

MINISTRY OF HEALTH (MoH)

Quarterly Expenditure Report

Quarter 1, 2018

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. Further improvements on planning and HR Management would lead to better budgets that are more reflective of the priority activities under MoH and would allow a decrease in unplanned expenditures pressurizing the budget. 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	<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

	<ul style="list-style-type: none"> Adjust monthly cash flow requirements for 2018 based on the average actual expenditure per month over the past years
Activity and Cost Centre Management and Planning	<ul style="list-style-type: none"> Enforce improved coding to relevant cost centres and activities to allow for a better picture of finances at MoH. MoH to confirm estimates of the offline liabilities for 2018 and previous year's as soon as possible so payment can be planned. 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. Adjust cash flow requirements for MHBB Corporate Services based on the average actual expenditure per month over the past years
Payroll Budget Management and Planning	<ul style="list-style-type: none"> 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
Detailed Chart of Accounts Patterns in Payroll Expenditure Management and Planning	<ul style="list-style-type: none"> Rolling out of the new structure to align with its costed implementation plan. Rolling out of the new structure to align with its costed implementation plan 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 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 estimates of the offline liabilities 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 healthy 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"> • Improve planning on large expenditures, like building and vehicle repairs and maintenance, to allow to reflect and anticipate these adequately in the budget • 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"> • Successful transfer of VCH PCF under the GoV system to ensure legal compliance, accountability and transparency, improved management and control of funds. The Medical Student Funds is yet to achieve the same • Verify large outstanding revenues and develop a recovery plan • 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
Virements	<ul style="list-style-type: none"> • Improved planning of activities under MoH will allow to reduce the number of virements, as budget will be straight away allocated to areas that require it • Adherence to correct processes for recruitment and allowance payments will help reduce the number of virements, but diminishing the amount of unexpected expenditures pressurizing the budget Improved planning of activities under MoH will allow to reduce the number of virements, as budget will be straight away allocated to areas that require it • Adherence to correct processes for recruitment and allowance payments will help reduce the number of virements, but diminishing the amount of unexpected expenditures pressurizing the budget

3. Expenditure¹ Management and Planning

3.1. General Budget Management and Planning

3.1.1. Situation Report

By the end of the first quarter of 2018, MoH has overspent its budget by VT 217.8 million with VT 682.4million of expenditures. This marks an increase spending from the underspending in 2016 where budget is overspent at the end of Q1 ([Figure 1](#)). In 2018 68.1% of the budget were spent, while in previous years spending in Q1 amounted to 101.1%, 80.9% to 110.9% of its budget ([Figure 2](#)). The budget for 2016 decreased for MoH from VT 1,963.4 million to VT 1,735.3 million, mainly due to a large NPP of VT 234.4 million for severances allocated to MoH in 2015. Then budget for 2017 saw an increase to 1,989.7million with 3 new approved NPP worth VT238million. The budget for 2018 has a higher increase by VT751.6million to cater for the 4 NPPs which namely, the Workforce development, the equipment basic maintenance budget the GRT top-up budget for the health department and the Cabinet staff.

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 GoV system. [Figure 1](#) shows the total expenditure including available information on expenditures outside the GoV system at MoH. VT 179.8 million of estimated outstanding expenditures existed in 2015² and reduced to VT 16.5³ million in 2016. It is commendable that at the end of 2015 MoH took steps to use remaining budget to pay out large outstanding liabilities. Over VT 67.0 million was submitted to be settled on operations and as per estimates by MoH all of this liability was cleared by early 2016. Similarly, MoH submitted VT 43.3 million outstanding payroll liabilities for payment and as of pay period 1601 VT 16.5 million is estimated to remain. It is important to note that 2015 outstanding liabilities for the payroll in particular have not yet been estimated, back pay owed is not considered and that further outstanding bills are yet to be submitted by cost centers. Considering the known outstanding liabilities, it can be seen that expenditures at MoH were higher. In 2017, MoH had submitted VT5.5million of claims and few from 2010, 2011 and 2014 while mostly from 2015 and 2016 for payment as of pay period 1701.

In a monthly breakdown, it can be seen that for Q1 2018 all three months underspent and this was similar to year 2016 ([Figure 3](#)). Notably, February 2015 saw the largest budget over spend over the past three years for this month. Interesting to note is too that the budget for January is lower than that for any of the three previous years and is accompanied by even lower spending.

Noticeable is also that the split between operations and payroll expenditure and budget is significantly skewed towards the payroll with about 61-69% of the budget for the first quarter allocated to it. The actual spending profile shows that about 62% of actual spending occurred on payroll in 2018 so far ([Figure 4](#)). Note that this figure does not take into account offline liabilities for any years.

¹ Note that Expenditure here includes Actual and Committed Expenditure.

² Data from the May 2015 report;

³ Data on December 2015 payroll liabilities submissions and 1601 payments as well as December 2015 outstanding bills and submissions and payments that occurred out of the 2015 budget to settle these; note that complete

Given the current rate of expenditure, it is expected that by the end of the year MoH would underspend its budget. However, this would be entirely incorrect and misleading. It hides the fact that (a) large outstanding bills exist, and (b) a large amount of payroll savings will be used up by a large number of back pay owed to current contract officers and off-book employees and especially the underpayment of on-call allowances according to the PSC circular 1 of 2017 which reinstates the on-call allowances of standby and actual work to 0.075% and 1.25% respectively which could increase risk of legal cost for underpayments if MoH is not committed to settle.

3.1.2. Analysis

The situation in Q1 2018 have appeared to be the same as years 2016 compared to 2017 and 2015. Partly, this may be true as with the supply bill running during Q1 2016 stricter expenditure controls were implemented that restricted spending at line agency level. Thus, it will be expected that the number of expenditures that could not be incurred during the supply bill is reflected in the mentioned years.

Further, to a large part, payroll savings are due to the retirement of MoH officers and the number of contracts starting late and off-book employees that were not paid for prolonged periods of time. Back pay is owed to both types of employees and will use up most of the payroll savings, when implemented. MoH and MFEM are working closely together to analyze and source funding to pay off and cater for all of these employees. Lack of adequate planning and systematic recruitment as per established processes meant recruitments were not reflected adequately in the budget posing a challenge to budget execution at this point.

The most evident area of concern with the overall budget at MoH continue to be 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 in 'good faith' that the GoV will materialize payments eventually, virtually anyone can commit the GoV, as it appears. This implies that financial controls at MoH are rather weak. As such, on the system, MoH came in under budget since 2015 due to strict financial controls at MFEM, but this hides the fact that accounting for transactions outside the GoV system, MoH would have overspent. Close cooperation between MoH and MFEM and better adherence with processes on the part of MoH is commendable and has led to some improvements in settling outstanding liabilities.

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 2016, outstanding payroll liabilities from 2015 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. MoH Finance Unit also moved to new office spaces in 2016, which to a large part were designed to aid with the implementation of better financial procedures. It is yet to be understood if the move has succeeded in its aim.

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
- Adjust monthly cash flow requirements for 2018 based on the average actual expenditure per month over the past years

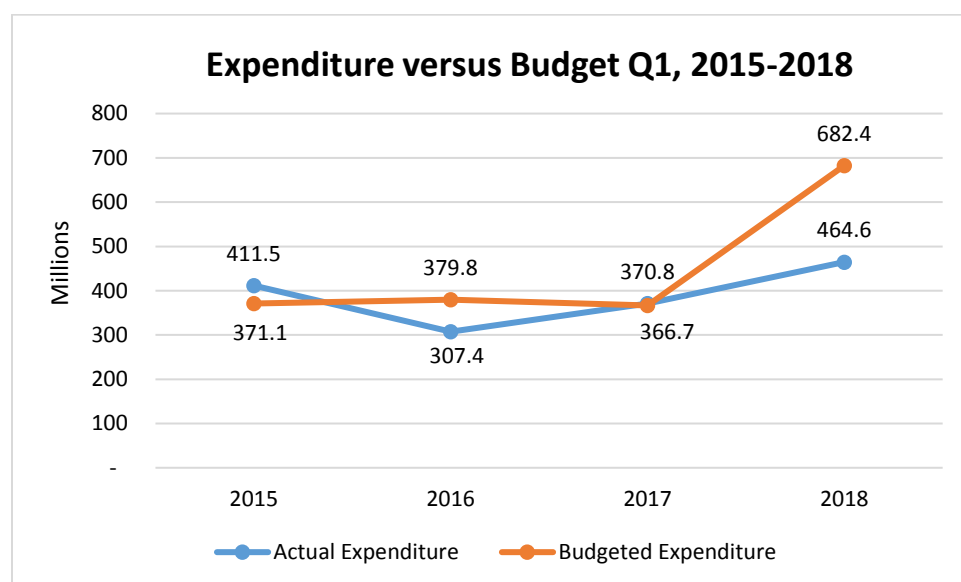


Figure 1 Expenditure versus Budget

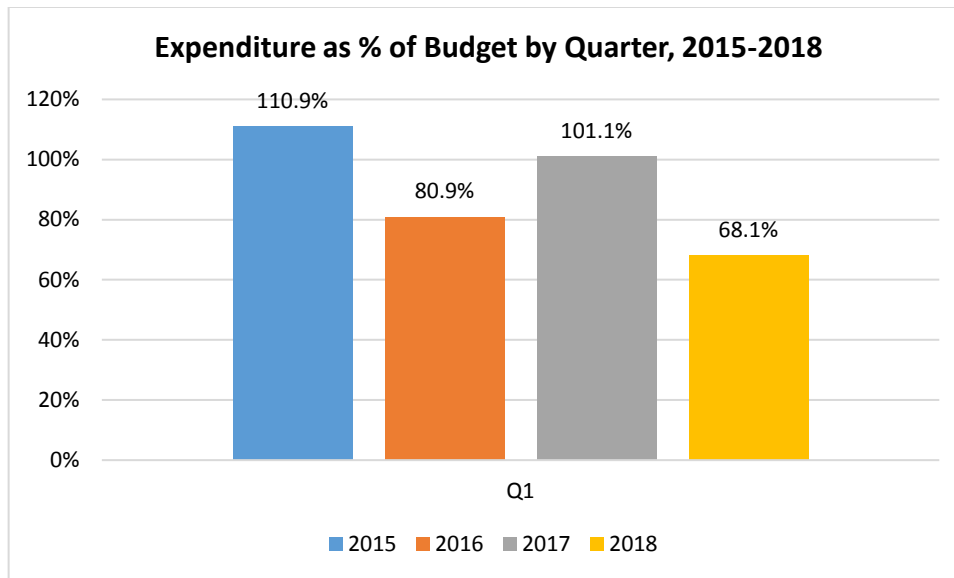


Figure 2 Expenditure as % of Budget by Quarter

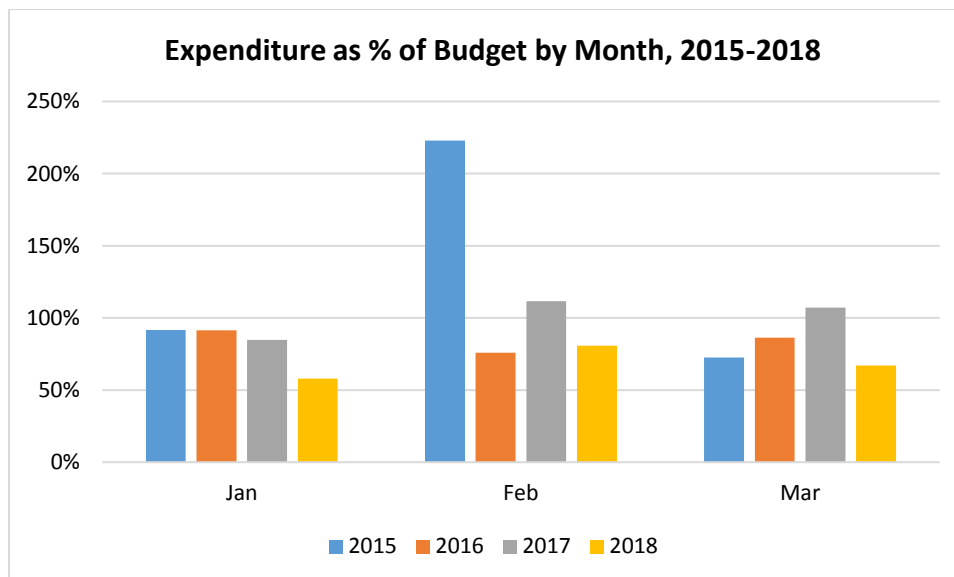


Figure 3 Expenditure as % of Budget by Month

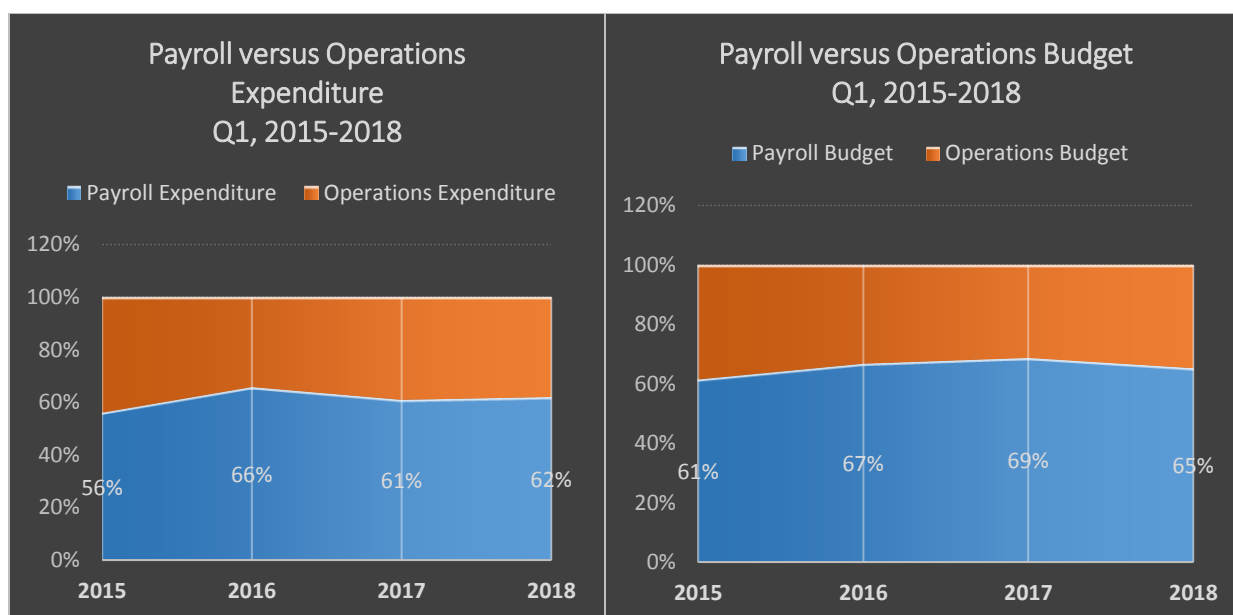


Figure 4 Payroll versus Operations Expenditure and Budget

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 quarter occurred under MHCA – Hospital Services, which is reflective of the budget. This is followed by expenditures on MHCB – Community Health Services and, for most years, MHBB – Corporate Services and/or MHCD – Medical Supplies Stock (Figure 5). On Public Health, it can be seen that the budget allocated is comparatively low. This occurs a majority of public health programmers is donor funded (e.g. Global Fund funding for Malaria, TB and HIV).

In Q1 2018, there are activities that appear underspent (Figure 6, Table 1). MHB Cabinet Executive Management and Corporate Services Support came under budget with 40% of it executed and MHC with 76%. Compared with previous years this is unusual, as in Q1 MHB Cabinet Support as well as MHC Health Services had a tendency to spend beyond their allocated budget for this time period.

It is crucial to note that these figures may in particular miss significant outstanding payroll liabilities previous years, but also some operational outstanding. They also do not include the back pay owed to contract and off-book employees.

From Table 1, it can also be seen that a number of structural changes occurred at MoH. For example, in 2014 a structure with three directorates for Curative and Hospital Services, Director of Public Health and Director of Planning, Policy and Corporate services was in place, which later was replaced by a new structure with 6 provincial managers. In 2014, PSC approved for MoH to revert to the 2012 structure with three directorates for 2015. However, while in principal approval for the structure exists, only the three directorates, VCH and Shefa sections of the structure have been approved with salary scales by PSC and only partially so. We will return to these issues in the payroll expenditure section below.

3.2.2. Analysis

Throughout the analysis for MoH the largest issue remains that liabilities not captured in the GoV system. This means that reports from the system do not provide an accurate picture of the financial situation at MoH.

One point that has to be noted is that VCH over the past years used to suffer from mismanagement of budget and significant overspending has improved signification over 2015 and this is reflected in its budget situation. The VCH Finance Officer has been working closely with MoH Finance Unit and VCH Management to bring the situation under control. Further work remains to be done on compliance, in particular, with Recruitment processes.

Further, the budget allocation and expenditure for Q1 are highly skewed towards hospital services with VT 307.1 million allocated and VT230.4million expended. Comparatively, community health services only received a budget of VT 108.3 million with expenditures of VT 77.8 million already incurred. Moreover, the payroll leaves little budget for other focus areas under MoH and operational expenditures.

3.2.3. Recommendations

- Enforce improved coding to relevant cost centres and activities to allow for a better picture of finances at MoH.
- MoH to confirm estimates of the offline liabilities for 2018 and previous year's as soon as possible so payment can be planned.
- 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.
- Adjust cash flow requirements for MHBB Corporate Services based on the average actual expenditure per month over the past years.

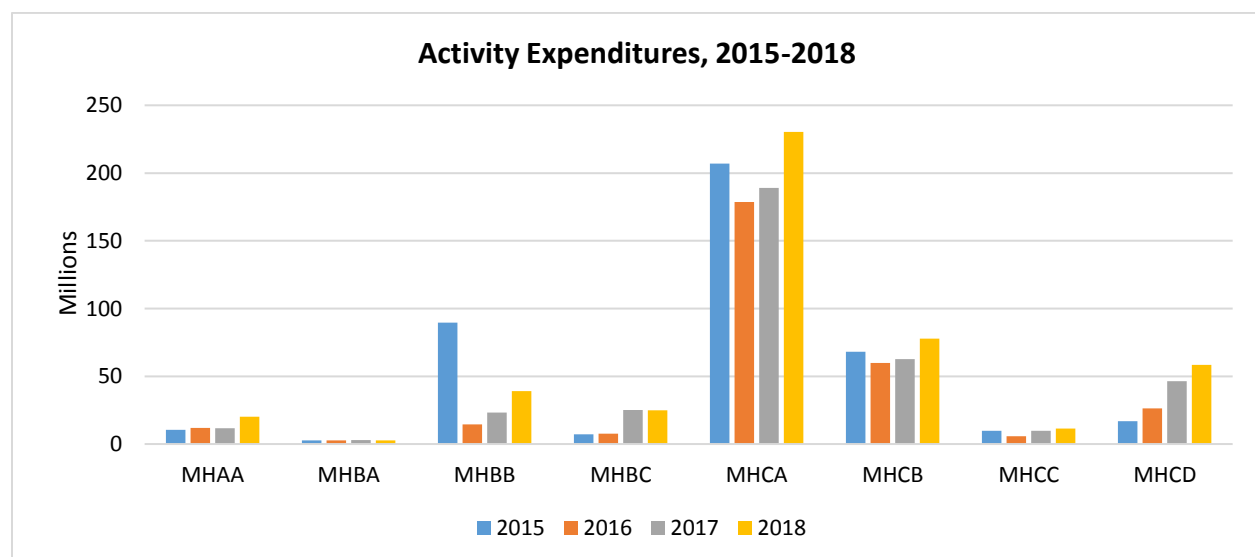


Figure 5 Actual Activity Expenditure

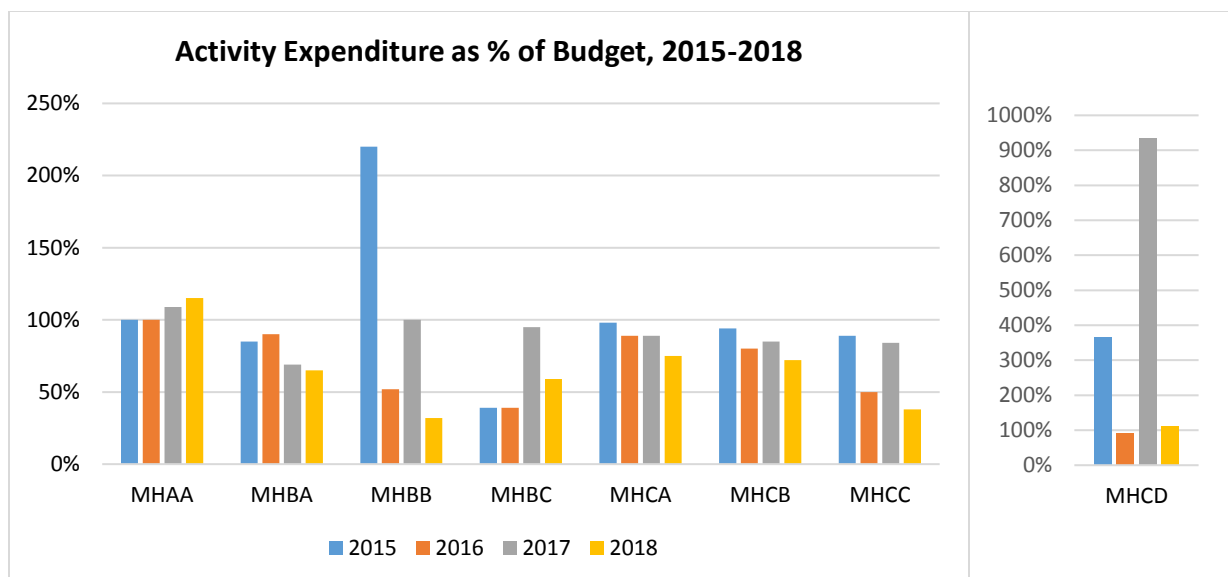


Figure 6 Expenditure as % of Budget by Activity

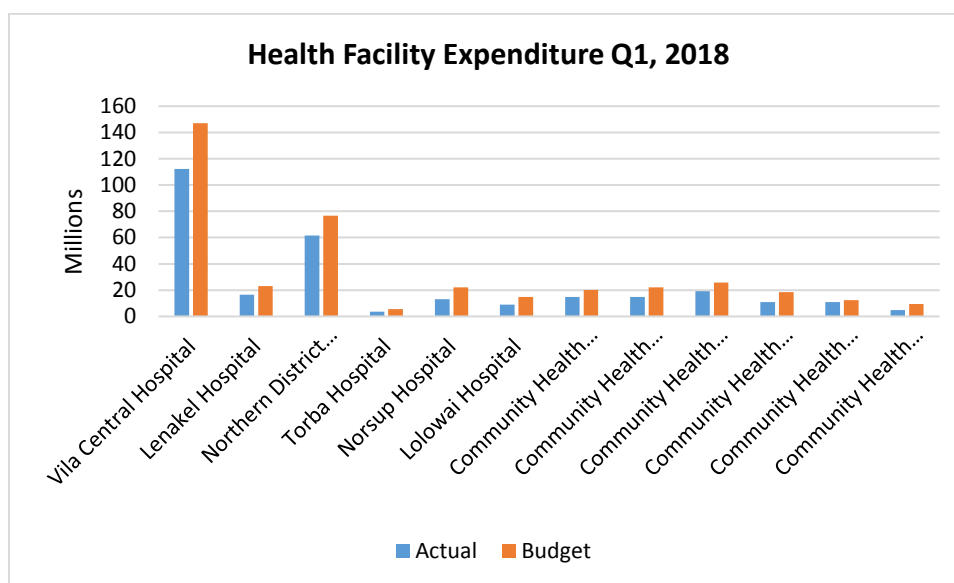


Figure 7 Expenditure by Health Facility

Cost Centre, Expenditures Q1 2015-2018										
Activity	Description	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Expenditures as % of Budget
		2015	2015	2016	2016	2017	2017	2018	2018	2018
60AA	Cabinet Operations	10,507,326	10,537,825	11,790,084	11,789,460	11,653,747	10,739,838	11,836,439	10,409,184	114%
60CA	Parliamentary Secretary MoH							7,609,192	7,028,721	108%
MHAA	Portfolio Management	10,507,326	10,537,825	11,790,084	11,789,460	11,653,747	10,739,838	20,088,619	17,437,905	115%
MHA	Cabinet Support	10,507,326	10,537,825	11,790,084	11,789,460	11,653,747	10,739,838	20,088,619	17,437,905	115%
60BA	Office of the Director General	2,644,292	3,099,562	2,725,753	3,037,309	2,823,591	4,117,571	2,642,218	4,083,951	65%
61VA_E	Planning & Administration									
MHBA	Ministry Executive	2,644,292	3,099,562	2,725,753	3,037,309	2,823,591	4,117,571	2,642,218	4,083,951	65%
61RB	Vila Central Hospital							331,190	-	
61VA	Planning & Administration	89,668,071	34,331,034	13,772,537	26,422,520	21,287,894	23,245,987	33,386,707	114,462,703	29%
61VH	Capital Projects	-	6,483,444	775,665	1,642,480	2,003,244	-	5,355,207	6,498,475	82%
61SK_CO	Community Health Malampa Province									
MHBB	Corporate Services	89,668,071	40,814,478	14,548,202	28,065,000	23,291,138	23,245,987	39,073,104	120,961,178	32%
61VA	Planning & Administration					497,850	-			
61VY	Training & Professional Development	7,257,874	18,747,932	7,748,381	19,773,818	24,555,233	26,380,462	24,787,681	32,382,386	77%
61VZ	Vanuatu College of Nursing Education							-	9,506,375	0%
MHBC	Health Sector Human Resource Development	7,257,874	18,747,932	7,748,381	19,773,818	25,053,083	26,380,462	24,787,681	41,888,761	59%
MHB	Executive Management and Corporate Services	99,570,237	62,661,972	25,022,336	50,876,127	51,167,812	53,744,020	66,503,003	166,933,890	40%
61QA	Director - Curative & Hospital Services	-	-	163,563	1,059,964	812,306	3,767,850	1,640,394	2,957,774	55%
61QB	Doctors' visitations	1,131,670	1,679,064	1,405,480	1,679,064	371,150	1,679,064	1,398,021	1,763,931	79%
61QR	Hospital Referral of Patients	4,261,456	4,999,980	4,914,224	4,999,980	8,225,370	8,249,967	9,754,745	9,848,625	99%
61RA	Director - Southern Health Care	5,625	-							
61RB	Vila Central Hospital	102,879,258	100,967,912	90,306,555	97,077,010	92,051,721	99,842,667	112,132,666	147,045,159	76%
61RC	External Medical Support							-	3,208,554	0%
61RG	Lenakel Hospital	15,694,043	15,527,697	13,615,415	15,796,394	15,078,958	17,454,351	16,466,477	23,109,467	71%

61RH	Community Health Shefa Province					417,006	-	531,871	-	
61SA	Director - Northern Health Care	10,265	-							
61SB	Northern District Hospital	53,174,593	55,487,543	45,556,405	54,067,581	48,635,850	52,285,921	61,502,657	76,740,941	80%
61SD	Torba Hospital	4,549,573	5,072,779	2,398,022	3,955,972	2,418,973	3,827,526	3,715,812	5,523,538	67%
61SF	Norsup Hospital	14,153,231	14,918,147	11,222,988	12,680,154	12,994,377	15,082,782	13,108,352	22,177,940	59%
61SG	Lolowai Hospital	10,169,948	11,578,135	8,376,689	10,301,517	7,214,062	9,319,167	8,859,804	14,777,521	60%
61SI_H	Community Health Sanma Province	4,621	-					-		
61SJ_H	Community Health Penama Province	422,753	-	203,148	-	199,707	-	296,728	-	-
61SK_H	Community Health Malampa Province	267,608	-	134,409	-	203,556	-	306,203	-	-
61RH_H	Community Health Shefa Province	176,972	-	423,887	-		-		-	-
61SH_H	Community Health Torba Province						-		-	-
61VA_H	Planning & Administration					199,702	-	372,969		
61VY	Training & Professional Development					235,476	-	320,877		
MHCA	Hospital Services	206,901,616	210,231,257	178,720,785	201,617,636	189,058,214	211,509,295	230,407,576	307,153,450	75%
61RB_C	Vila Central Hospital	341,021	-	499,682	-	497,021	-	177,375	-	-
61RH	Community Health Shefa Province	11,748,555	13,134,421	8,793,282	12,898,019	9,562,910	12,596,091	10,834,877	18,540,990	58%
61RI	Community Health Tafea Province	9,422,084	9,453,444	7,048,151	9,790,607	8,048,158	10,231,182	10,905,380	12,294,534	89%
61SB_C	Northern District Hospital	174,393	-	176,318	-	324,880	-	589,616	-	-
61SD	Torba Hospital							206,726	-	-
61SH	Community Health Torba Province	3,976,835	5,311,098	3,909,955	6,319,883	4,080,654	5,697,813	4,715,912	9,369,812	50%
61SI	Community Health Sanma Province	13,998,682	14,061,944	12,065,112	14,149,079	12,408,647	13,785,101	14,786,459	20,192,496	73%
61SJ	Community Health Penama Province	12,340,805	13,256,176	11,200,332	13,223,384	8,991,503	14,050,224	14,709,829	22,237,037	66%
61SA_C	Director - Northern Health Care									
61SK	Community Health Malampa Province	16,093,644	17,064,903	16,095,961	18,653,314	18,881,324	17,751,825	19,248,123	25,682,365	75%
61VY	Training & Professional Development							1,645,296	-	-
MHCB	Community Health Services	68,096,019	72,281,986	59,788,793	75,034,286	62,795,097	74,112,236	77,819,593	108,317,234	72%
61QA	Director - Curative & Hospital Services					60,341	-			
61RH	Community Health Shefa Province					201,111	-	321,257	-	-
61SJ	Community Health Penama Province					29,968	-	239,037	-	-
61RB_PH	Vila Central Hospital	109,359	-	202,757	-					

61UA	Director of Public Health	7,259,526	-	3,121,001	998,963	2,848,100	2,054,310	2,199,016	6,563,810	34%
61UB	Health Promotion	-	-	505,275	1,178,240	1,176,876	1,816,863	1,341,536	3,402,057	39%
61UC	Malaria & Other Vector-Borne Diseases	-	-	527,502	2,039,899	1,135,814	1,761,219	2,187,052	5,882,703	37%
61UD	Nutrition			-	477,832	-	392,967	52,175	758,793	7%
61UE	NCD & Mental Health			259,632	1,210,603	2,460,850	2,483,231	546,611	1,488,225	37%
61UF	IMCI	-	-	170,286	1,037,615	339,485	668,910	1,105,671	2,660,901	42%
61UG	EPI							-	975,984	0%
61UH	TB/Leprosy	-	-	-	440,433	-	339,240	297,860	1,087,364	27%
61UI	Reproductive Health & Family Planning			250,404	428,766	362,589	391,749	866,890	1,816,539	48%
61UJ	STI & HIV/AIDS			452,571	739,764	646,350	657,282	852,678	1,200,058	71%
61UK	Environmental Health	-	-	259,443	1,545,042	518,775	1,064,829	817,441	2,395,211	34%
61UL	Neglected Tropical Diseases			-	759,204			85,491	394,000	22%
61UM	Disease Surveillance & Response			-	608,849			478,671	1,707,404	28%
61UN	Family Health	666,424	4,220,313	-	-	-	-		-	-
61UO	Control of Diseases	919,046	3,154,868	- 13,561	-	-	-		-	-
61UP	Health Promotion & Health Standards	715,086	3,444,941	50,923	-					
61SB_PH	Northern District Hospital									
61VA_PH	Planning & Administration			2,652	-					
MHCC	Public Health Services	9,669,441	10,820,122	5,788,885	11,465,210	9,780,259	11,630,600	11,391,386	30,333,049	38%
61SD	Torba Hospital							119,372	-	-
61RH_M	Community Health Shefa Province	130,790	-							
61UA_M	Director of Public Health									
61VW	Management of Medical Supplies	3,433,866	4,580,070	3,348,618	5,057,762	4,492,763	4,957,959	6,556,308	7,977,097	82%
61VX	Purchase of Drugs	13,191,303	-	22,979,895	23,955,500	41,802,638	-	51,691,986	44,249,999	117%
MHCD	Medical Supplies Stock	16,755,959	4,580,070	26,328,513	29,013,262	46,295,401	4,957,959	58,367,666	52,227,096	112%
MHC	Health Services	301,423,035	297,913,435	270,626,976	317,130,394	307,928,971	302,210,090	377,986,221	498,030,829	76%
Total		411,500,598	371,113,232	307,439,396	379,795,981	370,750,530	366,693,948	464,577,843	682,402,624	68%

*Note cells in red highlighter and in red fonts depicts overspending

Table 1 Expenditure and Budget by CC

3.3. Payroll Budget Management and Planning

3.3.1. Situation Report

At the end of Q1 2018, the payroll came in under budget with VT 225.8 million expended of VT 252.0 million budgeted ([Figure 8](#)). This implies that only 80% of the budget was actually spent. This is similar to 2016 that the payroll came under budget for the first quarter ([Figure 9](#)) with overspending of 1.1-1.3% above budget in previous years. Notably payroll budget increased in 2016 compared to previous years to allow to cater for some increased payroll pressures. However, as previously mentioned, offline liabilities need to be taken into account. Including known ones, MoH spent a total of VT 218.6 million, which remains under budget. This is a significant reduction to 2014, where including outstanding liabilities, MoH overspent its Q1 budget by 38.1%.

In a monthly breakdown, it can be seen that for 2017 no month saw overspending. This is the first time over the past three years that this has occurred. Spending in Feb 2017 was particularly low with only 84% of the monthly budget expended.

It has to be noted that for all data reported above (a) outstanding liabilities for 2016 are not included as no estimates of these exist, and (b) that back pay liabilities to contract and off-book employees are not included. Some Virements to adjust estimated overspending on various cost centers will be necessary, but overall it appears that the MoH payroll can cover these payroll pressures. However, these do also not include 2017 outstanding payroll liabilities that have not yet been estimated by MoH HR Unit.

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 is slowly improving. 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. It is commendable that the HR unit in this quarter have produce monthly newsletter since January 2017 with aims to provide MoH staff with relevant and up to date information on human resource matters. This electronic newsletter is a very useful tool of communication and it reaches audiences from the cabinet to the provincial level. This should help both the HR unit to strengthen communication and staff receiving timely information.

MoH Structure

MoH has recently obtain an approved structure and this is of great importance to the health sector and because it has been a longstanding issue it has marked a great achievement for MoH. Most staff members are employed to a structure from 2005, with parts approved in 2012. It is of concern that the new 2017

MoH structure in total caters for some **2,521 graded positions** thus more than doubling the current workforce and very expensive to fully implement. 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. It is critical that MoH aligns to its implementation plan so that it does not further distort its allocated NPP budget for transitioning onto the new structure. Numerous meetings between MoH, PSC and MFEM occurred on this matter and transfers onto the new structure are on progress.

- **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 leave payments for retirees which would not be covered by the severances funding held at MFEM, movement of staff onto and out of payroll and help quantify training needs more adequately. Significantly the succession gap between retirement and recruitment must be filled.

- **Limited Financial Resources**

Although the total budget for MoH in absolute numbers 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 10.8% again in 2015. In 2016, it hit a low with 9.1% of GoV budget only allocated to MoH and in 2017 an increase to 9.8%. 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. Towards the middle of Q1 2018, World Bank support has organized a provincial visit to Sanma and Tafea for the health facility cost study analysis. MFEM participated together with DSPPAC and MoH to discuss and draw practical work plans identifying 3 key areas of improvement and to work and report on progress in November 2018. This practical plans are useful indicators of efficiency and achieving quick wins across the provincial hospitals.

- **Offline Liabilities**

MoH made significant effort at the end of 2017 to pay off outstanding liabilities however there have been some submission of previous years and it is anticipated that more will be submitted but at this stage the total outstanding payroll liabilities is still unknown and this will include the GRT arrears being effective at the start of this year 2018. Irregular estimation and verification of outstanding claims at MoH though implies that MoH cannot manage and plan for payment of these in advance. If adequate process for planning and for undertaking specific activities (e.g. recruitments) were followed this would significantly improve the situation.

3.3.2. Recommendations

- 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
- Record and report on outstanding allowances in a regular and timely manner

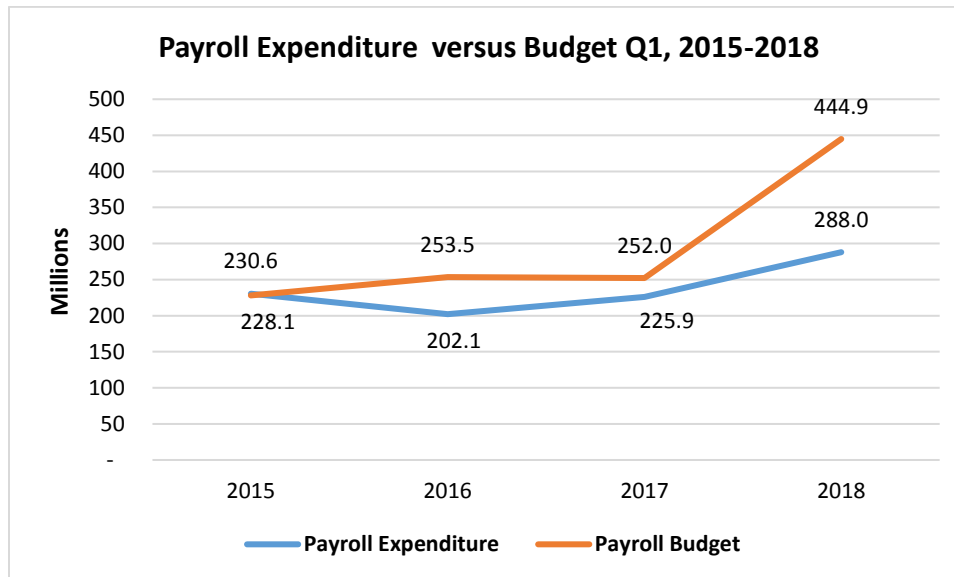


Figure 8 Total Payroll Expenditure versus Budget

*Note that no report for Q1 2014 offline liabilities exists, for 2015 the May 2015 estimated value of payroll offline liabilities was used and that the 2016 value is the estimate after pay period 1601, where a number of claims submitted in December 2015 were processed, leaving an estimated VT 16.5 million unpaid. The 2015 value includes outstanding payroll liabilities from 2014 and before, however no estimate exists for 2015 outstanding allowances yet, hence the amount outstanding is expected to increase, as soon as further estimates become available. 2017 offline liabilities includes 2016 and 2015 submitted claims that were paid at PP1701.

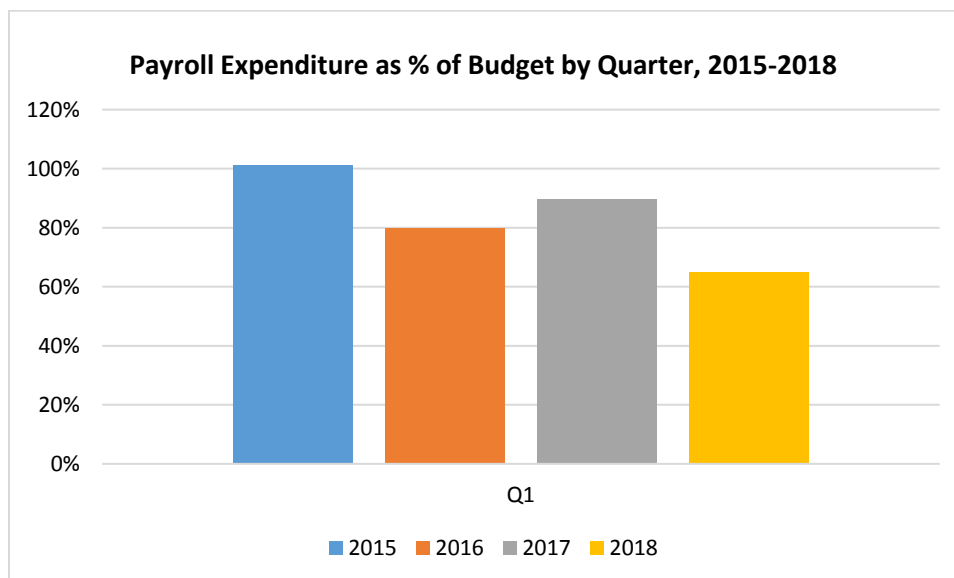


Figure 9 Total Payroll Expenditure as % of Budget by Quarter

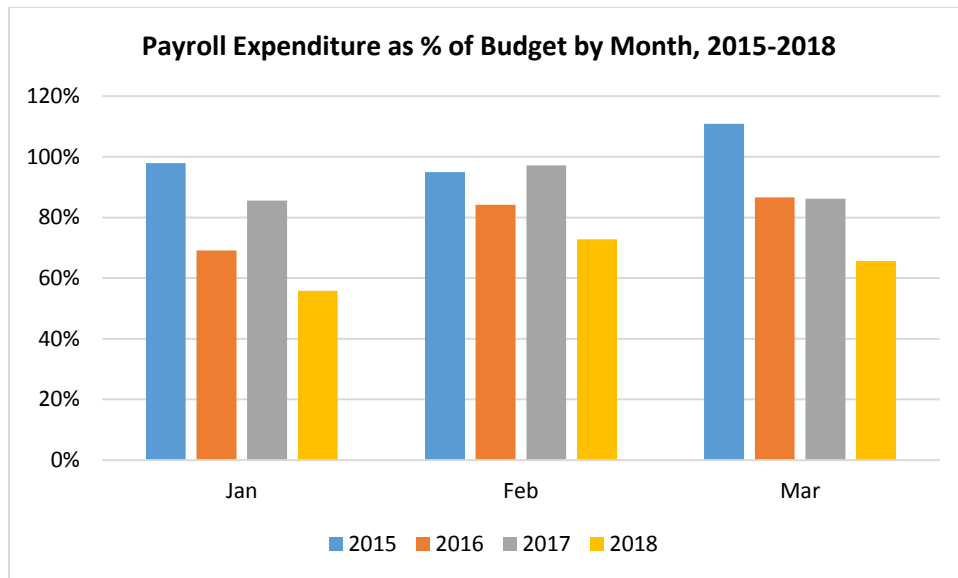


Figure 10 Total Payroll Expenditure as % of Budget by Month

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 (Acting, Responsibility, On-Call, Shift, Home Island)

Budgeting for allowances improved slightly in 2017 but then in 2018 saw no budget allocation to these chart of accounts. Acting, Shift, overtime, leave, and daily rated Home Island Passage and Responsibility Allowances so far spent VT 4.1 million in Q1 2018. Many further claims are yet outstanding and further accumulating.

(2). Permanent Wages and Provident Fund

Permanent wages had overspent by VT46.1million and this was an unexpected expenditure incurred due to the payments related to the GRT implementation which was effective at the start of 2018. Where all take home allowances have been removed and bulked to build the base salary and hence categorized under the Permanent wages.

Underspending on Housing Allowances, Family allowances

There were savings of VT 3.5 million on family allowances and savings of VT13.5million on housing allowances at the end of Q1 2018. Despite the fact that adequate budget have been put in place to cater for these chart of accounts the new GRT implementation where all these take home allowances have been in build into the base salary therefore resulting in underspending on these chart of accounts.

3.4.2. Analysis

A number of allowances appear to compensate for lack of funding and structure to employ further permanent staff members. Offline liabilities continue to pose a significant challenge to the payroll.

3.4.3. Recommendations

- Rolling out of the new structure to align with its costed implementation plan
- 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
- Produce a HR plan to understand HR needs of all areas of MoH

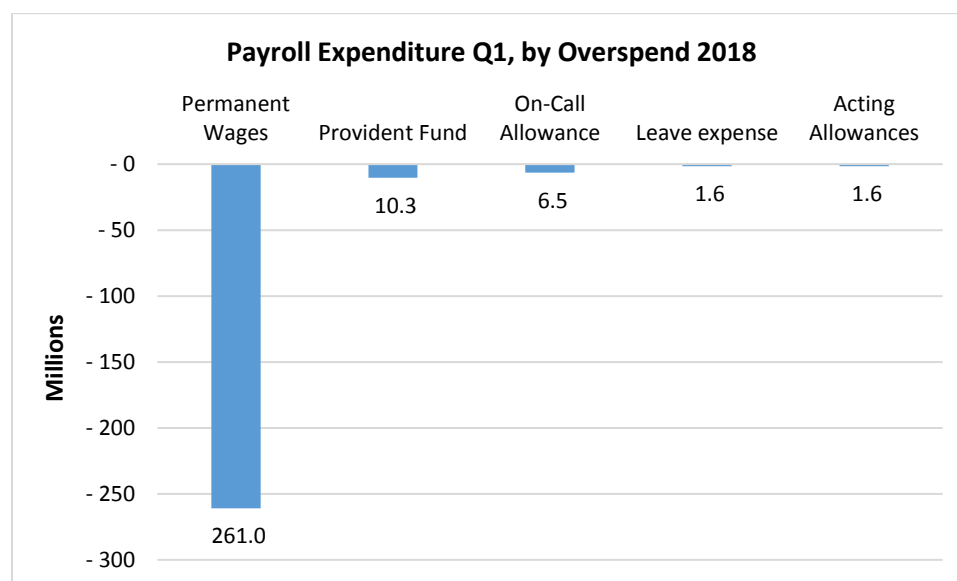


Figure 11 Major Payroll Overspend by CoA

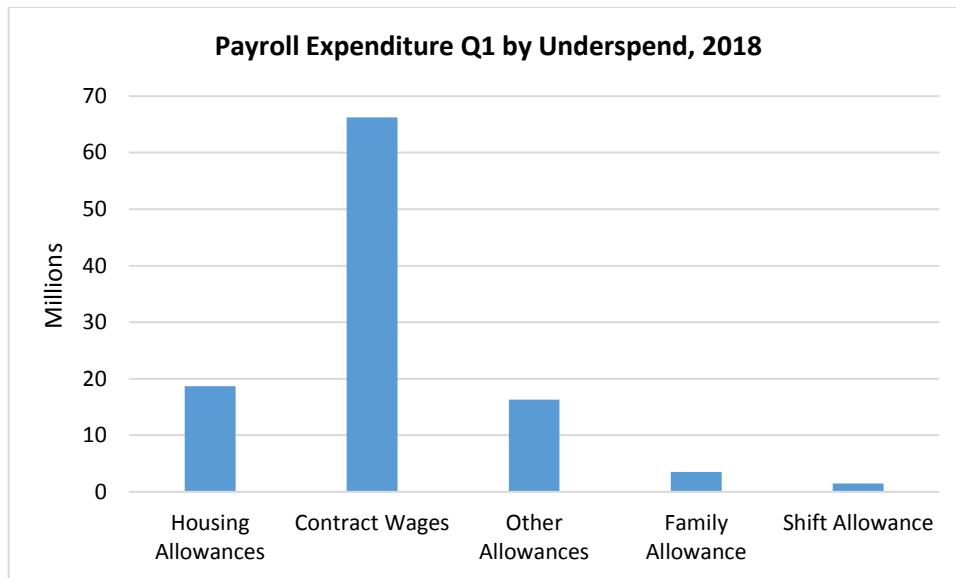


Figure 12 Major Payroll Underspend by CoA

Payroll Expenditure Q1, 2015-2018									
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Expenditure as % of Budget
	2015	2015	2016	2016	2017	2017	2018	2018	2018
Permanent Wages	184,786,775	194,152,698	169,839,949	213,942,700	183,430,811	214,457,136	260,997,673	214,893,195	121%
Housing Allowances	18,517,005	18,389,542	16,589,962	19,529,329	20,038,955	20,477,940	570,914	19,239,714	3%
Provident Fund	7,735,667	8,064,396	7,116,702	8,858,403	7,777,832	8,895,639	10,308,369	9,815,682	105%
Family Allowance	3,643,868	4,092,626	3,307,361	4,273,737	3,878,181	4,459,620	11,040	3,546,366	0%
Contract Wages	7,508,828	0	1,271,282	0	3,811,752	0	4,416,896	70,677,003	6%
Shift Allowance	1,216,630	0	1,055,278	0	965,044	146,976	1,010,232	2,491,671	41%
Overtime Wages	1,400	1,930,200	935,500	2,290,599	180,522	207,171	564,272	0	0%
Leave expense	71,630	0	886,444	0	147,654	0	1,612,863	0	0%
Gratuities Allowances			433,132	0	214,416	0	149,533	0	0%
Acting Allowances	4,691,646	0	232,462	0	1,369,247	425,505	1,560,470	0	0%
Daily Rated Wages	726,917	433,578	145,889	0	0	49,731	44,000	0	0%
Home Island Passage Allowances	191,025	0	108,795	0	370,245	210,366	168,645	0	0%
Responsibility Allowance	57,040	0	101,200	0	3,639,510	189,483	0	27,693	0%
Other Allowances	25,100	1,000,642	64,166	383,798	75,423	674,052	57,758	16,364,076	0%
On-Call Allowance	1,457,252	0	0	0	0	1,739,898	6,520,492	2,491,671	262%
Special Allowances			0	568,940	0	41,538			0%
Payroll expenses	0	0	0	3,606,354	0	0	0	105,304,203	0%
Total	230,630,783	228,063,682	202,088,122	253,453,860	225,899,593	251,975,055	287,993,157	444,851,274	65%

Table 2 Payroll Expenditure by CoA

3.5. Operations Budget Management and Planning

3.5.1. Situation Report

For the first quarter of 2018, total expenditure on operations underspent its budget with VT 176.6 million expended versus a budget of VT 237.6 million ([Figure 13](#)). This implies that 74% of the budget was actually expended ([Figure 14](#)). This marks an improvement from a break in 2017 with the trend across the previous years for this time period, where overspending between 126% to 127% on top of the budget allocation occurred. It is noteworthy that over VT 67.0 million in outstanding operational liabilities were paid out in 2015. New estimates of further operational outstanding are currently being compiled by MoH Finance Unit and are therefore not included in this brief.

In a monthly breakdown, it can be seen that for 2018 all months came under budget ([Figure 15](#)). This is unusual, as in previous years overspending was more common. January was in particular low with only 61% of its monthly budget expended as compared to between 83 % to 92% of budget expended in previous years.

3.5.2. Analysis

Overspending on the operations side appeared to be a persistent trend over the first quarter at MoH. However, in 2016 this trend has been broken. Notably, in Q1 2016, the GoV was running on a supply bill, as the budget for 2016 had not been passed by Parliament in 2015. This meant that stricter expenditure controls were implemented that did not allow for Virements outside of emergency needs and requests. However in 2017 the trend has picked up and saw an increase of 144.5million and in 2018.

There is some 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 estimates of the offline liabilities
- 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 healthy split between payroll and operations budgets that reflects the actual needs of the ministry in order for the ministry to operate most efficiently

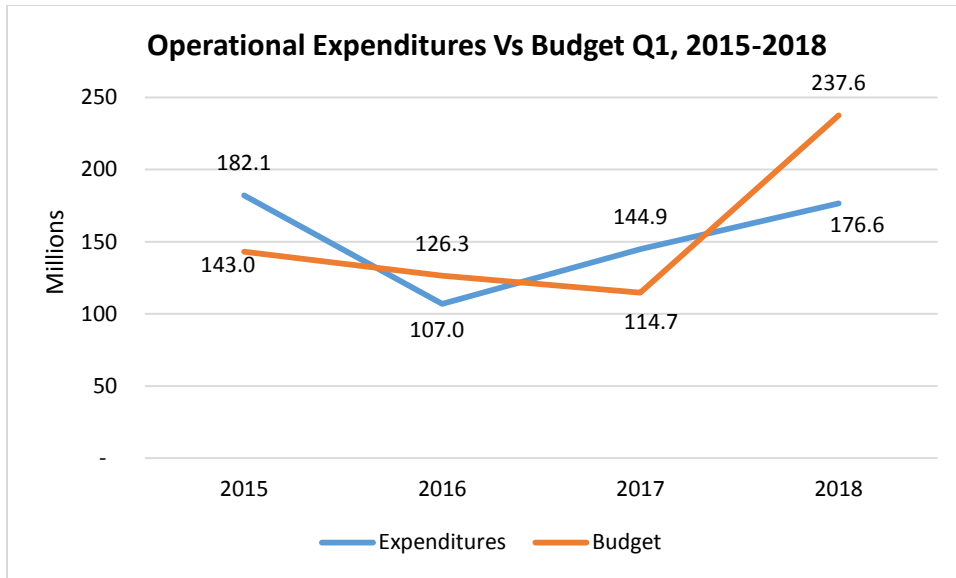


Figure 13 Total Operations Expenditures versus Budget

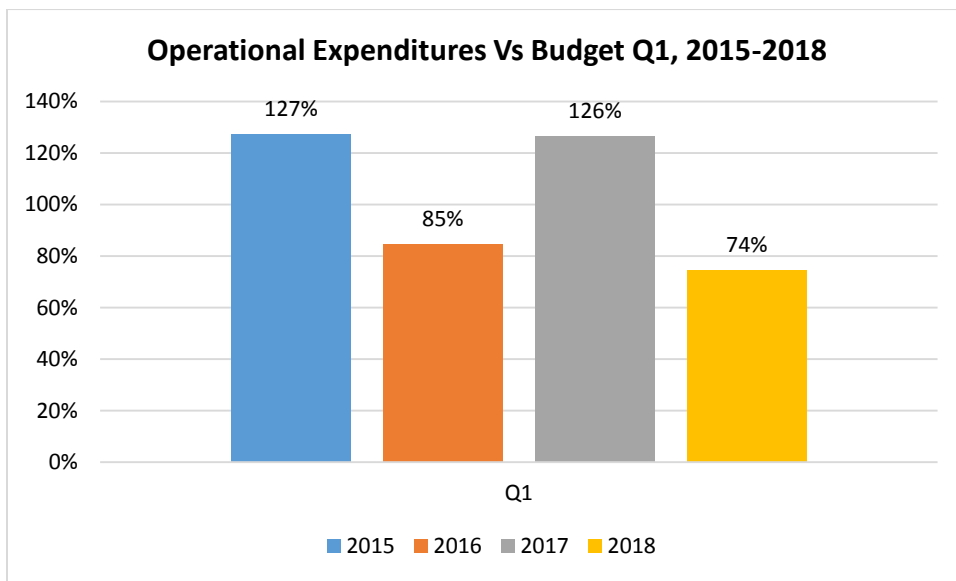


Figure 14 Total Operations Expenditures as % of Budget by Quarter

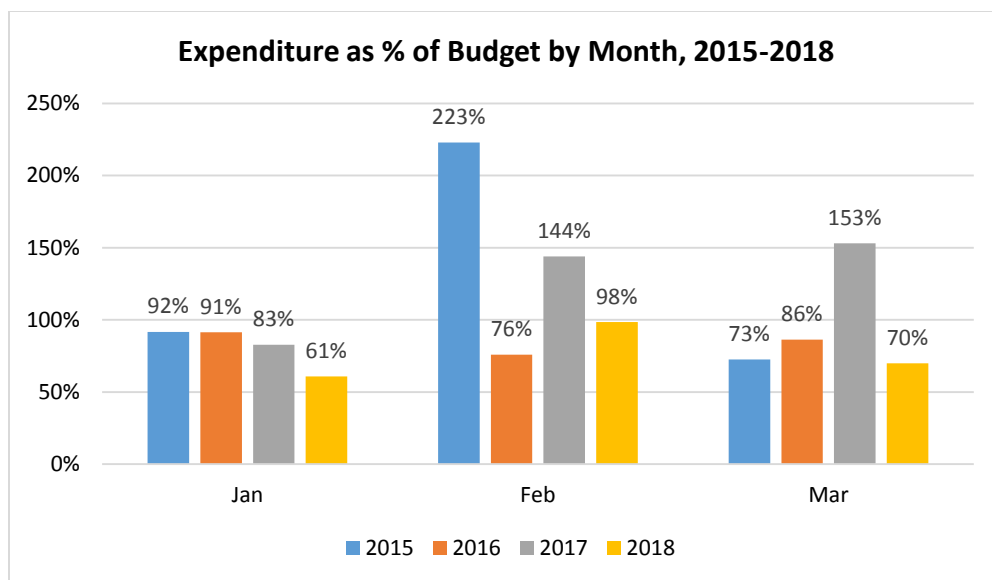


Figure 15 Total Operations Expenditures as % of Budget by Month

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). Value Added Tax

The increase of VAT had been effective since 1st January 2018 and given that VAT has increased from 12.5% to 15% VAT has overspends in Q1 by 23.7million. However, a number of unbudgeted purchases may lead to unexpected VAT payments.

(2). Other Suppliers

Overspending on this CoA amounted to VT 4.6 million. It needs to be verified further what exact suppliers activities were funded in Q1 2018 and why these could not have been planned for adequately in the budget.

(3). Vehicles Additional Vehicle

VT 3.9 million was expended on additional vehicles at MoH in Q1 2018 against no budget. Apart from 2016 MoH tends to fail budgeting vehicles additional vehicles.

Unbudgeted Expenditures

A number of CoAs spent against no budget in 2018. The total amount of unbudgeted expenditures at the end of Q1 amounted to VT7.8million. This is lower than in any previous year, where these amounted to between VT 16.8 million and VT 78.4 million and is in line with the lower overall spending of VT10.9 million in Q1 in 2016. Vehicles additional vehicles is the largest actual expenditure against no budget at VT3.9million, followed by VT 3.1 million on termination payment and VT 2.4 million on Equipment – Additional General.

(4). Underspending

A number of CoAs incurred underspending by the end of Q1. Majorly so did Equipment Repairs and maintenance with savings of VT 16.2 million, followed by Electricity utilities with VT 9.3 million and local travel with VT 6.5 million. This is the second year in a row that these accounts incurred savings over this time period, Electricity and local travel since 2015 Q1.

3.6.2. Analysis

It is commendable that some improvements occurred on budget execution for the first quarter 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

- Improve planning on large expenditures, like building and vehicle repairs and maintenance, to allow to reflect and anticipate these adequately in the budget
- 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

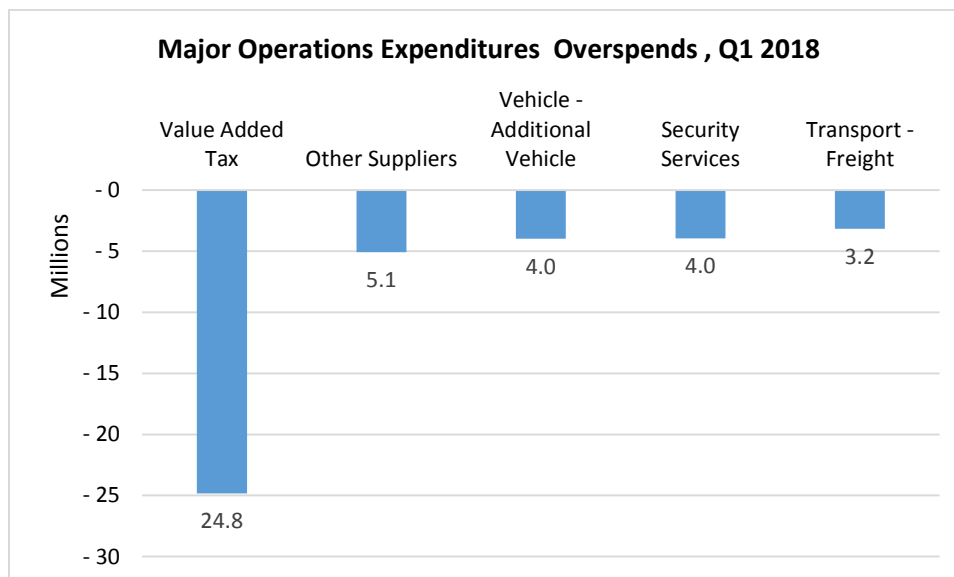


Figure 16 Major Operations Overspend by CoA

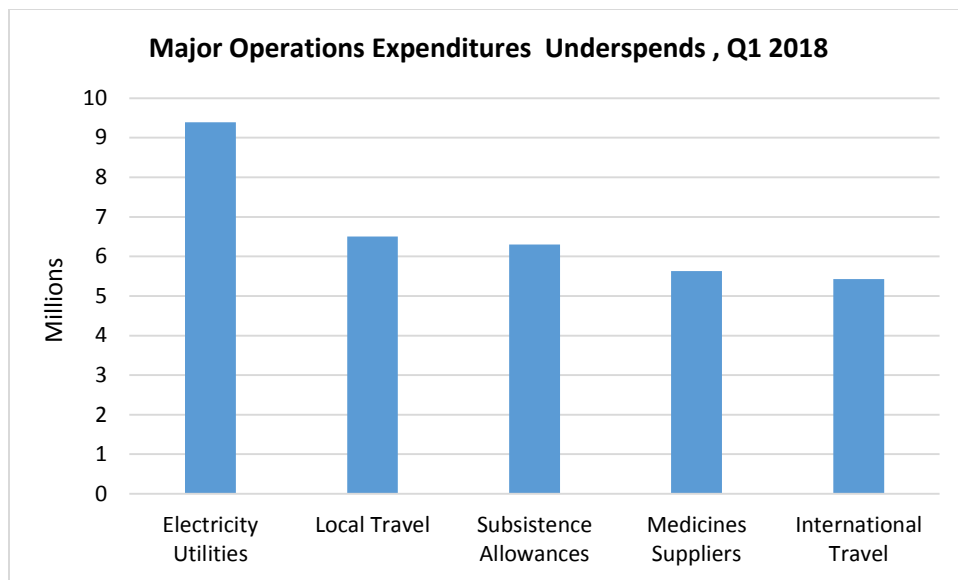


Figure 17 Major Operations Underspend by CoA

Operations Expenditure Q1, 2015-2018									
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Expenditure as % of Budget
	2015	2015	2016	2016	2017	2017	2018	2018	2018
Electricity Utilities	18,940,119	20,876,034	16,634,221	17,173,398	13,849,199	18,094,659	13,599,634	22,991,440	59%
Medicines Suppliers	12,266,155	0	15,919,211	23,955,500	34,297,017	-	41,672,955	47,302,499	88%
Value Added Tax	10,027,217	10,341,450	14,689,345	7,770,309	15,373,803	3,043,181	24,822,576	1,041,728	2383%
Vehicle - Additional Vehicle	0	0	9,910,444	0			3,977,565	0	-
Food - Suppliers	9,550,010	11,900,502	7,012,651	7,128,189	5,726,031	13,822,590	7,126,733	9,257,646	77%
Subsistence Allowances	2,931,900	6,403,917	6,620,788	5,275,680	8,089,204	6,452,940	6,560,440	12,857,667	51%
Buildings Repairs & Maintenance	4,072,860	3,049,404	4,878,336	3,076,233	8,184,751	3,512,974	5,621,625	8,777,528	64%
Local Medical Treatment	3,924,986	4,963,830	4,033,659	4,765,335	10,045,935	7,767,459	5,821,061	9,924,625	59%
Stationery - Communications	3,357,225	5,055,192	3,329,921	3,926,337	2,938,984	4,877,975	3,756,688	6,302,846	60%
Local Travel	3,538,360	4,878,714	2,612,201	3,535,926	4,103,376	5,510,091	7,215,161	13,716,542	53%
Uniforms	216,291	1,219,701	2,585,050	788,619	956,368	581,169	690,224	2,251,950	31%
Vehicles Repairs & Maintenance	4,232,450	3,122,661	2,388,294	2,472,567	4,646,489	2,246,286	4,854,002	6,453,426	75%
Vehicles Fuel	3,368,038	7,508,016	2,355,539	4,975,047	4,168,338	9,147,827	3,386,129	5,974,957	57%
Security Services	2,262,105	1,310,496	2,131,999	1,587,495	2,064,597	1,274,997	3,956,766	900,000	440%
Hospitals Cleaning	2,838,082	2,259,576	2,079,302	2,221,434	2,380,606	6,037,281	4,955,370	9,425,694	53%
Telephone / Fax - Communications	4,463,823	3,914,052	2,025,089	2,553,306	1,091,854	2,829,680	2,521,805	4,111,864	61%
Equipment - Computer	1,607,735	339,174	2,001,867	579,270	1,192,439	533,001	1,880,933	3,273,417	57%
Hospitals - Materials	1,095,630	1,585,185	1,574,254	2,021,394	1,544,218	9,000	1,161,770	130,628	889%
Incidentals	1,863,350	2,377,236	1,235,557	1,365,606	1,450,069	1,496,095	853,751	4,166,043	20%
Equipment Repairs & Maintenance	3,781,986	2,897,172	1,015,223	2,864,694	2,472,611	1,459,103	2,439,052	18,663,639	13%
Office Cleaning	1,280,922	698,166	981,581	543,714	340,578	955,693	88,643	706,310	13%
Other Rental	1,260,782	3,881,904	838,047	2,895,576	1,255,704	674,997	1,035,217	0	-
Official Entertainment	1,354,244	902,553	805,575	629,154	909,427	500,109	583,408	2,477,785	24%
Local Accommodation	180,930	1,792,038	800,556	1,008,237	352,980	652,089	1,461,510	846,246	173%
Gas - Cooking Utilities	915,331	1,858,479	704,578	2,229,885	1,381,039	845,235	1,105,455	990,199	112%

Water Utilities	2,501,672	3,811,635	529,497	1,947,375	1,777,123	2,963,910	1,039,943	2,715,550	38%
Equipment - Replacement General	66,672	651,672	460,266	821,240	1,166,028	-	0	625,000	0%
Printing - Communications	746,081	1,516,308	427,451	741,363	1,902,957	1,470,356	2,074,503	4,331,160	48%
General - Materials	43,689	118,500	372,296	736,662	240,411	95,778	189,078	924,700	20%
Leases - Land	282,901	123,180	291,901	126,441	293,901	109,908	285,901	704,500	41%
Maintenance Contract	81,334	0	275,069	0	128,575	222,282	0	50,000	0%
Ship and Boat Fuel			246,329	0	141,787	-	140,000	392,000	36%
Office - Materials	778,917	286,407	144,999	326,067	166,819	259,704	274,870	37,545	732%
Postage - Communications	52,990	212,799	144,618	302,511	551	147,501	6,000	12,501	48%
Equipment - Photocopiers	290,667	0	111,111	0			0	105,000	0%
Equipment - Computer Software Purchases			95,111	0			0	297,995	0%
Other Charges - Freight	163,852	165,132	94,950	513,489	129,954	165,081	21,789	0	-
Other Suppliers	119,253	102,432	94,018	769,095	436,182	36,141	5,065,189	450,000	1126%
International Travel	1,579,611	2,764,212	91,030	2,291,454	423,837	1,969,467	846,170	6,270,906	13%
Refunds	0	0	85,650	0	39,780	-	1,004,169	0	-
Advertising - Communications	0	96,393	84,713	112,968	119,423	87,501	0	1,212,500	0%
Facilities Hire	118,334	62,133	79,000	127,632	180,734	928,114	309,226	449,500	69%
Equipment - Specialized	0	624,996	70,222	821,240	500,442	-	271,039	1,740,169	16%
International Organization Fees							320,568	1,500,000	21%
Vehicles Hire	220,891	140,178	53,334	112,293	250,668	604,418	1,286,765	598,678	215%
M. P. Gratuity Allowances			52,839	0					
Storage - Freight	0	0	50,604	0	63,479	-	1,178,248	649,999	181%
Bank Charges	33,000	0	35,000	0	35,000	-	11,700	0	-
Furniture - Office Furniture	256,000	420,972	32,000	0	406,151	280,001	487,055	2,711,037	18%
Local Workshops	0	503,589	21,645	368,277	2,000	1,188,087	-13,661	0	-
Lighting Utilities	50,832	61,002	18,887	0	346,000	-	37,392	0	-
Gas - Medical Utilities	1,026,762	4,844,400	16,800	1,118,514	-	1,190,604	0	707,700	0%
Equipment Hire	25,780	0	13,334	0	-	80,000	36,390	30,000	121%
Food Allowances	2,245,000	2,285,493	12,684	1,642,806	1,080,050	2,989,490	2,153,330	1,822,725	118%
Freight Fuel	0	144,000	12,050	87,501	288,676	-	282,234	5,000	5645%

Other Fees	6,000	0	10,667	0	1,046,250	-	29,565	300,000	10%
Houses Repairs & Maintenance	8,409	171,873	4,416	315,999	386,001	349,998	1,220,870	624,999	195%
Termination Payment	64,334,717	0	505	0			3,116,209	0	-
Ship Repair & Maintenance							73,335	0	-
International Accommodation	0	373,122	0	385,623	-184,240	249,999	160,000	249,999	64%
International Medical Treatment	0	515,310	0	515,310	197,529	515,310	286,295	0	-
Visiting Specialist - Medical Treatment	0	1,739,688	0	1,711,866	-	1,793,895			
Survey Cost - Land	0	60,624	0	60,624					
Curriculum - Materials	0	29,100	0	97,251	-	146,448	0	730,960	0%
Schools Materials	0	50,925	0	210,963					
Allowances - Scholarships	0	1,242,495	0	1,242,495	-	120,000	100,000	0	-
Rations Suppliers	8,258	0	0	1,106,871	62,460	-	8,836	0	-
Consultants Fees			0	0	-	124,998	1,588,470	4,946,540	32%
Fees - Scholarships	0	10,000,000	0	2,499,990					
Transport - Freight	822,800	2,290,695	-9,715	1,868,652	1,925,083	1,522,275	3,172,738	1,572,551	202%
Equipment - Additional General	4,356,200	4,851	-7,835,295	51,150	1,332,258	261,999	2,417,733	0	-
M.P. Allocation Allowances									
Sitting Allowances									
Local Courses					-	150,000	0	220,000	0%
Compensation Damages					45,000	-			
Mail Carriage Freight							0	18,500	0%
Translation Communications	44,445	0							
Court Costs	916,668	0			-	-	-4,442,033	0	0
Medals									
Recruitment Costs					-	525,000	0	1,068,900	0%
Buildings - New	0	2,812,488					0	0	-
Buildings - Renovation	0	1,437,495			277,004	-	30,948	2,300,000	1%
Furniture - Housing Furniture	14,080	0			181,329	-	0	0	-
Houses - Renovation					32,356	-			
International Courses	208,146	0							

Office Rental					65,520	-			
Other Grant									
Equipment - Heavy Equipment					30,780	-	104,436	120,000	87%
Infrastructure - Other							0	455,000	0%
Repatriation Allowances	80,000	0							
Drug Distribution - Medical					78,425	1,124,994	0	2,728,181	0%
Schools Cleaning					26,666	33,000			
Insurance					-	87,501			
Other					-	24,999	170,476	0	-
Software Maintenance Fees					-	575,703			
Compensation Land									
Distribution Supplies							0	10,401	0%
Stationery Grant									
Arbitration Allowances									
Other Medical Treatment					59,224	-	8,826	0	-
Resale Items									
Terminal Payments									
Infrastructure - Water Supply							0	148,010	0%
Roads Repairs & Maintenance	55,323	0			38,222	-	81,611	0	-
Ships and Boats Purchases	0	249,999					0	0	-
Vehicle - Replacement					-	-	0	0	-
Infrastructure - Electricity							0	53,765	0%
Overhead expenses	0	0	0	-2,034,506			0	1,114,700	0%
Total	180,869,815	143,049,550	105,351,274	126,342,121	144,536,012	114,718,893	176,584,686	237,551,350	74%

Table 3 Total Operations Expenditures by CoA

4. Revenue Management and Planning

4.1. Situation Report

At the end of Q1 2018, total revenues exceeded its budget with VT 8.2 million collected versus VT 5.2 million budgeted. This means that 157% of planned revenues were collected ([Figure 19](#)). 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 2016, it has been estimated that VT 3.8 million was collected⁴. 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 monthly breakdown, all months provided largest collections with January 206% and 130% in February and 136% in March of its budget collected ([Figure 20](#)).

The main sources of revenues at MoH are Hospital Fees ([Figure 21](#)). These collected VT 10 million versus VT 20 million budgeted.

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.

As of 2018 Q1, MoH has a total of VT 44.7 million outstanding revenues reaching as far back as 1995 and work in progress to deal with the outstanding. 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, has worked on transferring the VCH PCF as a project under the GoV. However, this move has been actioned for VCH only and it is hoped that moving other PCF 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. MFEM and MoH should work closely on a strategy to improve revenue collections from NTRs.

4.3. Recommendations

⁴ Data is based on the January 2016 VCH Report and forecasted for a three month period based on that estimate

- Successful transfer of VCH PCF under the GoV system to ensure legal compliance, accountability and transparency, improved management and control of funds. The Medical Student Funds is yet to achieve the same
- Verify large outstanding revenues and develop a recovery plan
- 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

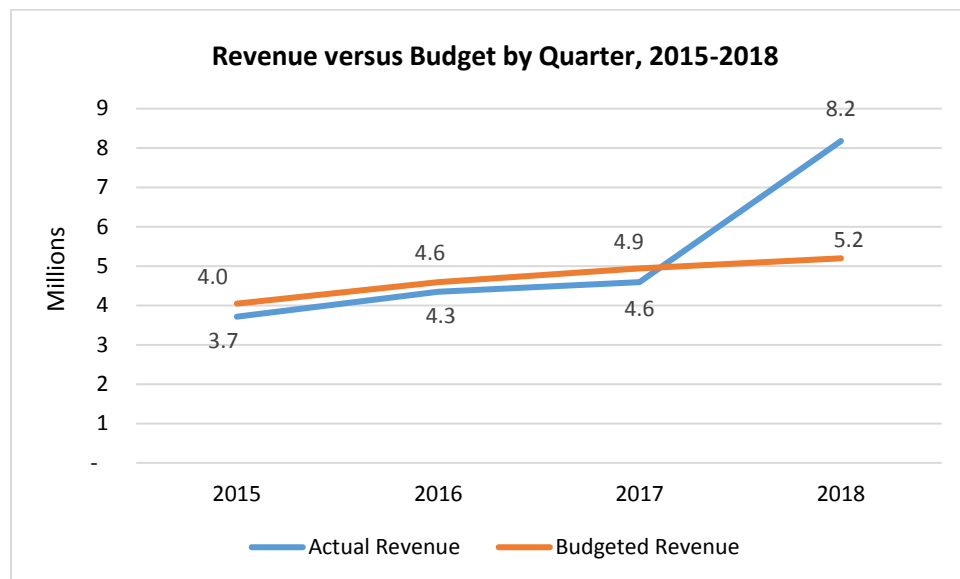


Figure 18 Revenue versus Budget*

*note that (a) PCF revenues only take into account VCH revenues, (b) the PCF 2015 estimate is based on the March 2015 VCH Report, (c) the PCF 2014 is an estimate based on the December 2014 VCH Report, (d) the PCF 2016 is an estimate based on the January 2016 report, and (d) the Medical Student Fund revenue is a rough estimate based on a fee of VT 10,000 fee for an attachment based on 100 students per annum. The VCH PCF project code 15J561 have shown no collection in the Q1 2017

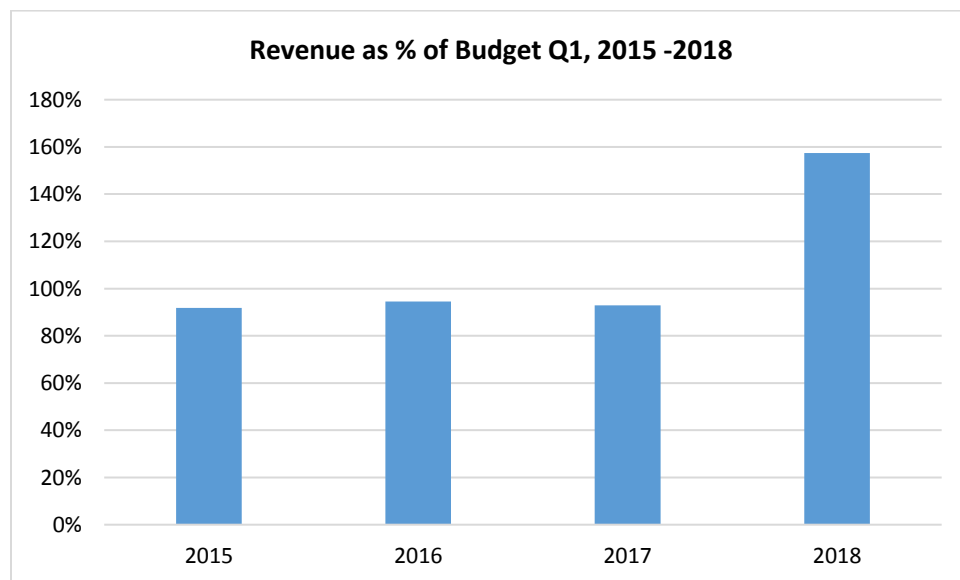


Figure 19 Revenue as % Budget by Quarter

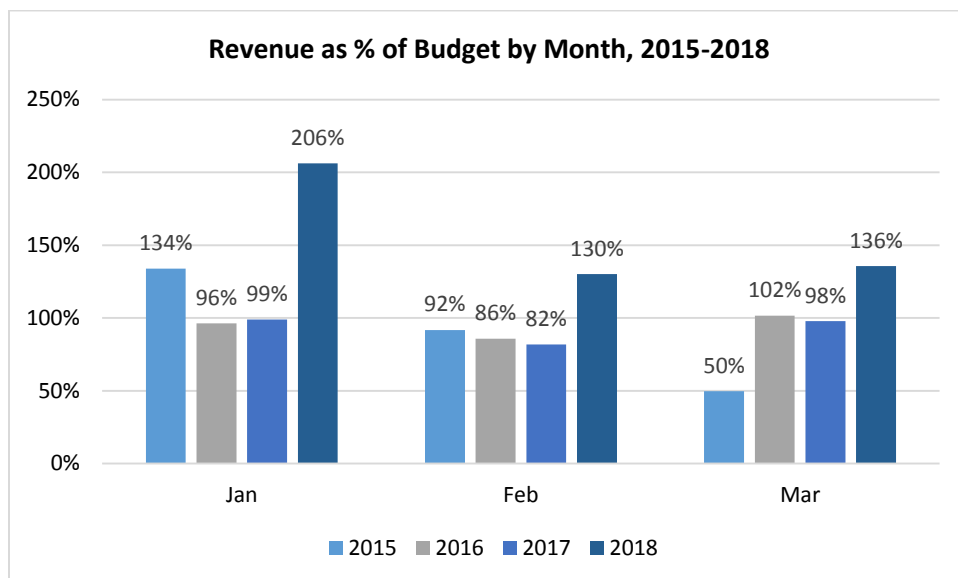


Figure 20 Revenue as % Budget by Month

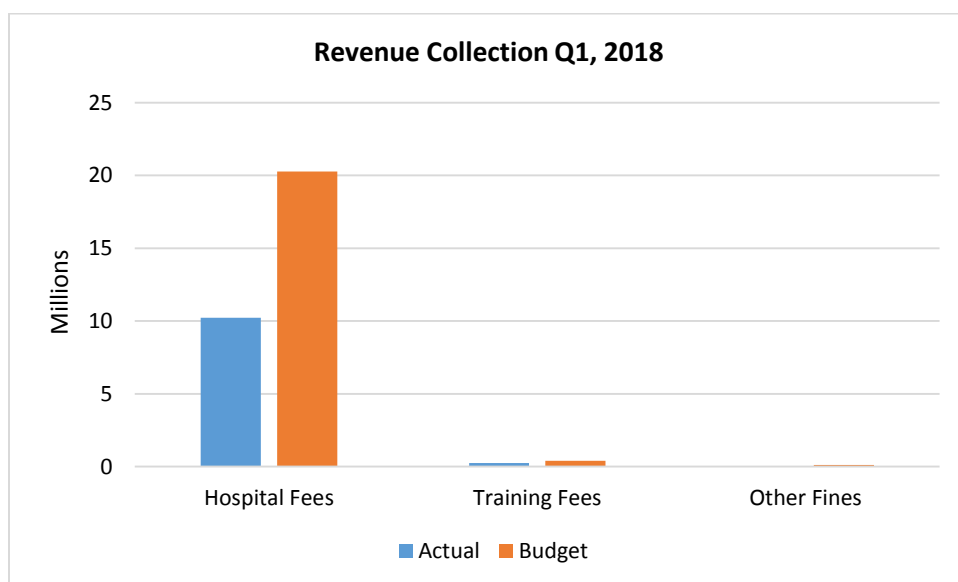


Figure 21 Major Revenue Collection

5. Virements

5.1. Situation Report

Comparatively, in 2018 no virements occurred in Q1 as similarly in 2015 Q1. MoH undertook a total of 2 virement by the end of Q1 2017 with a total volume of VT 3.8 million.

Generally, most virements in Q1 at MoH occur from operations to payroll, due to reasons explained above ([Figure 23](#)), followed by virements to adjust payrolls (i.e. payroll to payroll).

In 2016, virements were severely restricted due to the GoV running on a supply bill. However, exceptions were made for MoH, as these were needed to cater for contract renewals, new employees and further payments of outstanding allowances.

The major factors for both Q1 in 2016 and 2017 that necessitated virements were a lack of planning for recruitments and payment of outstanding allowances as well as non-adherence to correct recruitment processes. If recruitments do not occur according to a plan and estimates of other payroll liabilities are not readily available, the budget cannot reflect these accurately.

5.2. Recommendation

- Improved planning of activities under MoH will allow to reduce the number of virements, as budget will be straight away allocated to areas that require it
- Adherence to correct processes for recruitment and allowance payments will help reduce the number of virements, but diminishing the amount of unexpected expenditures pressurizing the budget

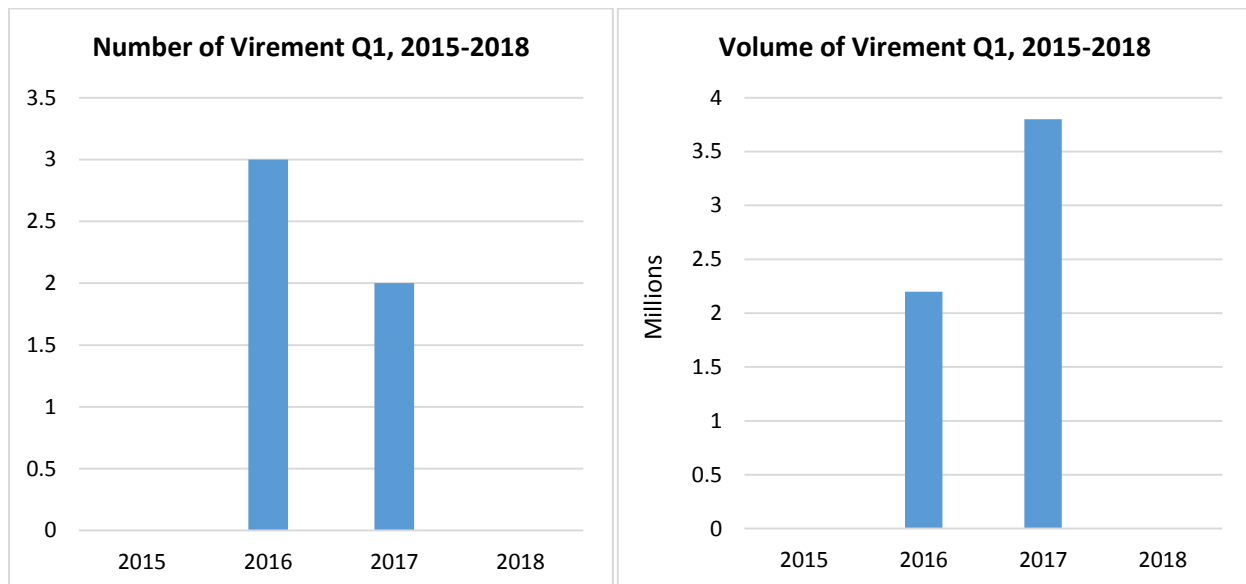


Figure 22 Total Number and Volume of Virements

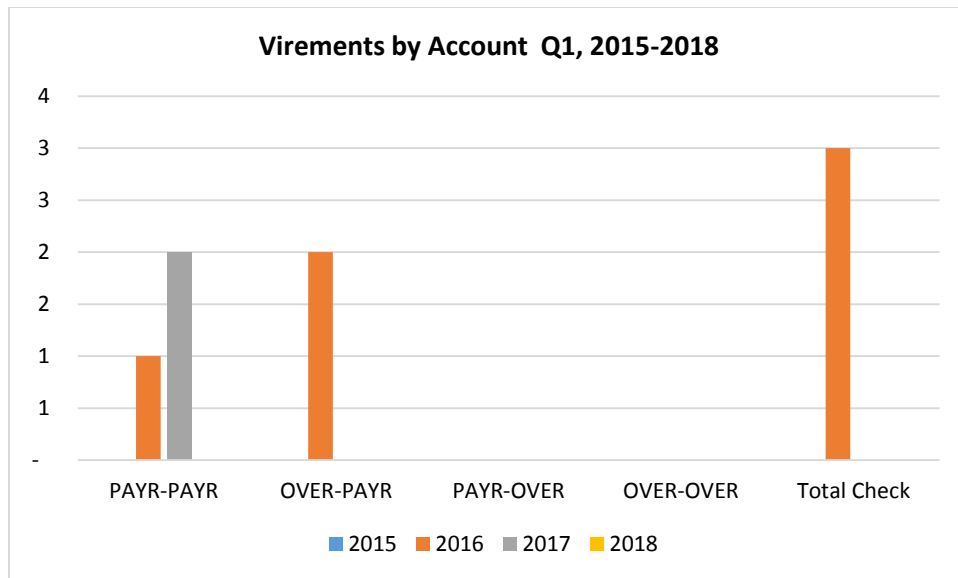


Figure 23 Total Number of Virements across Categories