

PFM ACT IMPLEMENTATION STATUS Q2 FY 2009-10

Actions undertaken 2009/10

1. **Finalization of legal and regulatory instruments.(Reforms Coordination Unit)**
 - PFM Act 2009 passed and published-the law is being widely circulated;
 - PFM Regulations-finalized,and adopted by Cabinet,They have been circulated but there is need for additional distribution alongside the PFM Act. The Regulations are also posted on the Ministry of Finance website.
 - Training conducted to key MoF personnel and the GAC. More training planned for members of the accounting class across government
2. **Modernization of PFM systems towards best practices.**Target date for IFMIS go-live is July 1st 2011.. A bid evaluation exercise has been completed and a report transmitted to WB for non-objection.A new Chart of Accounts has been developedand adoptedand will form the backbone for uploading budget data for FY 2010/11. The new Chart of Accounts has been presented to Senior Management. A circular has been prepared for the Minister for the issue of the CoA to accounting functionaries of government.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. 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. A donor has committed to investing in the SunSystem infrastructure, with a view of strengthening the controls with check printing.
3. **Budget Preparation(Department of Budget + Macro Fiscal Analysis Unit)**
 - 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 Poverty Reduction Strategy;
 - Budget calendar being managed according to the PFM Law.Budget Call Circular was issued in time based on which line ministries and agencies prepared their proposed budget submissions to the National Budget

Committee. Budget documents to be submitted to National Legislature will include annexes as stipulated in Section 12 of the PFM Act. Furthermore, the Minister will formally notify the National Legislature on the changes to budget classification-in a timely manner as stipulated in Section 8.2(c) of the PFM Act.

- 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 Ministry of Planning and Economic Affairs) that captures significant portion of off-budget donor funding. Summaries 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 official adoption of the new CoA in the course of the 2010-11 budget cycle.
- Institutional capacity building occasioned by the merger of the DoB will bolster information sharing and data reconciliation (allotments, commitments and payments,). This is ongoing and facilitates decision making processes for short-term cash flow forecasts (at Cash Management Committee level) and guides the decisions of the Budget Committee and Cash Management Committee-as well as provide essential inputs in the budget preparation process for FY 2010/11

4. Budget execution (Department of Expenditure and Debt Management)

- 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 Ministry of Finance, 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-save for a few checks that are still being issued to individuals;
- Payroll management being tightened through expansion of the direct deposit system and 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. Under the plan, 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.

5. Payroll management

- Minimizing risks in check-writing and issuance processes through deepening of the Direct Deposit Scheme
- Processing the bulk of personnel emoluments through the commitment control system(except a few checks issued for individuals in remote areas)

6. Public Procurement.

The Minister of Finance initiated a meeting, in March, of procurement authorities: Director General, General Services Agency, Executive Director, Public Procurement and Concessions Commission(PPCC), PFM Reforms Coordinator and the Director of Physical Audits, Ministry of Finance.

The meeting decided that: 1) Henceforth, all approval letters of single sourcing from the PPCC will be sent to the Minister of Finance direct for onward distribution to the payment authorities with Expenditure.2) The General Service Agency(GSA) will do general price research and provide copies of price indices to authorities of the Ministry of Finance. Request for payments would be matched against these indices 3) Monthly meeting be held among the procurement stakeholders for information sharing and control.

The Minister of Finance has appointed a new Procurement Specialist to help strengthen the procurement function of the Ministry.

7. Fiscal reporting(Macro Fiscal Analysis Unit)

- Monthly reporting on revenue collections against targets by major-heads.Quarterly fiscal outturn reports produced regularly and published
- 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, analyzing 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.

8. Debt and guarantees(Department of Expenditure/Debt Management Unit)

- A Draft Debt Management Strategy is in place-and has been shared with the IMF mission in town for the 4th review of the ECF program. The Strategy will be submitted to the Debt Management Committee endorsement.

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

- **Establishment of the Debt Management Committee.**The ToRs for the Debt Management Committee have been prepared and the DMC has been fully constituted after the recent appointment of 2 additional statutory members by the President.²
- **Debt software (CS DRMS) installation commenced on the 19th April, by Crown Agents.** Training is included in the overall plan.
- Domestic Debt Resolution Strategy implementation is on-going and domestic creditors are being paid;
- 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 has been strengthened through personnel training and will be strengthened further through installation of debt software.

9. Accounting (Comptroller General)

- The new unified accounting department has been established with a substantive Comptroller-General appointed. The new structure conforms to international good practices in double-entry accounting and reporting and will provide adequate institutional support for the implementation of the IFMIS. The Comptroller-General is assisted by Deputy Comptrollers-General for: 1) Accounting Services; 2) Treasury Services; 3) Personnel and Payroll and; 4) Technical Services. Further staffing needs of the new department will be done through alignment of existing staff to new job positions and additional recruitment if the need arises. Continuous training will be undertaken to equip the accounting class of government with technical skills with a view to supporting the accounting function in the rest of government
- Bank reconciliation unit established and is being strengthened through capacity building. It aims to regularly reconcile payment vouchers and bank statements;
- 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 and implementation.

² Debt Management Committee: Minister of Finance, Governor of CBL, Minister of Justice, Minister of Planning and Economic Affairs; Minister of State (Presidency)

- Accounting Standards have been developed and adopted which are in line with International Public Sector Accounting Standards(IPSAS);training on the new accounting standards is ongoing;
- Sun System 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.
- Institutional capacity building initiatives under way, including recruitment and training of accountants from the Financial Management Training Program at the MoF, who will run the Sunsystem to produce financial reports for FY 2008/9-and later the IFMIS.
- More constructive engagements with Treasury staff of the Central Bank of Liberia.
- Memorandum of understanding relative to operations of payment processes signed between the Central Bank of Liberia, Commercial Banks and the Ministry of Finance.

10. Fiscal reporting(Macro Fiscal Analysis Unit)

- Quarterly fiscal outturn reports produced and published for Quarter II 2009/10.The fiscal outturn includes reports on budgetary transfers and use of contingency appropriation-including general claims;
- Mid-year review of fiscal performance conducted leading to the annual Presidential address to the nation

11. Financial reporting

The GoL has adopted the IPSAS in accordance with the provisions of the PFM Act.Consequently, reporting templates were developed and they form an appendix to the accounting standards adopted by government.In this regard,intensive training of trainers(TOTs)training programs have begun initially targeting MoF personnel.Further training is envisaged for the rest of the line ministries and agencies before the end of the year.This is geared towards meeting the reporting requirements under the provisions of the PFM Act which will become effective one year after the passage of the Act.Further circulars will be issued in the countdown to the effectiveness of these provisions(Section 36 of the PFM Act)

12. Internal Audit(Internal Audit)

- Internal Audit Strategy(IAS)updated, presentation made to Senior Management of the Ministry of Finance, and implementation have begun.Priorities have been articulated by the strategy

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 -need for discussion and finalization;

13. **External Audit.**Capacity building continues through external funding from the development partners.More resources to be available to the GAC through the levying of annual audit fees on public corporations and other public entities outside of the central government as stipulated in the PFM Act(2009)

14. **Governance,oversight and monitoring of PFM reforms(RCU).**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. A Financial Management Specialist has also been recruited from in-house to beef up the Unit.

Ongoing activities 2009/10

15. **Budget formulation(Macro Fiscal Analysis Unit and Department of Budget).**

- Ongoing consolidation of budgetary information to produce the budget estimates-and budget documents for submission to national Legislature;
- Ongoing compilation of information regarding the required annexes to the budget estimates(State Owned Enterprises,publicdebt,off-budget donor projects etc.);
- **Medium Term Expenditure Framework** .Preparations for introducing the MTEF in 2012/2013 have already been initiated.A draft action plan has been developed-and will be presented to senior management and Cabinet for endorsement.A working group has been constituted comprising staff of Macrofiscal,DoB and from the Ministry of Planning and Economic Affairs. The work group has already had its first session.

16. **Budget execution(CG).**

- **Payroll control management.**Risk mitigation measures done throughthe enhancements done on the GAP system with simultaneous improvements in the BGA-CMC-Check writing processes using the Sun System;

- 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

17. Unified Accounting(CG).

- Sun System enhancements done for reducing the risks in the CMC-check procedures-and to produce financial reports;
- Training being offered to BGA and CG staff on double-entry accounting using the Sun System-in order to prepare them for IFMIS;

Gaps/yet to be done2009/10

18. Legal and regulatory(Reforms Coordination Unit).

- Circulate widely the published PFM Act and Regulations;
- 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 need 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 check must be cashed within six months of the date of issue etc.

19. Consolidated Fund(Comptroller General).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

20. Cash and banking(Comptroller General).

- Strengthening the cash management unit a hallmark in the recently established Unified Accounting Function. The unit has cash flow forecasting, as one of its key responsibilities.
- 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

21. Public Debt and guarantees (Debt Management Unit).

- 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);
- Debt Management software to be installed
- Awareness and sensitization to SOEs + AGAs followed by a ministerial instruction

22. Accounting (CG).

- An assessment of the capacity of the accounting functions in government. In order to fulfill the requirements of Section 36(3) on financial reporting, government agencies need to have 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.

23. 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 which will take effect in Q1 of FY 2010-11;
- 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.

³Monthly 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

24. Internal Audit(IA).

- Internal Audit Strategy(IAS) updated in line with the provisions of the PFM Act + Financial Regulations(2009).The IAS was presented to Senior Management-and endorsed with a few additional recommendations.Key documents have been prepared for operationalizing the IAS namely:1) Internal Audit Governance Board Charter;2)Internal Audit Charter and ;3)Audit Committee Charter.In the meantime recruitment of internal auditors for the MoF is ongoing under joint funding of GoL-UNDP.So far (20) auditors have been recruited.A training program has been developed to train the new auditors with a view to generating trainers who will roll out the internal audit function to the rest of government. In this regard, a survey is being conducted by the CSA on the current staffing of internal audit departments at the level of line ministries and agencies.

25. Coordination,oversight and monitoring.The PFM Reforms Coordination Unit(RCU)was established in January this year and is headed by a Senior Financial Management Specialist.The RCU currently has 2 financial management specialists (national staff-including the head)backed by an IMF-funded PFM Adviser.Further recruitment of an economist is envisaged,when resources are available. The Unit is responsible for

- coordination and monitoring the implementation of the PFM Action Plan;
- fast-tracking the implementation of HIPC-CP triggers;
- providing back-up to component managers;
- organizing and coordinating training programs on different components;
- consolidating resource requirements into one budget;
- updating senior management on new developments;
- organizing awareness and outreach programs;
- liaising and coordinating with development partners to update them on progress and seek support for technical assistance. So far,direct contacts have been initiated with SIDA(Sweden),AfDB,IMF,USAID/IBI.⁴
- liaising with higher learning institutions on development of customized curriculum on PFM.

⁴Most of the ministries covered under the initial roll out are basically PRS-related.