

PFM ACT IMPLEMENTATION STATUS TO DATE DECEMBER 2009

Actions undertaken 2009/10

1. Finalization of legal and regulatory instruments.(RCU)

- PFM Act 2009 passed and published (but with errors). Need to correct errors so that the Act can be widely published;
- Financial Regulations-finalized, and adopted by Cabinet. Formally issued by the Minister of Finance on January 19th, 2010 and circulated to line ministries and agencies

2. Modernization of PFM systems towards best practices. The IFMIS implementation process is on course. A bid evaluation exercise has been completed and a report, non-objection has been granted by the World Bank and a contract has already been signed with the supplier (FreeBalance). A new Chart of Accounts has been developed (and adopted) and will form the backbone for uploading budget data for FY 2010/11 budget. The Auditor General has formally approved the CoA. Training on financial regulations, accounting standards (IPSAS) and CoA is being conducted during budget preparation process. Target date for IFMIS go-live is July 1st 2011. In the interim, the SunSystem has been deployed, within a testing environment, to facilitate double entry accounting through the posting of payment vouchers-running the approved CMC listing-check printing and uploading the bank statements in order to produce reconciled government financial reports. At the same time these control measures minimize risks in the hitherto manual processes between CMC/BGA and check writing system. The system was initially scheduled to fully go live on December 1, 2009. However, some control concerns are being addressed. The new go live date is scheduled for March 2010. For now, the system is used to capture data through BGA, roll through to CMC, where a CMC listing gets auto generated. The next leg of connecting a check printing utility that will enhance bank reconciliation is in its final stage of development.

3. Establishment of the Consolidated Fund (CG's Office)

- Consolidated Fund already operational but needs operational guidelines-Enhanced accounting and internal control procedures (to be circulated later); including ensuring that specific public money are credited to the CF, and all authorized withdrawals are debited in time. An account has to be taken of all government revenues including internally generated funds-and to which account they are deposited;

- Establish controls to ensure that all specified receipts do end up in the CF and not somewhere else, and withdrawals from the CF are only made in a manner consistent with the law;
- End of year reporting requirements of the CF must also be specified- receipts and payments of the CF agree with revenues, expenditures and other items reported in the annual accounts, and the end of year Fund balance is agreed/reconciled to relevant bank balances;
- To ease reconciliation, new operational accounts were opened at the Central Bank (CF) for activities of 2009/2010 receipts and payments;
- The accounting classification and entries will also be specified in any manual and training literature to be prepared after accounting instructions have been developed in 2010.

4. Budget Preparation(DoB + MFAU)

- Medium Term Fiscal Framework prepared that will drive revenue and expenditure projections based on agreed(and realistic) macroeconomic framework and existing development policies as reflected in the PRS;
- Budget calendar formalized and issued in time.It contains key milestones like preparation of the BFP,mid-year review,supplementary budget,budget guidelines(to include budget classification and annexes) ;
- Budget preparation cycle done in accordance the provisions of the Act wherein two phases are envisaged:an MTFF(top-down)+ BFP in phase one(July-December and a BCC in phase 2(Jan-April);
- Budget Framework Paper under preparation-to be presented to senior management and the National Budget Committee soon;
- Increased coverage of the budget by progressively bringing off-budget funding onto the budget.The newly created Aid Management Unit has created a dynamic data base(in collaboration with MoPEA)that captures significant portion of off-budget donor funding.Sumaries of that information were attached to the 2008/9 budget,and more will follow in the 2010-11 budget;
- Classification of revenues done according to major titles/heads in accordance with GFS 2001.Expenditure classification to be updated following adoption of the new CoA in the course of the 2010-11 budget cycle.
- Annexes required for the proposed budget will be prepared in the course of the budget preparation cycle.They are envisaged in the recently issued budget calendar.These include aspects of public debt and guarantees;off-budget donor funding;financial operations of SOEs and autonomous government agencies;

- Institutional capacity building through the fast-tracking of the merger of the DoB will bolster information sharing and data reconciliation (allotments, actual expenditures, commitment figures) between DoB-MAFAU-BGA-CG. This will facilitate decision making processes for short-term cash forecasts (CMC) and guide the decisions of the Budget Committee- as well as provide essential inputs in the budget preparation process for FY 2010/11.

5. Budget execution (DME)

- Budget is being executed based on provisions of the law. All public expenditures are governed by the PPCC Act 2005; annual spending plans are prepared based on revenue projections and consolidated by the MoF, based on which allotments are issued;
- Revenue projections are broken down by month as well as expenditure;
- Expenditure Commitment Control system is in place that covers all expenditures including personnel emoluments (Liberian dollar-denominated)
- Payroll management being tightened through improved controls using the SunSystem and a proposed check writing utility. Automation of the check-writing processes will ensure that only approved CMC listings are exported to the check writing facility. Damaged or erroneous check will be re-routed through an approval system before reversing the entries in the SunSystem- and finally re-issuing the check.

6. Fiscal reporting (MFAU)

- Monthly reporting on revenue collections against targets by major-heads;
- Quarterly fiscal outturn reports produced regularly, submitted to Legislature, President and published;
- Quarterly fiscal outturn reports produced and published for Q1 2009/10. This includes reports on virements (budgetary transfers) and use of contingency appropriation- including general claims;
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- M&As reporting to DME on a monthly basis on income and expenditure¹. However, this process needs to be strengthened to cater for regular reporting, analysing the reports in the context of the entire budget execution process of allotments, commitments, payments- in a reconciled manner in order to guide treasury decision making processes.

¹ Monthly revenue + expenditure reporting by M&As- further guidance needed on the current practices- content, quality and analysis done at MoF level

7. Debt and guarantees(DME/DMU)

- Domestic debt resolution strategy prepared and being implemented-domestic creditors being paid;
- Debt Management Strategy prepared and adopted-and to be published annually;
- Debt records are being updated.Based on updated data,debt service will be appropriately provisioned and settled when the right time comes;
- Debt Management Unit being strengthened through personnel training and the imminent automation process(debt management software);
- ToRs for Debt Management Committee developed for eventual appointment of office bearers by the President;

8. Accounting(CG)

- Bank reconciliation unit established-and is being strengthened through capacity building;
- Bank reconciliation unit set up to regularly reconcile payment vouchers and bank statements;
- Fusion/merger of the accounting responsibilities of the BGA and CG under way in order to create unified accounting functions under one roof;
- Common classifications for both the budget and accounting to be used.A new CoA has been adopted and it will guide the classification and coding of the 2010-11 budget data as well as form the backbone for IFMIS installation.
- Accounting Standards have been developed and adopted which are in line with International Public Sector Accounting Standards(IPSAS);training on the new accountating standards will start in January 2010;
- Sunsystem software upgraded to minimize risk and enhance financial controls, fiscal probity, as well as produce financial reports.In particular, risk mitigation measures have been incorporated to strengthen controls between CMC listing and check writing;
- Financial reporting templates generated using international accounting standards.Financial reports from the Sunsystem to be produced using these templates;
- Institutional capacity building initiatives under way, including recruitment and training of accountants from the FMTP at the MoF, who will run the Sunsystem to produce financial reports for FY 2008/9-and later the IFMIS.
- More constructive engagements with banking operations staff of the Central Bank of Liberia;

- Memorandum of understanding relative to operations of payment processes signed between the Central Bank, Commercial Banks and the Ministry of Finance.

9. Internal Audit(IA)

- Internal Audit Strategy(IAS)updated and being implemented.Priorities have been articulated including:1)establishing a robust Internal Audit Secretariat;2)Institutional focus in the first stage of consolidation of the internal audit functions(target key institutions);3) Training and consolidating internal audit cadre in 2010 ready for major roll-out in 2011.Its implementation has started through recruitment of Internal auditors under joint funding between government and UNDP;
- ToRs for the Internal Audit Governance Board as well as the Secretariat prepared ;
- New Internal Audit Director Appointed at the MoF, through funding from UNDP.

10. **External Audit.**Capacity building continues through external funding from the EU.More resources to be available to the GAC through the levying of annual audit fees to public corporations and other public entities outside of the central government

11. **Governance,oversight and monitoring of PFM reforms(Reforms Coordination Unit).**A proposed governance structure has been prepared to put in place a Steering Committee,Secretariat and component managers.A Reform Coordination Unit(RCU)Coordinator has been appointed

Ongoing activities 2009/10

12. Budget formulation (DoB).

- **DoB integration into MoF.**Fast-tracking of the merger of the DoB through Change Management Adviser
- **Medium Term Expenditure Framework .**Preparations for introducing the MTEF in 2012/2013 have already been initiated;a concept note has been prepared by MFAU and circulated for comments
- **Program design.**Redefining and redesigning of programs to go along with the preparations of the MTEF.

13. Budget execution(CG).

- **Payroll control management.** Risk mitigation measures done through the enhancements done on the GAP system with simultaneous improvements in the BGA-CMC-Check writing processes using the Sunsystem;
- Fraud deterrence instituted in check writing and issuance by scaling up the direct deposit scheme;
- Bureaucratic processes reduced by implementing a payment voucher tracking system;
- Improved reconciliation between allotments and commitments being undertaken in the advent of real time data reconciliation under the IFMIS

14. Unified Accounting(CG).

- Principle of unified accounting endorsed by senior management. Concept note developed on the merger of the BGA and CG accounting functions. Further consultations done on the concept note by the Change Management Adviser who is likely to complete the work in early 2010
- Sunsystem enhancements done for reducing the risks in the CMC-check procedures-and to produce financial reports. The Sun System operations further prove (underline) the need to get this function unified. BGA begins the financial process while CG Office ends the cycle with the printing of a check.
- Training being offered to BGA and CG staff on double-entry accounting using the Sunsystem-in order to produce financial statements and prepare them for IFMIS;
- Training of end users on the new CoA to commence in early 2010 targeting staff of line ministries and agencies ready for use in the 2010/11 budget

Gaps/yet to be done 2009/10

15. Legal and regulatory (RCU).

- Issue Financial Regulations and circulate them widely (with the published PFM Act 2009);
- Prepare training program on regulations (urgent);
- New accounting documents, processes, circulars that are required in order to start preparations for their implementation-example a circular is required on the operations of the Consolidate Fund, new pre-numbered payment vouchers and checks are supposed to be prepared;
- Some of the new accounting documents required at agency level include; cash book; all new checks will be crossed and bear the words: "account payee only", and all checks will have a legend issued by the

Minister stating that each cheque must be cashed within six months of the date of issue etc.

- Presentation of Internal Audit (IA) strategy to senior management and get endorsement.

16. Consolidated Fund(CG). Identify all revenue and non-revenue accounts that are supposed to form part of the CF, and issue a circular to government agencies to remit all moneys into the CF-including internally generated funds. This is the responsibility of the CG's Office

17. Cash and banking(CG).

- Establishing a cash management unit/section(likely to be part of the new CG's Office)
- Taking stock of all government accounts and their operational mechanisms-how they came in place, what financial transactions, signatories-with a view to rationalizing them(including closure of some of them);
- Putting in place preparatory mechanisms to implement the Treasury Single Account (TSA) in FY2010

18. Public Debt and guarantees (DMU).

- **Domestic Debt Resolution Strategy.** Need for addressing and resolving issues arising out of the post-KPMG audit of domestic arrears-example validation of claims; open-endedness/cut-off date; annual appropriation; setting up a Trust Fund etc
- **Establishment of the DMC.** Establishment of the Debt Management Committee(Minister, CBL Governor, MoJ and two others to be nominated by HE).;
- Prepare instructions relating to government guarantees and terms and conditions of loan agreements;
- Prepare guidelines relating to the sale of government securities and bonds(DMU);
- Circulate instructions relating to borrowing and government guarantees to all SOEs and autonomous government agencies(AGAs);

19. Accounting(CG).

- Need to prepare ToRs for developing subsidiary instruments namely detailed Accounting Manuals and provide support to harmonize agency operational manuals with the government Accounting Manual²;
- Need to merge the two functional units of the Expenditure Department (BGA+CG's office) into the new Office of the Comptroller General.
- Sensitization and training of Expenditure staff on the requirements of a new organization;
- An assessment of the capacity of the accounting function in government. In order to fulfill the requirements of Section 36(3) on financial reporting, government agencies need to be having operational accounting departments/units;
- Further training of accountants both at MoF and agency level;
- Establishment and strengthening of the CG's Office to fully equip (staffing and training) it with the ability to support IFMIS operations;

20. Reporting(CG).

- Review current financial reporting arrangements between MoF and M&As with a view to orientating them towards best practices in light of the provisions of Section 36(3) of the PFM Act 2009;
- Put in place preparatory mechanisms to implement the provisions of Section 48.1(d) regarding financial reporting requirements of government agencies. These provisions have been deferred for a period of 12 months from the date the law was effective (August 2009)-meaning implementation will be in FY 2010³.

21. Internal Audit(IA).

- Need to prepare ToRs for developing key documentation including: Audit Manual Committee Charter; Annual Risk Assessment; Audit Plan; Audit Announcement Letter; Audit Working Papers; Audit Report
- Appreciation of the Internal Audit Strategy

² The World Bank had initially promised to fund this activity. This was the (unwritten) understanding between the IMF and the WB at the time of drafting the PFM Act in 2008. The WB agreed to undertake its implementation after the regulations had been issued

³ Monthly revenue and quarterly reporting requirements. On a quarterly basis: statement of cash flow, statement of revenue and expenditure from the Consolidate Fund and a balance sheet

- Need to align the recruitment process to the internal audit strategy. Monitoring and oversight by the RCU is required.
- New structures to be established-need for the ToRs for Audit Committees
- New monitoring instruments like the “audit query register”-instructions have to be issued by the Secretariat(of the IAGB) to all agencies;
- The plan is to have the IA organization at MoF be replicated across the other IA units within the line ministries and agencies;
- Recruitment process of additional IA staff is on-going. Funding is now a constraint to conclude this activity;
- Presentation of the draft IA strategy to SMT and the document’s subsequent adoption.

22. PFM Reforms Coordination, Oversight and Monitoring

The Reform Coordination Unit is being organized under the newly-appointed Reforms Coordinator. Funding is being sourced to strengthen the Reforms Coordination Unit and provide buffer for funding of all ongoing capacity building activities.