

## LEARNING SERIES



# INCREASING DISTRICT FINANCIAL MANAGEMENT CAPACITIES

The standard of Public Financial Management (PFM) in Malawi is worrying, given the frequent instances of abuse of resources, poor accounting, late audit reports and so on, as reported by the media. This is evident at both district and central levels. Unfortunately, support to PFM improvements at the district level receives less attention and resources, from both government and donors.

However one of the key objectives of MHSP-TA is to help build PFM performance in the health sector at district level, so that delivery of health services at that level is not impeded. At district level, PFM for all sectors, of which health has the largest spending, is the responsibility of Local Councils.

## DISTRICT PFM CHALLENGES

PFM challenges vary from one Local Council to another but typically include:

- Challenges with the use and performance of the district-level accounting package called IFMIS.
- The external organisation providing technical support to fix IFMIS performance issues has not provided timely solutions.
- Failure to prepare monthly bank reconciliation statements and timely financial reports, with some councils being years in arrears.
- Delays in the production of annual financial statements leading to delayed audit.

While the challenges above are technical in nature, many can be attributed to underlying personnel issues involving accounting officers. Again, such issues vary but include:

- Inadequate training and technical support of accounting officers;
- Relationship difficulties between personnel within the Local Council affecting the way in which accounting officers can carry out their functions;
- Poor line management of accounting personnel; and
- Low motivation and commitment.

In addition, there is shortage of staff in critical areas like internal audit and capacity of Councillors in the Finance & Audit Committee (charged with PFM oversight) is low.

Another key issue is that the Local Authority Performance Assessment (LAPA) process, by which PFM performance at each Local Council is assessed, has not been used for a several years.

Given all the above, internal controls that are intended to limit abuse of resources are dangerously weak.

## NATIONAL STRUCTURE TO SUPPORT DISTRICT-LEVEL PFM

The PFM of the 35 Local Councils is monitored and guided by the National Local Government Finance Committee (NLGFC). NLGFC has a team of Financial Management Analysts (FMAs) whose job it is to work with each Council and help fix their PFM challenges. Therefore, to contribute to PFM strengthening, MHSP-TA has targeted its support to NLGFC.

Before MHSP-TA support began NLGFC had its own challenges, of which the most evident was infrequent monitoring and supervision visits by FMAs to Local Councils and, even when visited, visit reports were rarely done and follow-up was often inadequate.

## HOW MHSP-TA IS ADDRESSING THE CHALLENGES

MHSP-TA began by engaging a Financial Management Coach in January 2015 to be based at NLGFC, focused on enabling the then 6 FMAs to carry out their PFM functions of supporting to build PFM performance at each Local Council. MHSP-TA has enabled an increased number of district visits by FMAs (NLGFC had insufficient finances) both directly and by liaising with a USAID-funded programme. For example, since January 2015 the quarterly coverage of all districts with visits by FMAs increased from about 15% to over 50%. MHSP-TA also supported NLGFC to prepare FMA Guidelines to set a common standard for how FMAs should carry out their work. Now regular M&E reports are prepared on time after every visit, whereas previously the rate of report production was less than 25%.

MHSP-TA has supported performance measurement both at NLGFC itself through enabling analysis of key data and also at Local Council level with the development of a performance assessment tool.

MHSP-TA also provided urgently-needed administrative support to NLGFC, through procurement of a motor vehicle (used for district visits) as well as some other expenses.

However, since MHSP-TA began other challenges emerged at NLGFC:

- Ever since the retirement of the previous Executive Secretary of NLGFC in June 2014, attempts to recruit a full time replacement have been unsuccessful, resulting in unstable management of NLGFC operations.
- In addition, the work environment has been further destabilised due to uncertainty since a merger was announced in May 2016 between NLGFC and Local Development Fund (LDF).

Responding to the consequences of this - for example there are now only 4 of the 6 FMA positions filled - from June 2016 MHSP-TA facilitated 'peer support', which involves providing resources so that FMAs can engage peer accounting staff from one better performing district to visit another district that needs extra support, thus ensuring that IFMIS, bank reconciliation and financial reporting problems are more quickly resolved.

Photo caption: Catherine Kazembe, MHSP-TA's Financial Management Coach, observing and FMA in discussion with a District Finance Officer.



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"Your (NLGFC's) visibility has improved, we thought you had gone into obscurity. Your visits increase our morale for FM performance improvement."

Staff member, Ntchisi District Council

## OUTCOMES AT DISTRICTS SO FAR AND NEXT STEPS

The mobilisation of NLGFC has enabled better results at districts, both because of the additional technical support, through FMA and peer visits, and also because Local Councils officers feel more supported to addressing some of the basic challenges. For example:

- Four districts which had previously had bank reconciliations and financial statements that were often years overdue, are now up to date.
- Four other districts are up to date on their bank reconciliations and expect soon to be up to date on financial statements as well.
- Several other districts are making good progress towards being up to date on bank reconciliations.

But there is a long way to go. Getting the accounting up to date is essential but is not enough. A key remaining step for MHSP-TA is to help institutionalise PFM performance management processes at each district, so that sufficient attention is given by all stakeholders to addressing areas that can contribute to resolving deeper issues such as abuse of resources.