,423,220. The MNCC had overspent on its operation budget by 1,245.1 percent or VT 17.6 million in the first half of the year. The NPP funds were stored in period 12 and then advanced to the first half of the year to be expended thus causing the huge overspent.

<b>Detailed Charts of Accounts In Payroll Expenditure Management and Planning</b>	<p>Total expenses of unbudgeted items for the first half of 2017 was VT 1.8 million. This is about VT 1.6 million more than the first half of 2016. Major expense was from contract wages VT 1.5 million</p> <p>Contract wages and acting allowances have no allocated budget for the first half of the year. MNCC needs to allocate enough funds to minimise spending on the unbudgeted chart of accounts.</p>
<b>Detailed Chart of Accounts in Operation Expenditure Management and Planning</b>	<p>Total expenses of unbudgeted items for the first half of 2017 was VT 19.4 million. This is a about 14.8 million more than 2016 in the same period. Major expenses are from operating grant which was 4.3 million, subsistence allowances VT 3.6 million, local travel VT 3.3 million, incidentals VT 3.3 million, sitting allowances VT 1.6million, court costs VT 700,000, official entertainment VT 671,139 and local accomodation VT 440,000.</p> <p>One contributing factor for that high unbudgeted expenses is that the NPP funds are stored in period 12 ( December) and have to be advanced to be expended thus causing the overspent of chart of accounts.</p>
<b>Current Revenue Planning and Management</b>	The MNCC collected no revenue in first half of 2017 and this is the same for the last three years in the same period.
<b>Outstanding Revenues</b>	MNCC had no outstanding revenue.
<b>Asset Management</b>	The MNCC does not check their assets status before prepraring budgets therefore chart of account for additional equipment, specialised equipment and office furniture were overspent by over VT 270,204.
<b>Virements</b>	There was no virement processed in the first half of 2017 and 2016.
<b>Imprest Management</b>	At the end of the first six months of 2017, MNCC had a total of VT 930,000 outstanding imprest to reitre.

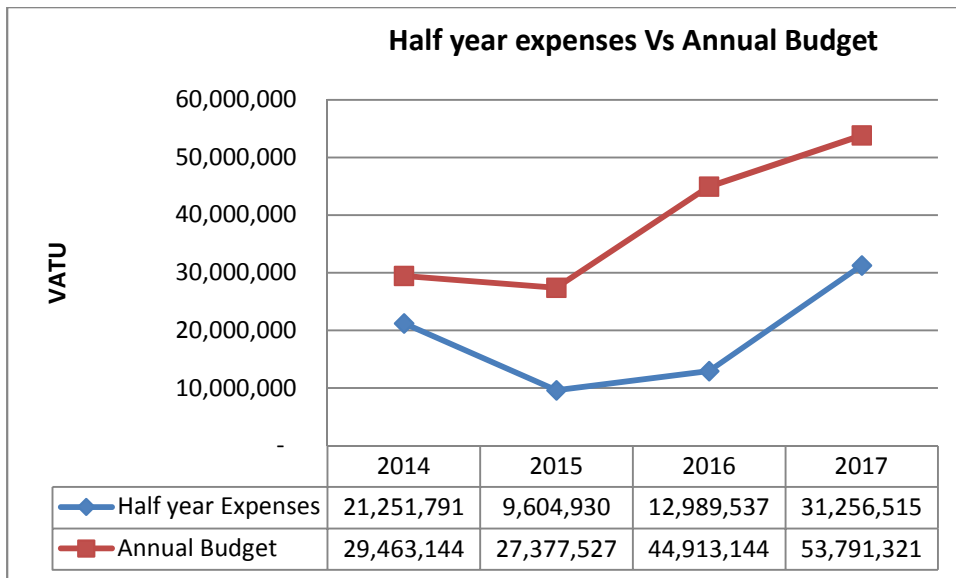
## FINANCIAL MANAGEMENT ASSESSMENT

### 1. BUDGET PERFORMANCE

#### 1.1 Overall Budget Management and Planning

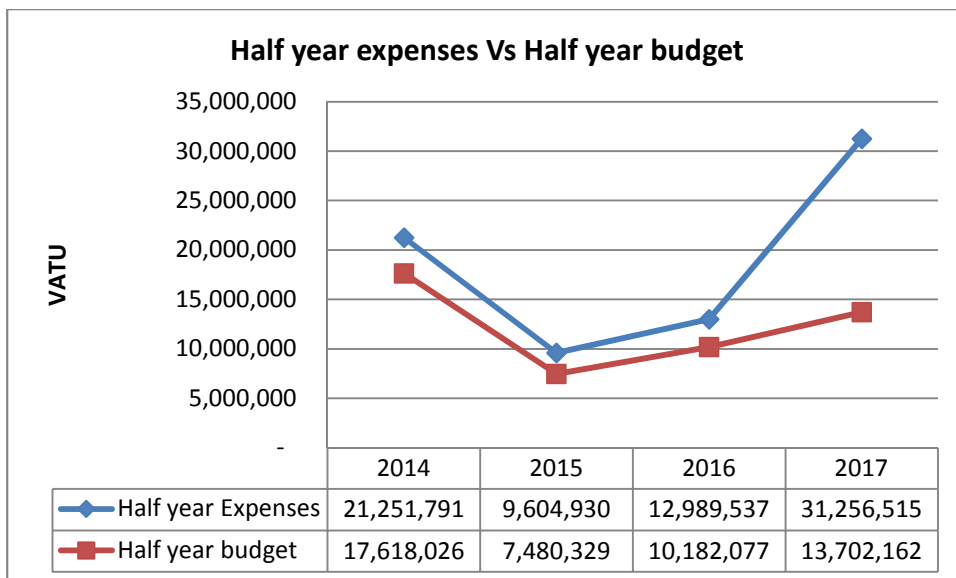
Analysis shows that MNCC had an allocated 2017 annual budget of VT 53,791,321. The MNCC had already spent 58.1 percent of the annual budget and with that current rate of spending it is most likely that it will overspent its budget at the end of the year.

Figure 1: Expenditure Vs Budget



The above graph shows the half yearly expenditures against the annual budget for 2017 and the past three years in the same period. In 2016, the MNCC had spent 28.96 percent in 2016, 35 percent in 2015 and 72.1 percent in 2014.

**Figure 2: Half yearly Expenses Vs Half yearly Budget**



The graph above shows the half yearly expenditure against half yearly budget allocations and for the first half of 2017 and the past three years.

The MNCC had spent 228.1 percent of its half year budget in the first half of the year compared to 127.6 percent in 2016 and 128.4 percent in 2015 and 120.6 percent in 2014.

## 1.2 Activity and Cost center management and planing

The Office Administration Section ( Cost center 04A1) half year budget was overspent by 100.9. percent of its half year budget or by VT 4.8 million. The Section had already spent 49.9 percent of its annual budget and with that current rate of spending, it is most likely that the Section will spend within its budget by the end of the year.

The Island Council Section (Cost center 04A2) budget had already spent 99.8 percent of its annual budget and with that current rate of spending, it is most likely that it will run out of funds before the end of the year.

The Malvatumauri Member's allowance cost center 440 half year budget was overspent by 13.4 percent or VT 780,364. The cost center had already spent 43.3 percent of its annual budget and with that current rate of spending, it is most likely that there will be some left over funds by the end of the year.

**Table1: Cost centers budget and expenditures**

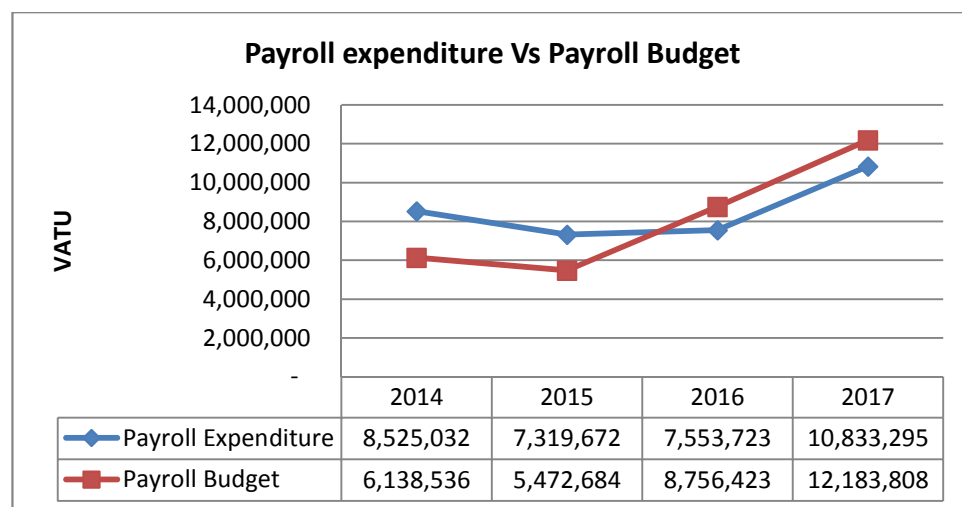
Account	Description	Actual	Commitment	Total	Budget	Under/(Over)
04A1	Office Administration					
	Personnel Expenses	5,808,945	1,514	5,810,459	6,380,608	570,149
	Operating Expenses	7,257,710	2,803,470	10,061,180	1,518,354	(8,542,826)
04A1	Office Administration	13,066,655	2,804,984	15,871,639	7,898,962	(7,972,677)
04A2	Island Councils					
	Operating Expenses	10,169,445	192,595	10,362,040	-	(10,362,040)
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04A3	Malvatumauri Members Allowance					
	Personnel Expenses	5,022,836	-	5,022,836	5,803,200	780,364
04A3	Malvatumauri Members Allowance	5,022,836	-	5,022,836	5,803,200	780,364
	<b>Total Expenditure</b>	<b>28,258,936</b>	<b>2,997,579</b>	<b>31,256,515</b>	<b>13,702,162</b>	<b>(17,554,353)</b>

Source: Department of Finance & Treasury

### 1.3. Payroll Budget Management and Planning

The half year budget for payroll for 2017 was VT12,183,808 and the total expenditure was VT 10,833,295. MNCC had underspent on its payroll budget by 11.1 percent or VT 1.4 million in the first half of the year.

**Figure 4: Payroll Expenditure Vs Payroll Budget**



The above graph shows payroll expenditure versus payroll budget for the first half of 2017 and the same period in the past three years.

### 1.4 Detailed Chart of account in Payroll Expenditures Management and Planning.

The table below shows the payroll expenses by chart of accounts from 2014 to 2017 in the first half of the year. The highlighted orange are expenses against no allocated budget, the highlighted green are overspend chart of accounts.

Table 2: Payroll Chart of accounts 2014-2017

Account	Description	2014 Expenditure	2014 Budget	2015 Expenditure	2015 Budget	2016 Expenditure	2016 Budget	2017 Expenditure	2017 Budget	Payroll Expenditure as % of Payroll budget
	<b>Personnel Expenses</b>									
8AAA	Acting Allowances							259,644	-	
8AAF	Family Allowance	67,896	61,500	67,344	61,500	66,792	111,265	71,760	95,999	75%
8AAH	Housing Allowances	254,610	230,644	252,540	230,644	264,270	333,791	358,800	360,002	100%
8AAO	Other Allowances	5,151,167	-	4,768,935	-	4,842,069	5,173,774	5,345,733	5,580,002	96%
8ASP	Provident Fund	119,975	188,768	88,392	201,621	94,015	323,947	241,962	390,756	62%
8AWC	Contract Wages	113,592	-			247,570	-	1,513,658	-	
8AWD	Daily Rated Wages	-	2,945,129	-	3,249,800					
8AWP	Permanent Wages	2,817,792	1,712,495	2,142,461	1,729,119	2,039,007	2,813,646	3,041,738	5,757,049	53%
PAYR	Payroll expenses	-	1,000,000	-	-	-	-	-	-	
	<b>Personnel Expenses</b>	<b>8,525,032</b>	<b>6,138,536</b>	<b>7,319,672</b>	<b>5,472,684</b>	<b>7,553,723</b>	<b>8,756,423</b>	<b>10,833,295</b>	<b>12,183,808</b>	<b>89%</b>

Source: Department of Finance & Treasury

### Unbudgeted Items

Total expenses of unbudgeted items for the first half of 2017 was VT 1.8 million. This is about VT 1.6 million more than the first half of 2016. Major expense was from contract wages VT 1.5 million

### Improvement on chart of accounts management

Contract wages and acting allowances have no allocated budget for the first half of the year. MNCC needs to allocate enough funds to minimise spending on the unbudgeted chart of accounts.

Figure 5: Payroll 2017 first half of the year overspent chart of accounts

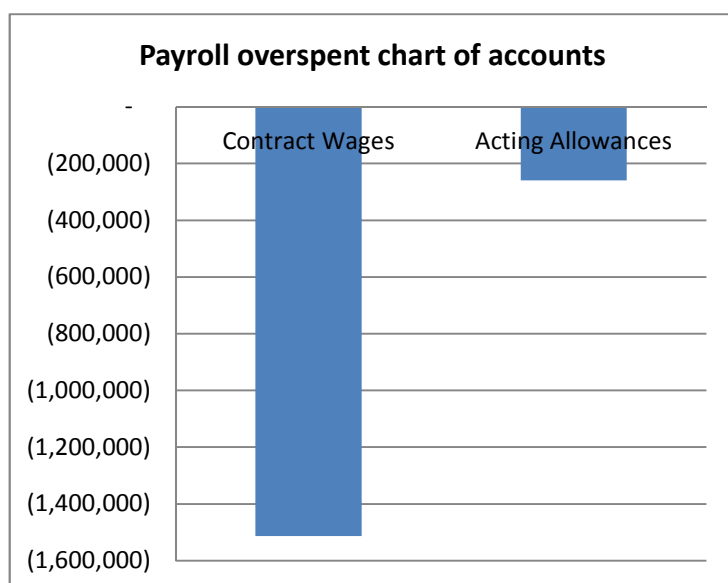
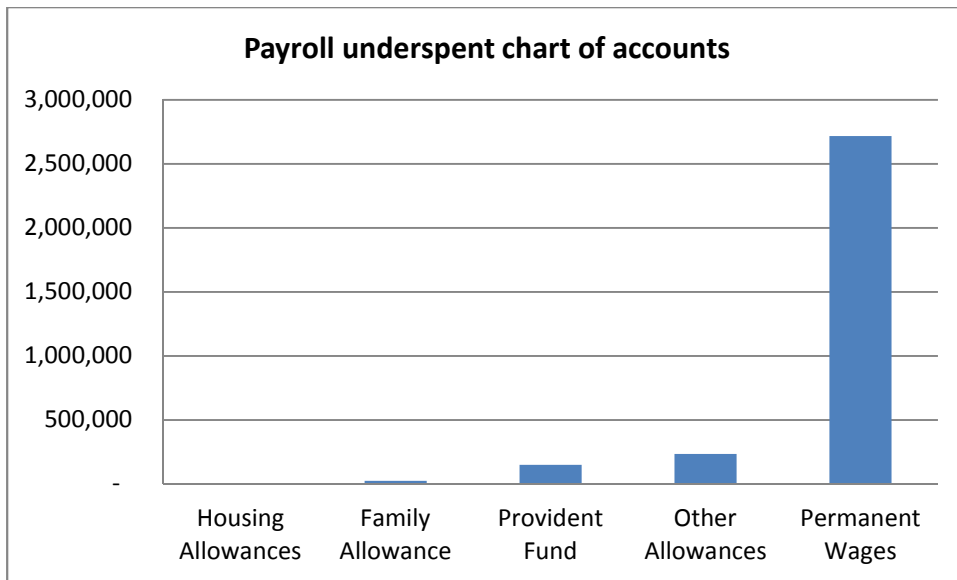


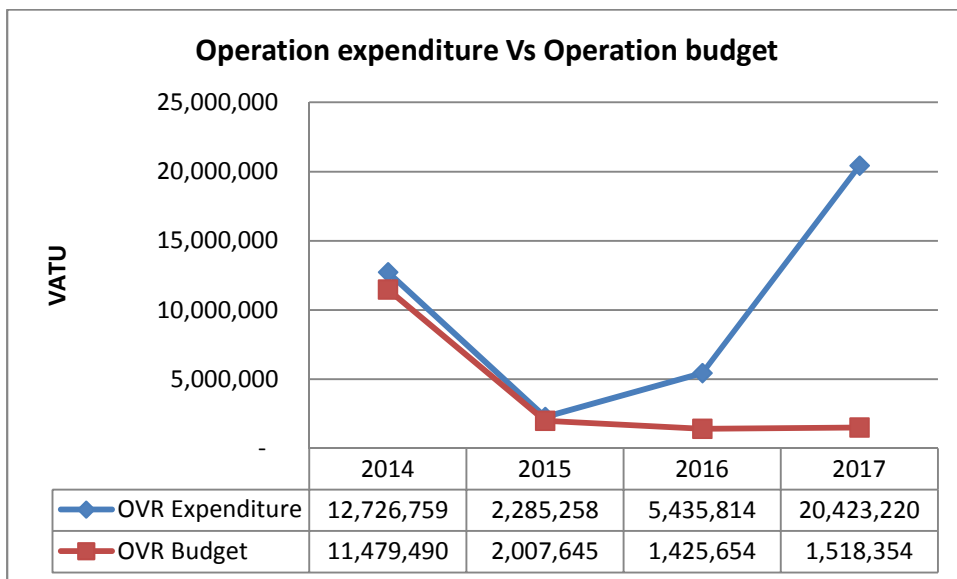
Figure 6: Payroll 2017 first half of the year underspent chart of accounts



### 1.5. Operation Budget Management and Planning

The operation budget for the first half of the year for 2017 was VT 1,518,354 and the total expenditure was VT 20,423,220. The MNCC had overspent on its operation budget by 1,245.1 percent or VT 17.6 million in the first half of the year. The NPP funds were stored in period 12 and then advanced to the first half of the year to be expended thus causing the huge overspent.

**Figure 4: Operation Expenditure Vs Operation Budget**



The above graph shows operation expenditure versus operation budget for the first half of 2017 and for the same period in the past three years.

## 1.6 Detailed Chart of Accounts in Operation Expenditure Management and Planing.

Below is the table detailing the expenses and budget for all chart of accounts in the operation from 2014 to 2017. The highlighted orange are expenses against no allocated budget, the highlighted green are overspend chart of accounts.

Table 3: Operation Chart of accounts 2014-2017

Account	Description	2014 Expenditure	2014 Budget	2015 Expenditure	2015 Budget	2016 Expenditure	2016 Budget	2017 Expenditure	2017 Budget	OVR Expenditure as % of OVR budget
	<b>Operating Expenses</b>									
8CAB	Subsistence Allowances	1,160,000	478,754	60,000	-	75,000	-	3,705,000	150,000	2470.0%
8CAS	Sitting Allowances	775,000	1,020,800					1,550,000	-	
8CBL	Local Accommodation							440,000	-	
8CCL	Local Courses	-	46,560							
8CEC	Consultants Fees	-	242,500							
8CFV	Vehicles Fuel	217,502	291,000	168,891	259,996	213,336	109,998	270,000	100,002	270.0%
8CIE	Equipment Hire					76,444	-	8,000	25,002	32.0%
8CIF	Facilities Hire	-	97,000			187,556	-	151,666	49,998	303.3%
8CIV	Vehicles Hire			88,889	-	-	-	244,876	50,000	489.8%
8CJO	Office Cleaning	36,171	69,840	-	69,840	23,950	45,000	106,492	49,998	213.0%
8CKD	Advertising - Communications	-	46,560			4,267	50,000	153,000	30,000	510.0%
8CKP	Postage - Communications	6,000	24,252	6,000	-	-	46,560	-	41,700	0.0%
8CKR	Printing - Communications			31,111	-			31,222	-	
8CKS	Stationery - Communications	115,143	186,240	62,187	186,240	53,780	86,238	42,712	40,002	106.8%
8CKT	Telephone / Fax - Communications	13,801	145,500	8,889	154,080	-	60,498	20,000	44,502	44.9%
8CMG	General - Materials	-	242,500							
8CMO	Office - Materials	173,491	97,000	8,542	93,120	13,813	50,000	30,400	-	
8CNO	Office Rental							-	-	
8COC	Court Costs	408,515	-					700,000	-	
8COI	Incidentals	1,782,000	924,972	520,000	887,976	120,000	-	3,407,020	150,000	2271.3%
8COP	Official Entertainment	44,445	93,120			256,577	-	728,445	57,306	1271.1%
8CRB	Buildings Repairs & Maintenance	792,752	93,120	517,069	93,120	690,886	50,000	22,222	36,420	61.0%
8CRE	Equipment Repairs & Maintenance	3,822	93,120	22,302	93,120	6,342	49,998	15,165	45,000	33.7%
8CRV	Vehicles Repairs & Maintenance	32,805	130,510	115,818	130,510	31,159	80,094	43,244	45,000	96.1%
8CSF	Food - Suppliers	-	93,120	13,333	-	84,800	-	282,582	-	
8CSO	Other Suppliers	12,444	93,120	39,884	93,120	12,889	49,998	-	35,000	0.0%
8CTI	International Travel	-	242,500			-	76,000	-	50,000	0.0%
8CTL	Local Travel	760,435	242,500	85,494	-	126,568	203,000	3,431,122	118,428	2897.2%

8CUE	Electricity Utilities	211,272	223,488	130,832	214,548	101,603	180,000	-	49,998	0.0%
8CUW	Water Utilities	37,594	93,120	-	86,880	44,760	90,498	-	150,000	0.0%
8CZV	Value Added Tax	403,470	778,398	161,154	540,564	263,035	128,898	482,928	150,000	322.0%
8DGO	Operating Grant	5,386,920	5,387,000	244,863	-	2,693,493	-	4,286,920	-	
8EBR	Buildings - Renovation	40,555	93,120	-	1,190,148	-	68,874	-	49,998	0.0%
8EEA	Equipment - Additional General					-	-	50,151	-	
8EEP	Equipment - Photocopiers	312,622	325,920							
8EER	Equipment - Replacement General	-	204,864							
8EES	Equipment - Specialised							169,067	-	
8EFO	Furniture - Office Furniture	-	378,992					50,986	-	
8EVR	Vehicle - Replacement					355,556	-			
OVER	Overhead expenses	-	(1,000,000)	-	(2,085,617)	-	-	-	-	
	<b>Operating Expenses</b>	<b>12,726,759</b>	<b>11,479,490</b>	<b>2,285,258</b>	<b>2,007,645</b>	<b>5,435,814</b>	<b>1,425,654</b>	<b>20,423,220</b>	<b>1,518,354</b>	<b>1345.1%</b>

Source: Department of Finance & Treasury

### Unbudgeted Items

Total expenses of unbudgeted items for the first half of 2017 was VT 19.4 million. This is a about 14.8 million more than 2016 in the same period. Major expenses are from operating grant which was 4.3 million, subsistence allowances VT 3.6 million, local travel VT 3.3 million, incidentals VT 3.3 million, sitting allowances VT 1.6million, court costs VT 700,000, official entertainment VT 671,139 and local accomodation VT 440,000.

### Overspent on chart of accounts

Most of the chart of accounts are overspent in the first half of 2017 and also had been overspent over the years in the same period. There are also some very substantial increased of overspent from local travel, incidentals and subsistence allowance.

### Improvement on chart of accounts management

One contributing factor for that high unbudgeted expenses is that the NPP funds are stored in period 12 ( December) and have to be advanced to be expended thus causing the overspent of chart of accounts.

Figure 7: Operation over spent chart of accounts

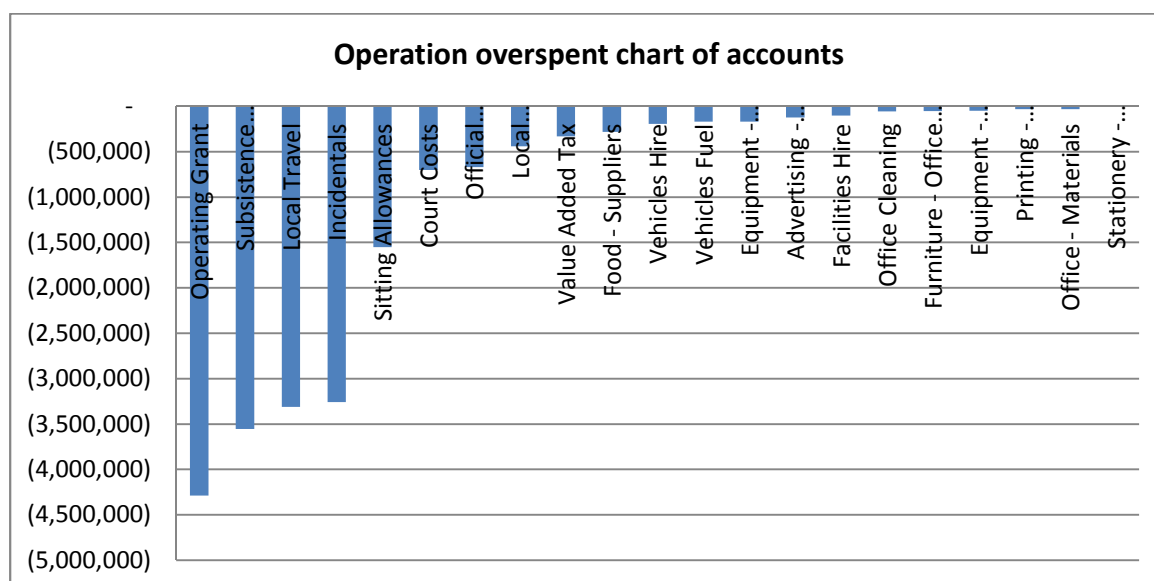
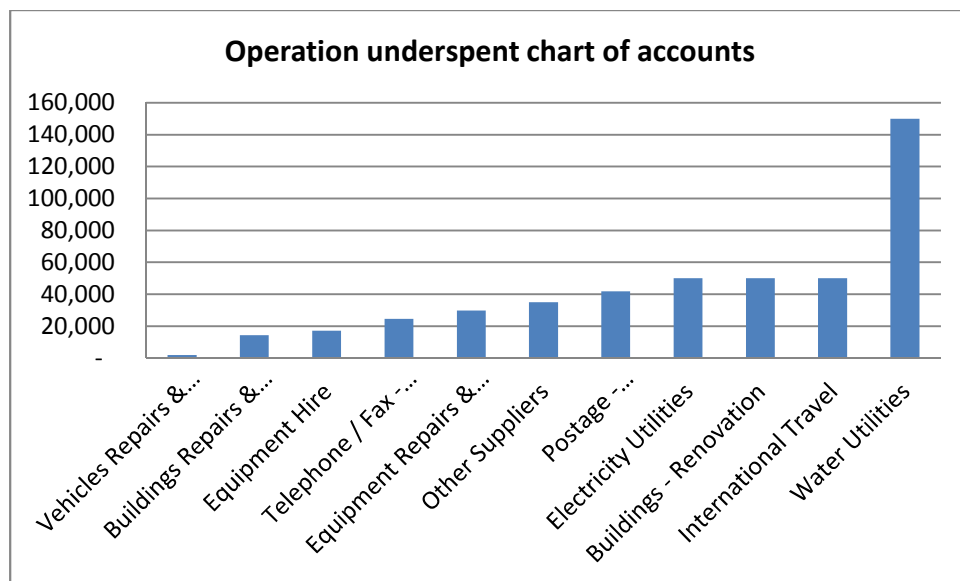




Figure 8: Operation under spent chart of accounts



## REVENUE PLANNING AND MANAGEMENT

### 1. CURRENT REVENUE PLANNING AND MANAGEMENT

The MNCC collected no revenue in first half of 2017 and this is the same for the last three years in the same period.

Table 4: Revenue 2014-2017

Year	Revenue	Budget	Over/(Under)	Cash Received
2017	0	19,998	(19,998)	0
2016	0	10,002	(10,002)	0
2015	0	0	0	0
2014	0	0	0	0

Source: Department of Finance & Treasury

### 2. OUTSTANDING REVENUES

MNCC had no outstanding revenue.

## ASSET MANAGEMENT

The MNCC does not check their assets status before preparing budgets therefore chart of account for additional equipment, specialised equipment and office furniture were overspent by over VT 270,204.

## VIREMENT

There was no virement processed in the first half of 2017 and 2016.

Graphs below showing number and value of virement in 2017 in the first half of the year and the in past three years in the same period.

Figure 9: Number of Virements 2014-2017

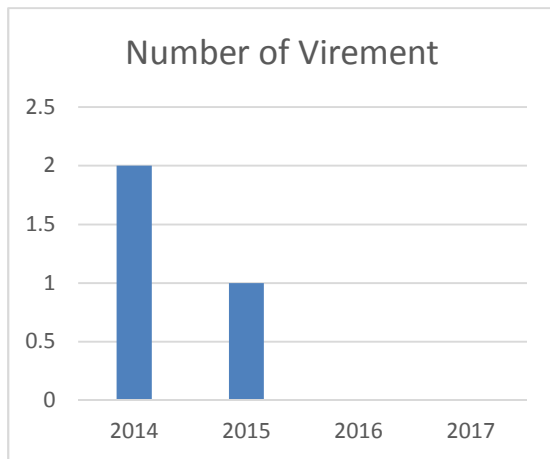
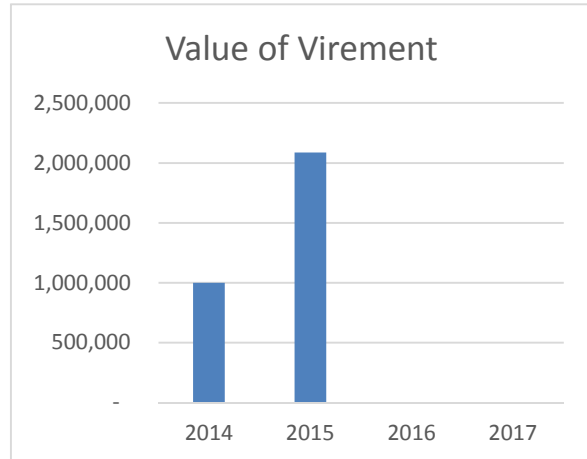


Figure 10: Value of Virements 2014-2017



## IMPREST MANAGEMENT

At the end of the first six months of 2017, MNCC had a total of VT 930,000 outstanding imprest to reitre.

Table 6: Outstanding Imprests as of end of the first half of 2017.

Department Section	Amount Advanced	Amount Paid	Amount Outstanding
MNCC	930,000	0	930,000
<b>TOTAL</b>	<b>930,000</b>	<b>0</b>	<b>930,000</b>

Source: Department of Finance & Treasury