

**GOVERNMENT OF SIERRA LEONE**  
**MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT**



**PUBLIC FINANCIAL MANAGEMENT REFORM**  
**PROGRESS REPORT 2017**

**Public Financial Management Reform Unit**

## Table of Contents

ACKNOWLEDGMENTS.....	i
ABBREVIATIONS AND ACRONYMS .....	ii
EXECUTIVE SUMMARY .....	iv
<b>INTRODUCTION .....</b>	<b>1</b>
<b>REFORMING LEGAL AND REGULATORY FRAMEWORK .....</b>	<b>1</b>
<b>MACRO-FISCAL FRAMEWORK AND FORECASTING .....</b>	<b>2</b>
BUDGET PLANNING AND FORMULATION .....	3
AID COORDINATION .....	4
ACCOUNTING, REPORTING AND CASH MANAGEMENT .....	5
REVENUE ADMINISTRATION AND MANAGEMENT.....	6
MANAGING DOMESTIC AND EXTERNAL DEBTS .....	12
STRENGTHENING PUBLIC PROCUREMENT SYSTEMS .....	14
STRENGTHENING HUMAN RESOURCE MANAGEMENT.....	15
FINANCIAL MANAGEMENT IN LOCAL COUNCILS.....	17
STRENGTHENING INTERNAL AUDIT.....	19
PFM OVERSIGHT AND ACCOUNTABILITY.....	21
STRENGTHENING EXTERNAL AUDIT .....	21
PARLIAMENTARY OVERSIGHT.....	22
NON-STATE ACTORS OVERSIGHT.....	23
OTHER PFM REFORMS .....	24
PFM STRATEGY .....	24
PUBLIC FINANCIAL MANAGEMENT IMPROVEMENT AND CONSOLIDATION PROJECT (PFMICP) .....	25
<b>BUILDING CORE SYSTEMS FOR THE GOVERNMENT OF SIERRA LEONE .....</b>	<b>25</b>
WORK STREAM 1: BUDGET EXECUTION - WELL-DEVELOPED AND WELL EXECUTED NATIONAL BUDGET .....	25
WORK STREAM 2: REVENUE MOBILIZATION.....	26
WORK STREAM 3: IMPROVED TRANSPARENCY AND MORE COMPETITION IN NATIONAL PROCUREMENT .....	27
WORK STREAM 4: WAGE BILL - BETTER PROCESSES AND INCREASED CAPACITY FOR MANAGEMENT OF THE PUBLIC SECTOR WAGE BILL.....	28
WORK STREAM 5: MACROECONOMIC - BETTER PROCESSES AND INCREASED CAPACITY FOR MACROECONOMIC MANAGEMENT.....	29
<b>ANNEX 1- NEXT STEPS IN THE PFM REFORM PROCESS .....</b>	<b>34</b>
<b>ANNEX 2: LOANS AND GRANTS.....</b>	<b>34</b>
<b>ANNEX 3: IFMIS IMPLEMENTED AND ROLLED-OUT – MDA’S.....</b>	<b>35</b>
<b>ANNEX 4 - AUDIT OPINION ON THE LOCAL COUNCILS.....</b>	<b>37</b>
<b>ANNEX 5-PERFORMANCE BASELINE,TARGETS AND ACTUALS .....</b>	<b>50</b>

## Acknowledgments

This report was compiled by the Public Financial Management Reform Unit<sup>1</sup>. It is based on various updates from key stakeholders implementing public financial management (PFM) reform in Sierra Leone across Ministry of Finance and Economic Development (MoFED) and other Ministries, Departments and Agencies (MDAs) and oversight bodies.

The Government of Sierra Leone in collaboration with development partners; African Development Bank, Department for International Development, European Union and the World Bank, the International Monetary Fund among others provided support on improving PFM reforms for the year 2017.

Strategic direction was provided by the Acting Director, PFM Reform under the overall guidance of the Office of the Financial Secretary.

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## Abbreviations and Acronyms

AfDB	African Development Bank
AGD	Accountant General’s Department
ASSL	Audit Service Sierra Leone
ASYCUDA	Automated System for Customs Data
BB	Budget Bureau
BoSL	Bank of Sierra Leone
CG	Central Government
CSOs	Civil Society Organisations
DACO	Development Assistance Coordination Office
DBOC	District Budget Oversight Committee
DfID	Department for International Development
ECMC	Economic Contract Management Committee
EPRU	Economic Policy and Research Unit
FSS	Fiscal Strategy Statement
GBAA	Government Budgeting and Accountability Act
GFS	Government Financial Statistics
GoSL	Government of Sierra Leone
GRP	Government Resource Planning
GST	Goods and Services Tax
HRMO	Human Resource Management Office
IAD	Internal Audit Division
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institution
IPRP	Independent Procurement Review Panel
IPSAS	International Public Sector Accounting Standard
LC	Local Council
LGA	Local Government Act
LGFD	Local Government Finance Department
MDAs	Ministries Departments and Agencies
MoFED	Ministry of Finance and Economic Development
MOU	Memorandum of Understanding
MPD	Multilateral Project Division
MTEF	Medium Term Expenditure Framework
NASSIT	National Social Security Insurance Trust
NPPA	National Public Procurement Authority
NRA	National Revenue Authority
NSA	Non-State Actors
PAC	Public Accounts Committee
PDMD	Public Debt Management Division

PEFA	Public Expenditure and Financial Accountability
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFMRU	Public Financial Management Reform Unit
PIM	Public Investment Management
RRM	Revenue Resource Management
RTPD	Revenue and Tax Policy Division
SAI	Supreme Audit Institution
SLAA	Sierra Leone Airport Authority
SLIMM	Sierra Leone Integration Macroeconomic Model
SVAs	Sub-vented Agencies
TOR	Terms of Reference
TSA	Treasury Single Account

## Executive Summary

Effective institutions and systems of public financial management play a critical role in the implementation of national policies concerning development, poverty reduction and control over the use of public resources in fulfilling the government's policy objective. A good PFM system ensures revenue is efficiently collected and utilized appropriately and sustainably.

**Legal and Regulatory Framework:** key pieces of legislation, including the Fiscal Management and Control Act and the Revenue Administration Act were ratified by Parliament in 2017 and also received presidential assent in the same year. Implementation of these legislations will serve as a solid foundation for the efficient collection of revenue. The PFM Regulations to support the PFM Act of 2016 was laid in Parliament and the Regulations to support the National Procurement Act at an advanced stage.

**Macro-Fiscal Framework and Forecasting:** MoFED continues to develop the fiscal strategy statement which is an overview of recent macroeconomic and fiscal developments and macroeconomic forecasts for the next three years or more which was submitted to Parliament for the FY2018. The macrofiscal working group continues to develop macrofiscal forecasts for discussions with development partners.

**Budget Planning and Formulation:** the MTEF guidelines of 2012 was reviewed by key stakeholders to align the guidelines with the provisions of the PFM Act of 2016. The budget process continues to be transparent through policy hearings and budget discussions with participation of Parliamentarians, Non-State Actors, District Budget Oversight Committees, MDAs and Local Councils (LCs). A draft National Public Investment Policy has been developed and is expected to be finalized in 2018. Implementation of this policy will further improve on the efficiency and effectiveness of capital spending.

**Accounting, Reporting and Cash Management:** The Accountant-General continues to prepare financial statements in accordance with internationally accepted accounting standards and maintains timely submissions, within three months after the end of the financial year to the Auditor-General for Audit. The FY2016 General Purpose Financial Statements (GPFS) of the Consolidated Fund was prepared using the cash Basis IPSAS. Transparency in financial reporting was enhanced through further analysis of expenditure, external and domestic debts and contingent liabilities.

**Revenue Administration and Management:** Revenue collected and banked by the NRA amounted to Le3.202 trillion as at 31<sup>st</sup> December 2017 compared to Le2.799 collected in 2016. There is however a shortfall of Le227 billion as against the revised IMF target of Le3.429 trillion for 2017. The Revenue Administration Act was enacted in 2017 to harmonize the administrative provision of penalties in all the revenue related legislations. Measures have been put in place by the NRA to ensure transparency and accountability is improved in domestic revenue collection, processes and procedures. This is achieved by minimizing revenue leakages and expediting transfer of revenue to the Consolidated Revenue Fund (CRF) and payment of all tax

revenues directly to transit commercial bank accounts or directly to the Central Bank and signing of MOUs with all commercial banks.

**Managing Domestic and External Debts of GoSL:**Total debt owed in 2017 to external creditors (i.e. Multilateral, Bilateral and Commercial creditors) stood at Le 11.4 trillion while principal and Interest payment amounted to Le 303.3billion. Total amount of domestic debt in 2017 was Le4.5trillion while interest amounted to Le 535.1billion. MOU was signed with two Stated Owned Enterprises: Sierra Leone State Lottery Company and Sierra Leone Airport Authority in a bid to net off the liabilities of Government against the liabilities of the companies and then agree on a payment plan for the net debtor. One of the major challenges in the Auditor-General's report over the years has been the reconciliation of external debt figures with the external creditors.

**Strengthening Public Procurement Systems:**funding of an eProcurement system to be implemented by the Government of Sierra Leone through the National Public Procurement Unit (NPPA) was approved by the World Bank through the Public Financial Management Improvement and Consolidation Project (PFMICP) in 2017. A steering committee consisting of key stakeholders has been established for effective implementation. A basket survey for the development of a Price Norm was undertaken in October of 2017. Data obtained from the survey will create the basis for the conduct of a price survey. The World Bank concluded the review of the effectiveness portion of the first Productivity and Transparency support credit to Sierra Leone on public procurement which resulted in budgetary support granted to GoSL by the Bank.

**Improving Human Resources Management:** the Human Resource Management Office (HRMO) continues to conduct Manpower Planning and Budget Hearings that feeds into the national budget. Human Resource Analysis and Forecast for 2018 was undertaken to determine all authorized posts with its related existing labour force and vacancies to be included in the Establishment List as well as staff changes and creation of new positions. Salaries of teachers are now paid into their various individual bank accounts instead of school bank accounts to reduce leakages. 98% of employees of sub-vented agencies are also paid directly into their individual bank accounts. Significant progress has been made on updating employee NASSIT numbers in the payroll database; the total number of employees without NASSIT numbers as at December 2017 is about 228.

**Financial management in Local Councils:**the PFMRU continues to provide technical support for all the local councils in the area of public financial management. Financial statements for 2016 were prepared and submitted to the Auditor-General for audit by all local councils in accordance with the Local Government Act of 2004. 14 out of the 19 local councils obtained unqualified audit reports. The PFMRU in collaboration with the Local Government Finance Department (LGFD) and the Decentralization Secretariat (DecSec) provided technical assistance to finance officers of local councils and the devolved sector MDAs to ensure their 2018 budget estimates are aligned with policy objectives development plans and activities. Internal auditors

of local councils were trained on Risk Based Internal Auditing and audit fundamentals to enable these officials strengthen internal controls in local councils.

**Strengthening Internal Audit:**the Public Sector Governance Unit for Africa of the Commonwealth Secretariat provided technical assistance to the Government to develop an Enterprise Risk Management (ERM) Policy and Framework for the GoSL. For its effective implementation, an Implementation Plan for the Policy and Framework was developed by the Internal Audit Department and forwarded to the Commonwealth Secretariat for review. In accordance with the provisions of the First Protocol of the Mano River Union (MRU) Declaration and in partial fulfilment of its mandate, the MRU Audit Committee held its fourth meeting in October 2017. The objective of the meeting was to review internal and external Audit Reports, the draft internal Audit Charter, Internal Audit Activity Report for the previous years and the 2018-2020 Internal Audit Strategy.

**PFM Oversight and Accountability-External Audit:**the Audit Service Sierra Leone continues to audit financial statements of central government and local councils as well as expanding on other areas. These include Revenue, Environmental, Procurement, IT and Forensic Audits. Performance Audits were completed for two institutions; Environmental and Protection Agency, (EPA) on monitoring of environmental compliance and enforcement and the Youth in Drainage Clearing Project within the Ministry of Youth Affairs (MOYA). Performance auditing is ongoing for the Ministry of Agriculture on the Management of Fertilizer and Ministry of Health and Sanitation on HealthCare Waste Management. As at March 2017, the ASSL started auditing activities in the extractive industries. The audit of surface rent revenue by the National Minerals Agency (NMA), has been completed. ASSL has commenced auditing of Civil Society Organizations in September 2017 and six pilot CSOs. Monitoring of Environmental Compliance and Enforcement by the Environmental and Protection Agency, (EPA) and, conducted by the Ministry of Youth Affairs (MOYA).

**PFM Oversight and Accountability - Parliamentary oversight:**the Parliamentary oversight committees comprising of Parliamentary Finance Committee (PFC), Public Accounts Committee (PAC) and Transparency and Accountability Committee (TAC) continues to provide oversight and scrutiny of public finances. The Public Accounts committee of Parliament has completed scrutiny on the 2015 Public Accounts which is yet to be tabled in Parliament, whilst verification is ongoing for the 2016 accounts.

**PFM Oversight and Accountability - Non-State Actors and Civil Society Oversight:**Non-State Actors (NSAs) continue their active participation in the budget process. Over 100 NSAs participated in policy hearings and bilateral budget discussions for the FY 2018 for central government as well as local councils.

The Secretariat has produced a report highlighting the successes and challenges encountered during the process and recommendations for improving the process

## Introduction

This report provides a comprehensive picture of the progress in the PFM reform efforts in Sierra Leone addressing all areas of PFM reform including legal and regulatory framework, budget planning and formulation, budget execution and internal and external oversight. It highlights key principles of the PFM reform which guides policy makers and key emerging issues in the PFM arena which inform users in designing and implementing PFM reforms. Next steps in the PFM reform process are identified in Annex 1.

## Reforming Legal and Regulatory Framework

Significant progress is being made in reforming the legal and regulatory framework in a bid to improving on implementation of the Government of Sierra Leone's PFM reform agenda. The table below shows the status of the various legal and regulatory frameworks.

Following the enactment of the Public Financial Management Act 2016 that replaces the Government Budgeting and Accountability Act of 2005 (GBAA), the Regulations to support the Act, the Public Financial Management Regulations was laid in Parliament by the Minister of Finance and Economic Development and gazetted "volume CXL VIII, No. 80" dated 16<sup>th</sup> of November 2017. A simplified version of the Public Financial Management Act and an Implementation Plan for implementing the Act were developed.

The Public Procurement Regulations to support the Public Procurement Act 2016 is at an advanced stage. The National Public Procurement Authority (NPPA) submitted the revised Regulations to the Law Officers Department for drafting and onward submission to the Government Printers.

The Fiscal Management and Control Act was enacted by Parliament on the 10<sup>th</sup> of October 2017 and received presidential assent on the same day. This Act provides direction for the transfer of revenues and other monies received by Agencies of Government into the Consolidated Fund and for other related matters. Six Agencies are identified in the Act; the Petroleum Regulatory Agency, the Petroleum Directorate, Road Maintenance Fund Administration, Environment Protection Agency, National Telecommunications Commission and Sierra Leone Maritime Administration.

The Revenue Administration Act was also enacted by Parliament on the 10<sup>th</sup> of October 2017 and received presidential assent on the same day. The Act consolidates and harmonizes the various provisions relating to the administration of taxes and duties. It avoids repetition and promotes consistency by reconciling and unifying the administration of different revenue laws.

The Extractive Industry Revenue Bill is under review. Amendments relating to treatment of existing mining and petroleum agreements were approved by Parliament and forwarded to the Law Officers Department for drafting.

The revision of the National Revenue Authority Act of 2002 is at an advanced stage. This revision has been performed internally by the National Revenue Authority and the Ministry of Finance and Economic Development. These institutions are performing a preliminary revision of the Goods and Services Tax Act of 2009. All revisions relating to the Mines and Minerals Act of 2009 are included in the Extractive Industry Revenue Bill.

The Finance Bill 2018 which provides for the imposition and alteration of taxes in 2018 was passed into Law by Parliament on the 7<sup>th</sup> December 2017.

An Internal Audit Bill has been developed to strengthen internal audit functions in MDA's. The Bill is currently being reviewed by key stakeholders prior to its enactment.

<b>Table 1-Legal and Regulatory Frameworks Supporting PFM in Sierra Leone</b>		
<b>RECENTLY ENACTED</b>	<b>UNDER REVIEW</b>	<b>OUTSTANDING</b>
<b>Fiscal Management and Control Act 2017</b>	Public Procurement Regulations 2006	National Revenue Act 2002
<b>Revenue Administration Act 2017</b>	The Local Government Act 2004	Goods and Services Tax Act 2009
<b>Finance Act 2017</b>	Public Financial Management Regulations 2017- Tabled in Parliament	Customs Act 2011
-	-	Internal Audit Bill
-	-	

### Macro-Fiscal Framework and Forecasting

The Fiscal Strategy Statement and Statement of Economic and Financial Policies 2018 were prepared in line with the requirements of the Public Financial Management Act 2016 and presented to Parliament on the 27<sup>th</sup> October 2017 with the theme: “Strengthening Resilience for Inclusive Growth”. On Wednesday 1<sup>st</sup> November 2017, lawmakers commenced a three days debate on the Bill entitled “The Appropriation Act, 2018”. This Bill aims at authorizing expenditure from the Consolidated Fund for the services of Sierra Leone for the year 2018 and for other related matters.

The Macroeconomic database was updated and disseminated to development partners, Government agencies and the general public. The data used for updating the macroeconomic database forms the basis of the economic policy and decision-making process. The data analysis carried out is also used to prepare the documents required for disbursement of donor support funds to Government in addition to meeting certain agreed criteria.

The Macro-Fiscal Working Group comprising representatives from MoFED, Bank of Sierra Leone, National Revenue Authority, and Statistics Sierra Leone on a regular basis meet to discuss relevant information derived from the Integrated Macroeconomic Model and Mining Revenue Forecasting Model to produce macro-fiscal forecasts. These forecasts are discussed and agreed with the International Monetary Fund for the macroeconomic framework for the medium term.

The MoFED's Economic Policy and Research Unit (EPRU) remains the coordinating unit for the National Coordinating Committee (NCC) which monitor and report on the ECOWAS Monetary Cooperation Programme (EMCP). Accordingly, the Unit prepares comprehensive half yearly and annual macroeconomic report including progress in achieving the macroeconomic convergence criteria; attend all WAMZ Convergence Council meetings and coordinates all Multilateral Surveillance meetings.

Dialogue with development partners on economic reform programmes including the IMF, World Bank, African Development Bank and European Union among others is continuously held with respect to programme negotiations, prior actions, benchmarks and other related activities. Accordingly, the Unit continues to monitor and report on the implementation of donor benchmarks and prior actions.

### Budget Planning and Formulation

The Medium-Term Expenditure Framework Guidelines 2012 was reviewed by the Budget Bureau in collaboration with the European Union State Building and Capacity Technical Assistance Project (EUSBCTAP). The review process was undertaken to align the Guidelines with provisions of the PFM Act of 2016 on the budget process.

Budget Bureau in collaboration with Civil Society Organizations (CSOs) and District Budget Oversight Committees (BDOCs) successfully conducted the Budget Policy Hearings and Bilateral Budget Discussions for MDAs and local councils on the FY2018 budget.

Building the capacity of key Government officials in the budget process has been a focus especially in the preparation of strategic plans that are uniform and consistent across all MDAs. Budget Officers, Procurement Officers and Accountants in 54 MDAs were trained on the budget classifications with the objective of ensuring that participants understand the revised Government's Chart of Accounts based on the Government Finance Statistics (GFS) 2001 migration. They are thus equipped to develop the budget formulation framework and budget classification systems for their entities that are consistent with the GFS 2001 requirement. The recently recruited Budget Officers of the Budget Bureau of MoFED received hands-on training on budget data analysis and report writing which included basic understanding of the budget process, the fiscal table, charts, line graphs and trend analysis, Gross Domestic Product (GDP), composition of revenue and total expenditure, budget deficit/ surplus, as well as financing and reporting templates for budget execution. Trainings on Gender Based Budgeting for MDAs, CSOs and DBOCs were also delivered.

The PIMU was established within the MoFED to improve efficiency and effectiveness of capital spending through the development of a framework for public investment and establish a process to ensure project selection and procurement are enhanced. Furthermore, financial implications in terms of the budget and fiscal risks are well considered as part of the decision-making process. A draft National Public Investment Policy was developed, which is the first National Public Investment Policy for Sierra Leone. The draft Policy was developed in partnership with key stakeholders across Government and development partners through a consultative process. The draft policy is expected to be finalized in 2018 followed by development of its Operational Manual.

#### Aid coordination

Two Presidential Development Partnership Committee meetings were held and chaired by H.E the President and Co-chaired by the World Bank and the United Nations Resident Coordinator in March and December 2017, respectively, to ensure government and development partners maintain a platform for structured dialogue and consensus building. The first meeting focused on the March 2018 national elections preparations, civil registrations updates on the presidential recovery priorities and the 10 to 24 month post Ebola recovery program. The December meeting focused on the preparedness of the national elections.

The Development Assistance Report for 2016 was finalized, produced and launched by the Development Assistance Coordinating Office (DACO). The report entails the total donor involvement (commitments and disbursements) across all sectors of the economy with analysis of the various channels of funding. A nationwide dissemination workshop of the 2016 Fragility Assessment Report was undertaken across the country with the principal aim of discussing the result and findings at district level. A strategy for Resource Mobilization on how to increase Sierra Leone's overall donor base by engaging new and traditional donors both locally and internationally was also developed.

DACO benefited from professional training program through the United Nations Development Program (UNDP) at the African Institute of Management and Science on fund raising, management and control and monitoring and evaluation of donor funded projects. The purpose was to enhance understanding in the dynamics and strategies involved in fund-raising for development projects and the management of the funds in Sierra Leone.

In its continued effort to source external funding, the Multilateral Project Division (MPD) of the MoFED, facilitated negotiations, approval and signing of 10 financing agreements (see Annex 2). The financing agreements are divided into loans and grants approved by Cabinet; ratified by Parliament, and certificates of ratification issued.

The MPD also continues to review and approve withdrawal applications. For 2017, a total number of 331 withdrawal applications were processed to drawdown funds for various development projects.

The division also facilitated a supervision mission from the World Bank for the Smallholder Commercialization Agribusiness Development Project, the Rural and Private Sector

Development Project, IFAD on the Smallholder Commercialization Program under the Agricultural Food Security Program and the Islamic Development Bank Scholarship mission.

## Accounting, Reporting and Cash Management

### Accounting and Reporting

The Accountant-General continues to prepare financial statements in accordance with internationally accepted accounting standards and maintains timely submissions, within three months after the end of the financial year, to the Auditor-General, for audit. The audit process is at an advanced stage awaiting audit opinion. The FY2016 General Purpose Financial Statements of the Consolidated Fund was prepared using the cash Basis IPSAS. Transparency in financial reporting was enhanced with the inclusion of the following in the Annual Financial Statements of Government:

- ✓ **Analysis of Expenditure Items** by object code and by MDA – expenditure analysis of Wages, salaries and other employees' benefits as well as of use of goods and services are provided by object code and at MDA level.
- ✓ **External Debts Schedule** – inclusion of year loan signed; total loan approved; year of first disbursement; grace period (in years); first repayment year; number of payments per year; total number of payments; and last year of repayment.
- ✓ **Domestic Debts** – inclusion of maturity periods of treasury bonds, interest rates and Interest due period
- ✓ **Contingent Liabilities (and Government Guarantees)** – limited information on Contingent liabilities and government guarantees were included in the public Accounts, based on a requirement of the PFM Act 2016 for the submission of a Fiscal Risk Statement.

### Integrated Financial Management Information system (IFMIS)

The IFMIS is currently rolled out to 30 MDAs as listed in Annex 3. Plans are ongoing for rolling out IFMIS to additional 24 MDAs. The PFMRU continues to provide functional support to all rolled-out MDAs as well as monitor effective functioning of the system.

An independent assessment of the IFMIS was undertaken by AH Consulting Ltd to provide an independent assessment of the IFMIS in a bid to establish any operational, functional and system design deficiencies of the system. As part of the recommendations of the assessment, an IFMIS Strategy was to be developed to drive the IFMIS implementation, roll-out and upgrade. This resulted in the development of a four year Strategy 2018 -2021 by AH Consulting Ltd.

The current IFMIS classic system is planned to be migrated to a three-tier web-enabled application called the GRP version 7. Planning for an IFMIS migration to web platform GRP version 7, for full integration of the system, is at an advanced stage.

A fully functional Cash Management Unit has been established at the Accountant General's Department to enable government fund its expenditures in a timely manner and meets its

obligations as they fall due. Budgetary Agencies, SVAs, and other entities are required in accordance with section 49 of the PFM Act to prepare and submit cash flow forecasts and reports; and prescribe procedures, methodologies, forms, and any other matters in respect of such forecasts and reports to the Minister of Finance and Economic Development. This Unit is responsible for developing cash flow forecasting templates, institutionalizing cash flow data gathering from MDAs, establishing cash flow data base and a longer term cash flow forecast for at least three months with weekly forecasts presented to Government for decision-making.

A joint working group for TSA, comprising of members from the Central Bank and the AGD was established for effective implementation of the TSA. The Fiscal Management and Control Act of 2017 provides direction in the implementation of the TSA. Assessment of the technological, infrastructure, organizational and institutional arrangements for the system have been completed through the provision of services by INLAKS Computers and Crown Agents. Rationalization and closure of dormant accounts has resulted in the reduction of the total number of Government bank accounts to 1,000 by the end of the reporting period. Dormant accounts of MDAs have been closed and balances transferred to their bank accounts at the Central Bank. As a result, all MDAs now have disbursement or *imprest* accounts at the Central Bank linked to the system.

A pilot implementation on a sample of 10 SVAs is to be conducted. Disbursements, revenue and retained revenue accounts were opened at the Central Bank followed by closure of various accounts in the commercial banks. Cash plan templates have also been developed for these SVAs and consolidation of their cash plans ongoing. The identified SVAs for piloting are mentioned below:

1. Africa Peer Review Mechanism
2. Central Intelligence Unit
3. Financial Intelligence Unit
4. Law Reform Commission
5. Office of the Ombudsman
6. Monument and Relics Commission
7. Independent Media Commission
8. National Commission for Democracy
9. National Protected Area Authority
10. National Tourist Board

## Revenue Administration and Management

The National Revenue Authority (NRA) has been doing very well in respect of these four variables of PFM which includes budget, treasury, accounting and control. The following achievement below represent the Authority action pursuing in relation to its PFM activities including the analysis of NRA revenue performance for the period Q1 –Q4 of 2017.

This will cover the following six (6) broad Public Financial Management (PFM) activities of the NRA:

- 1. Domestic Revenue Administration**
- 2. Actual Revenue Performance in 2017**
- 3. Revenue audit and investigation**
- 4. Revenue Transparency and Accountability**
- 5. Effort on revenue reconciliation**
- 6. Reforms Pursued by the Authority**

### **Domestic Revenue Administration**

This relates to the administration of government revenues, which include both tax administration and customs administration. Given that the vision of the NRA is to have an equitable, effective, simple and transparent tax system, it is expedient for the NRA to provide adequate information to its customers (particularly taxpayers) about their rights and obligations.

In a bid for the Authority to ensure that its customers are satisfied with the tax collection processes and procedures, the following were achieved during the period under review:

- Developed and launched ‘**The NRA Call Centre**’ that allows customers to ask relevant questions relating to taxation and the operations of the Authority. However, this Centre envisaged few challenges as taxpayer’s bear the telephone cost resulting in the participation of few among the many customers;
- Conduct periodic radio and television programmes on tax and non-tax related issues;
- Conduct periodic stakeholder/tax workshops to educate and sensitize taxpayers on their rights and obligations
- Increased the availability of information (such as tax returns filing, different tax types and tax rates to determine the tax liability, processes and procedures in tax clearance, the method of assessment of the tax base, the exemptions and the violations of tax and penalties, reminders on the deadlines for the different tax types etc.) to taxpayers, assisting and informing them of their responsibilities;
- With respect to tax redress, audit assessment and objections are reported to the Commissioner of DTD; which in turn are handled by the D&M Unit of the DTD.
- In the case of fraudulent tax issues, redress is sort from the Revenue Intelligence and Investigation Unit (RIIU);
- Where taxpayers are unsatisfied with the outcome, they proceed to the Appellate Board of Income Tax Commissioners.

- From the Appellate Board of Income Tax Commissioners if a taxpayer is still dissatisfied, he/she is allowed to pursue the case with High Court.

### Actual Revenue Performance in 2017

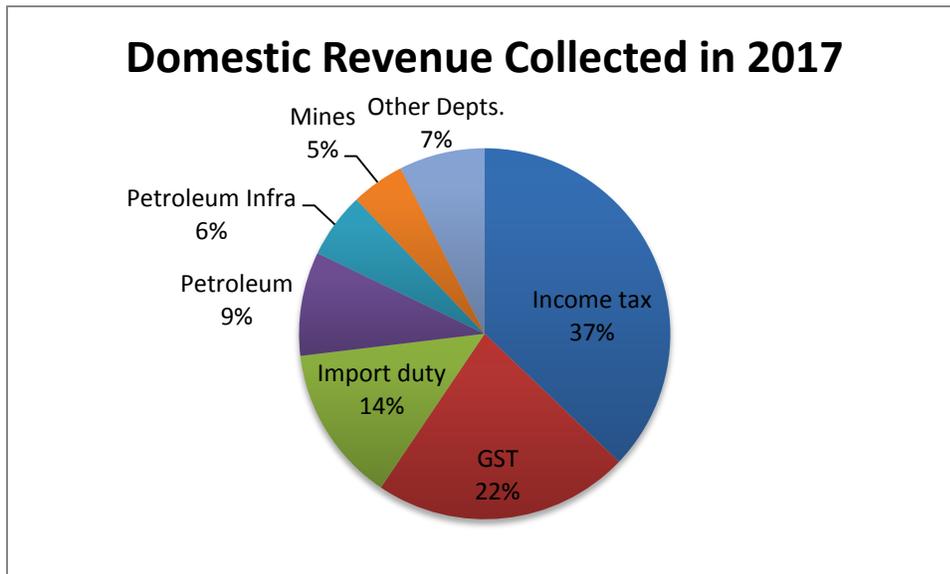
Table 2 shows NRA actual revenue performance against its revised annual target for the period Q1 – Q4 of 2017. As indicated in Table 1, actual collection for the period amounted to **Le3.202 trillion** as against the September revised annual target of **Le3.429 trillion**. This means that the Authority fell short of its 2017 Revenue target by **Le 227 billion** by end December 2017.

As depicted in Table 2, quarterly revenue performance stood at Le785.5 billion, Le828.2 billion, Le722.8 billion and Le865.4 billion in Q1, Q2, Q3 and Q4 respectively.

**Table 2: NRA Revenue Performance Q1-Q4, 2017 (Amount in Leones)**

Details	Actual Q1 Collection	Actual Q1 Collection	Actual Q1 Collection	Actual Q1 Collection	Total Revenue Collection (Q1-Q4)	Revised Annual Target	Variance
<b>Total NRA Revenue</b>	<b>785,594</b>	<b>828,273</b>	<b>722,750</b>	<b>865,399</b>	<b>3,202,015</b>	<b>3,429,292</b>	<b>-227,277</b>
<b>Domestic Tax Department</b>	<b>450,957</b>	<b>490,150</b>	<b>427,719</b>	<b>534,754</b>	<b>1,903,580</b>	<b>2,088,053</b>	<b>-184,473</b>
Income tax Revenue	271,189	302,342	266,008	349,231	1,188,771	1,261,704	-72,933
Goods and Services Tax	179,768	187,808	161,711	185,523	714,810	826,349	-111,539
<b>Customs Service Department</b>	<b>242,247</b>	<b>256,802</b>	<b>211,724</b>	<b>198,994</b>	<b>909,768</b>	<b>987,002</b>	<b>-77,234</b>
Import duty & Alcoholic Excise	110,747	110,415	99,876	115,789	436,827	539,800	-102,973
Petroleum Excise	131,500	146,387	111,848	83,205	472,941	447,202	25,739
<b>Non-Tax Revenue o/w</b>	<b>92,389</b>	<b>81,321</b>	<b>83,306</b>	<b>131,650</b>	<b>388,667</b>	<b>354,237</b>	<b>34,430</b>
Mines Dept	30,806	48,810	31,454	37,954	149,024	146,426	2,598
Other Depts.	61,583	32,511	51,853	93,697	239,643	207,811	31,832

The figure below further presents the proportional distribution of revenue collected in 2017. It shows that the main revenues streams that contributed to collection in the year were income taxes, goods and services tax, and customs import and excise duties.



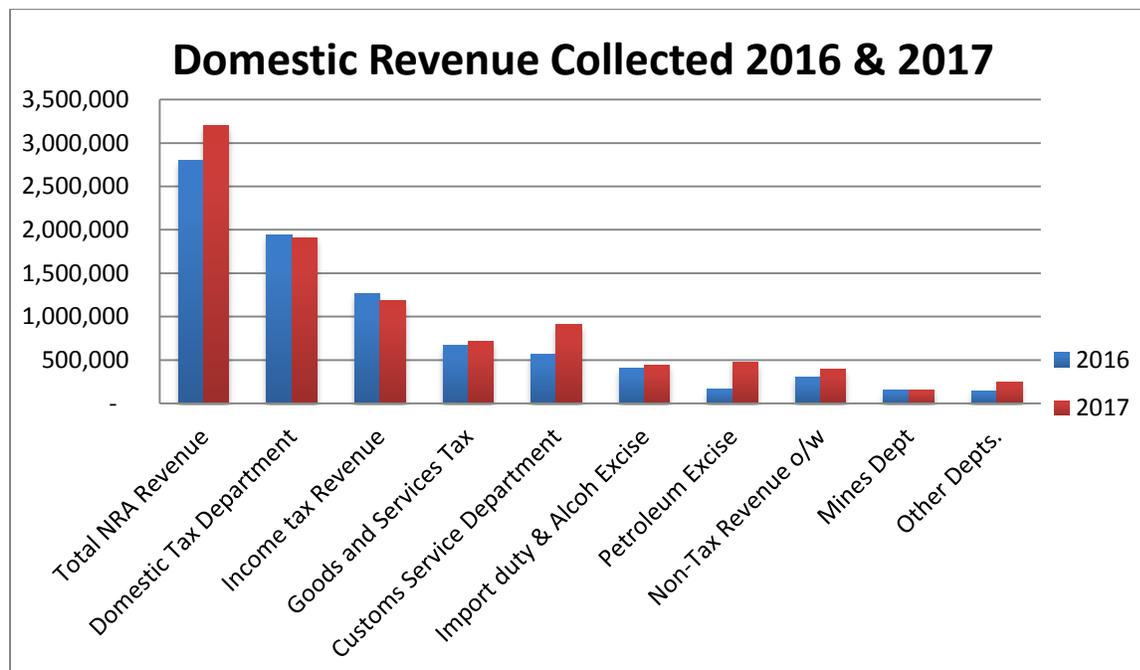
#### Reasons for Underperformance:

Among the key reasons for revenue underperformance in the period relative to target, are the following:

- Delay in enacting the Finance Act 2017 (only approved in June, 2017), which has several revenue enhancing measures;
- Non-continuation of the Short Term Revenue Improvement Project (STRIP) in the first quarter of 2017 as expected due to financial challenges with the NRA. This implies the skewed quarterly projection towards the first half of the year was seemed unrealistic;
- Lower than expected returns from underground/kimberlite mining by Koidu Holdings;
- Lower than expected import activity in year, which may be associated with elections preparations

Even though revenues collected in 2017 may have been short of the target, when compared with collection in the previous year of 2016, collection was 14.3% higher in 2017. As shown in the figure below most revenue streams were higher in 2017 compared to 2016.

The only exceptions were income tax and mines revenues, which was the result of one-off collections in 2016 of Capital Gain Taxes from the sale of Airtel and Sierra Rutile in that year.



### Revenue audit and investigation

The NRA has different departments/units which to a greater extent are responsible for revenue audits and investigations to minimize non-compliance and revenue leakages. These departments/units include the RIIU, PCA, D&M, ASU, and MRP.

- The Revenue Intelligence and Investigation Unit (RIIU) which was created in 2012 investigates high level tax evasion cases and in the process they recover substantive revenue thereby maximizing revenue collection.
- The D&M Unit of the Domestic Tax Department designs the audit plan and does risk profiling of taxpayers of the Domestic Tax Department and this has been very effective to date. It must be noted however that the risk profiling is currently done on a manual basis in which the selection of taxpayers is prone to discretion.
- On the customs front, the Post Clearance Audit (PCA) Unit carries out post clearance audit on importers often selected via the risk management unit. This has contributed immensely to trade facilitation in the country;
- With regard border checks, the Anti-Smuggling Unit (ASU) was transformed into the Flexible Anti-Smuggling Team (FAST) to help man the numerous border crossing points with the aim of minimizing physical smuggling.
- The NRA through the MRP and CSD departments regularly monitor the granting of duty-waiver approved by MoFED.

## **Revenue Transparency and Accountability**

The Authority has been very effective in ensuring that some form of transparency and accountability exists in domestic revenue collection, processes and procedures through the following:

- With the aim to minimized revenue leakages and to expedite the transfer of revenue to the CRF, the NRA ensures that almost all tax revenues are directly paid either at the Transit Commercial Banks or directly at the central bank;
- For effective implementation of this reform, the Authority further signed MOUs with thirteen (13) transit commercial banks in addition to the central bank.
- As stated in the MOU, the transit banks are required to remit all taxes/revenues collected into Consolidated Revenue Fund (CRF) within 24hrs.
- Additionally, the Monitoring, Research and Planning Department of the NRA on regular basis makes available revenue report to the Commissioner- General, NRA Board of Directors and the minister of the MoFED as and when needed.
- NRA also attends a weekly cash management meeting at MoFED in which weekly revenue updates and forecasts are discussed with respect to government expenditure;
- Finally, revenue collection outturns are often made public through periodic radio and television discussions

## **Effort on revenue reconciliation**

Revenue reconciliation is the process of verifying the actual amount of revenue collected over a specific period of time. The NRA has been very instrumental in this activity in the following ways:

- For proper accountability, the Authority has been undertaking yearly revenue reconciliation with Accountant General's Department (AGD) and the Bank of Sierra Leone.
- Also, the Authority undertakes weekly and Monthly revenue reconciliation activities with the transit commercial Banks.
- In addition to the reconciliation with external body, NRA has Finance officers resident at each of the Tax District/operational department to help coordinate payment and reconciliation activities of the Authority.
- For custom's collection, actual payment statements are daily, weekly and monthly reconciled with those reported/recorded by the Payment Modules of the ASYCUDA++.

## **Reforms Pursued by the NRA**

The under mentioned are currently the ongoing reforms at the NRA. These reforms have been categorized into two – System/Automation reforms and Revenue administration reforms as outlined below:

### **System reforms:**

The NRA is currently pursuing four key system reforms as follows:

- Introduction of Integrated Tax Administration System (ITAS) for domestic tax administration. (prior to the implementation of ITAS, interim system solutions that will enhance domestic tax administration and ease the implementation of ITAS are also being implemented and include.
- Migration from ASYCUDA++ to ASYCUDA World (web based) and Customs Single Window

- Implementation of a Revenue Accounting and Reconciliation System
- Introduction of Electronic Cash Register (ECR) for GST administration
- It must be noted that these reforms

### Revenue administration reforms

The NRA is currently pursuing the following revenue/tax administrative reforms:

- Establishment of the Centralized Debt Management Unit (CDMU)
- Establishment of an Appeals and Objections Unit
- Introduction of Compliance and Enterprise Risk Management
- Implementation of a Customs Gold Card Scheme to encourage compliance
- Legislative reforms (Excise Act of 1982; Customs Tariff Act of 1978, Income tax and GST regulation, Review of the NRA Act 2002, development and consolidation of Customs Regulations)

### Managing Domestic and External Debts

The key traditional function of the Public Debt Management Division is the payment of external debt to our multilateral and bilateral creditors. The Commonwealth Secretariat Debt Recording and Management Systems (CS-DRMS) software is used to manage external debt. On a monthly basis, the system generates debt service payments due to the external creditors. PDMD prepares the authorization for the signature of the Financial Secretary and the Accountant-General. The authorization is then sent to the Bank of Sierra Leone to effect payment to the external creditors.

In, 2017, debt owed to External Creditors (i.e. Multilateral, Bilateral and Commercial creditors) stood at Le 11.4 trillion while Principal and Interest payment amounted to Le 303.3billion. Total amount of Domestic Debt in 2017 was Le4.5trillion while interest amounted to Le 535.1billion.

Total Debt Service payment to External and Domestic Creditor authorized and effected by the Bank of Sierra Leone for the financial year 2017 amounted to Le 838.5billion<sup>2</sup>. (See analysis below):

**Table 3**

	STOCK OF DEBT (In Millions of Leones)	PRINCIPAL (In Millions of Leones) A	INTEREST (In Millions of Leones) B	TOTAL (In Millions of Leones) (A+B)
<b>EXTERNAL</b>	11,477,795.05	235,950.2	67,425.3	303,375.5
<b>DOMESTIC</b>	4,521,356.61	-	535,172.12	535,172.12
<b>TOTAL DEBT</b>	15,999,151.66	235,950.2	602,597.42	838,547.62

<sup>2</sup> Source: Public Debt, MoFED

The staff of the Public Debt Management Division attends the weekly auction on behalf of the Ministry of Finance and Economic Development at the Bank of Sierra Leone. A report is prepared on weekly basis for the attention of the Financial Secretary and the Ministers.

The Division concluded MoUs with two State Owned Enterprises; Sierra Leone State Lottery Company and Sierra Leone Airport Authority. The MoUs were designed to net off the liabilities of the Government against the liabilities of the companies and then agree on a payment plan for the net debtor.

In the case of the MoU with the Sierra Leone State Lottery Company, Government was the net debtor with a residual balance of Le915,332,670.03 whilst for Sierra Leone Airport Authority, after setting-off Government's obligation of Le9,452,494,224.00 billion against SLAA's tax liability of Le12,900,122,035.06 billion is the net debtor to Government/NRA by an amount of Le3,447,627,811.06.

External audit queries have over the years noted the lack of reconciliation of external debt figures with external creditors. To address this challenge, visits were made to various external creditors to reconcile the differences in debts. Two officers from the Division visited Saudi Arabia from February 27 – March 3, 2017, to undertake roundtable reconciliations with the Islamic Development Bank (IDB). The objective of the mission was to carry out a loan reconciliation with the IDB to figures of the GosL. The report of the reconciliation exercise was duly signed by the Sierra Leone delegation and the representative of the Islamic Development Bank. In August 2017, staff from the Public Debt Management Division and Accountant-General's Department visited the Arab Bank for Economic Development in Africa (BADEA) from August 16–19, 2017 to reconcile Sierra Leone's external debt obligations owed to BADEA as of June 2017. The exercise was successfully done, and the report submitted.

In May 2017, two officers attended a joint World Bank and West African Institute for Financial and Economic Management (WAIFEM) regional training on Debt Management Performance Assessment (DeMPA) Tool, from May 8 - 12, 2017 in the Gambia. The objective of the training course was to build capacity of the participants in Anglophone West Africa to help strengthen capacity and institutions in the countries so that they can manage government debt in an effective and sustainable manner in the medium to long term. The course was also designed to enhance networking and sharing of experiences among debt managers in the region.

From July 24-28 2017, two officers attended a joint World Bank and West African Institute for Financial and Economic Management (WAIFEM) regional training on Debt Sustainability Analysis using the updated World Bank/IMF Debt Sustainability framework for low income countries in Abuja, Nigeria.

A comprehensive report that covers public debt operations in the first half of 2017, information on Disbursed Outstanding Debt (DOD) at the end of June 2017; debt service payments made; disbursements and new loans contracted during 2016 and cumulative Present Value (PV) space utilized; and revised projections of debt service and DOD for the period 2017 to 2021 was

prepared for the attention of the IMF. The report also highlights recent developments in external debt management operations for the period under review.

### **Strengthening Public Procurement Systems**

The board of Directors of the World Bank approved funding for the development of an eProcurement System. National Public Procurement Authority (NPPA) is coordinating all relevant activities and was instrumental in the formation of a technical working group comprising of key stakeholders in MDAs to be part of the implementation process. In addition, a steering committee chaired by the Chief Executive of NPPA and comprising of other stakeholders; the Financial Secretary, the Director of eGovernment Project at the Ministry of Information and Communications and the Chief Executive Officer of Sierra Leone Cable (SALCAB) was established to superintend over the development of the system.

The basket survey for the development of a Price Norm was undertaken in October 2017. This led to the inputting of data and thereafter paved the way for the undertaking of the price survey. However, issues with the integrity of the data led to a long period of reconciliation and double verification. This has delayed the second phase of the field work to obtain prices.

The World Bank has just concluded the review of the effectiveness of the first Productivity and Transparency support credit to Sierra Leone. Several selected agencies including NPPA, Ministry of Agriculture, Forestry and Food Security, Ministry of Fisheries and Marine Resource, Ministry of Lands and Environment among others, were supervised by MoFED to achieve deliverables agreed with development partners. The successful attainment of these deliverables led to the World Bank disbursement of several million dollars to the Government of Sierra Leone for budgetary support. NPPA's deliverable was to submit to Cabinet, for approval, the implementation of the eProcurement system. Working in collaboration with MoFED, NPPA was able to achieve this.

After several rounds of discussions between the Bank, NPPA and MoFED, the following targets under the procurement indicator were agreed:

- Hiring of the consultant to manage the process of developing the eProcurement system.
- Piloting of the eProcurement system to at least five MDAs by the end of 2018.

A three week procurement training was undertaken by the Institute of Public Administration and Management on behalf of the World Bank for 50 procurement practitioners across MDAs to strengthen their procurement competence and capacity in various areas. These include strengthening participant's understanding on the principles underlying public procurement; understanding the legal, regulatory and institutional framework of the Sierra Leone's Public Procurement system; understanding the role of the Independent Procurement Review Panel (IPRP), matter related to bidders' complaints redress mechanism and managing public procurement processes, amongst others.

Two examination sessions were conducted to assess the level of understanding of the participants and certificates issued to successful participants.

The Public Procurement Directorate of the Ministry of Finance and Economic Development was created as a precondition for the implementation of the PFMICP and has the primary responsibility of Management of the Procurement Cadre. Despite being in a semidormant state with no structure and limited staff, this directorate has accomplished the following initiatives with support from the State Building Core Systems Project:

- Designed a functional structure for the PPD and potential roles, including job descriptions and specifications for an envisaged staff of seven officers;
- Expanded the role of the PPD to include acquiring useful financial data from Annual Procurement Plans and the provision of secretariat services to support the Expenditure and Contract Management Committee;
- Developed various documents and templates to support the proposed functions of the directorate including database for procurement cadre management, financial analysis of procurement plans and a records database for the Economic Contract Management Committee (ECMC).
- Developed options for the independent Procurement Review Panel (IPRP).

## **Strengthening Human Resource Management**

### **Man Power Planning**

Since the introduction of Manpower Planning in the Civil Service, Manpower Hearings have formed a major and integral part of the HRMO activities. Through these activities, HRMO engages MDAs in discussing and agreeing on their future Human Resource requirements. The Annual Manpower Hearings 2018 was successfully completed and the Manpower Report for 2018 for all MDAs outlining critical vacancies to guide the recruitment process for the Civil Service, was finalized. It also ensures optimum utilization of human resources.

The FY2018 Manpower Planning and Budget Hearings spanned two weeks from 1st to 11th August 2017 and the turnout was very encouraging with only two absentees which were the Ministry of Social Welfare, Gender and Children's Affairs and National Assets & Government Property Commission.

The Human Resource Analytics and Forecast for FY2018 included the Establishment List, staff changes and creation of new positions that are foreseen to occur in 2018.

The Establishment List provides information on all authorized posts, the number of staff positions and the vacancy profile for all MDAs. As per the List, there are thirty-eight thousand nine hundred and fifty-seven (38,957) authorized establishments for the thirty-eight (38) participating MDAs. Out of this, sixteen thousand, seven hundred and three (16,703) are filled. This represents 43% of the authorized establishments. It shows further that 57% of establishment amounting to 22,254 remain vacant.

## **Information on the nominal roll or staff list**

The actual number of staff on the nominal list as deduced from submissions made by MDAs during the Manpower Hearing for the FY 2018 is 17,334. Compared to the nominal list for the FY 2017, which was 17,398, the total number of personnel on the staff list decreased by 64 staff or 0.37% of total Civil Servants. The report also contains information on Exits/Wastages, based on MDAs' submissions. This includes employees who exit the service on grounds of resignation, retirement, redundancy, death and unauthorized absence. In terms of numbers, as per MDAs submissions, 223 officers are expected to exit the Civil Service in 2018. The total of expected savings up to the end of 2018, after termination leave of a month for each officer, according to the relevant laws and regulations is Le 2,472,556,102. Promotions, during the FY2018, are projected for 3,746 officers at a total cost of Le 31,132,597,422. The total requests for direct appointments, for the FY 2018, is 16,051 at a total cost of Le 238.126 billion. Rule 4.23 of the Civil Service Code, Regulations and Rules provides for the payment of vacation leave allowance of one-month gross salary to all Civil servants when they go on leave. 16,703 people are expected to go on leave.

HRMO with support from stakeholders has conducted, at the Civil Service Training College, induction training sessions for civil servants across all public functions, including but not limited to procurement officers, internal auditors, administration officers, and accountants, among others.

## **Payroll Management**

The Accountant-General's Department has envisioned an improved payroll governance arrangement, addressing significant payroll processing policy and governance gaps.

### **(a) Payment of teacher's salaries into their individual bank accounts**

The AGD continues the payment of teachers' salaries into their individual bank accounts instead of schools' bank accounts, thereby improving on the accuracy and transparency of salary payment to teachers

### **(b) Payment of Sub-vented Agencies employees' salaries into their individual bank accounts**

To maintain an all-inclusive payroll for government, 98% of Sub-vented agencies salaries are now paid into their individual bank accounts

### **(c) NASSIT Numbers**

Action has been taken to update the payroll database with employees NASSIT numbers as part of ensuring the existence of all government employees and facilitate payment of end of service benefits without delay.

Significant progress has been made in updating employees NASSIT Numbers on the payroll database.

**Table 4** below shows the number of personnel without NASSIT Numbers:

Code	Description	Work Force		
		July 2017	December 2017	Variance
1	MDA	342	74	268
2	POLICE	518	3	515
3	TEACHERS	6,108	27	6,081
4	CONSULTANT/CONTRACT	11	20	-9
5	MILITARY	1	0	1
6	SL CORRECTIONAL CENTER	2	1	1
7	SUBVENTED AGENCIES	90	103	-13
	<b>TOTAL</b>	<b>7,072</b>	<b>228</b>	<b>6,844</b>

As noted in the table above, there has been significant improvement in ensuring that employees NASSIT Numbers are updated in the payroll data base. Between the periods July to December 2017, the payroll team was able to process and update 97% of outstanding staff without Nassit Numbers.

### **Financial Management in Local Councils**

The Internal Audit Directorate in the Ministry of Finance and Economic Development conducted a training workshop for Local Councils' Internal Auditors in Bo. The workshop which was sponsored by the World Bank through the PFMICP was held from Tuesday 28<sup>th</sup> to Thursday 30<sup>th</sup> November 2017.

The outcomes of the training include the following:

- Better application of the risk-based approach to internal auditing in the Local Councils;
- Quality internal audit work in Local Councils that meet best practices;
- Strengthening internal controls in all Local Councils;
- Greater reliance of external auditors on the work of internal auditors in the Local Councils;
- Effective and efficient use of Local Councils funds.

### **Challenges**

- Delay in the review and approval of concept notes thereby leading to late start in the implementation of planned activities;
- Inadequate GOSL budgetary provision for Internal Audit;
- Little commitment from senior management to the Internal Audit function;
- Slow response and implementation of audit recommendations by Vote Controllers;
- Inadequate/lack of GOSL budgetary provision for the functioning of Audit Committees in MDAs.

PFMRU has continuously provided the necessary support to all nineteen Local Councils in the submission of their quarterly financial reports from the Petra Financials to the Local Government Finance Department (LGFD) and timely submission of annual financial statements to Audit Service Sierra Leone. The team offered continuous general financial management support, technical assistance, supervision and advice to the 19 Local Councils in the preparation of their quarterly financial reports 2017 and addressed other related financial management issues as mentioned below:

- Budgetary issues;
- General records management;
- Liquidation of advances received;
- Reviews of internal controls including Bank Reconciliation and other internal controls procedures;
- Follow up on the functionality and issues relating to Petra Financials.

Cross-cutting issues affecting financial management in LCs include:

- Budgetary issues – i.e. opening balances, transfers, and withholding tax codes that were not included in the original budget preparation;
- ICT related issues (network connectivity across councils);
- The newly promoted Finance Officers to be capacitated;
- The newly recruited Accountants to be trained on the operations of the Petra Systems;

The primary objective for the reintroduction of the decentralized governance in Sierra Leone is to improve on service delivery at the local constituents. The objective has largely been met with the support from LGFD, PFMRU, Dec-Sec and devolving MDAs in the delivery of devolved service by local councils. The local councils have recorded significant progress in the preparation of the budget that is consistent with national classification and coding.

As stated in section 89 of the LGA, development plans are prepared and approved by LCs and shall not be incompatible with any national development plan adopted by the Government. These supports would enhance formulation and execution of Local Council's budgets geared towards the achievement of Government's national priorities. This process of supporting the Local Councils in budget formulation and implementation has been further strengthened with the use of PETRA accounting system in LCs using the same 27 digit chart of account platform operated by government.

To further strengthen revenue mobilization in LCs, finance officers were required to present their respective revenue mobilization plans to be used for revenue collection in their locality with realistic estimates for each revenue stream in the ensuing year.

The team (PFMRU, LGFD and Des-Sec) during the session assisted the finance officers and the devolved sector MDAs with their 2018 preparation budget by ensuring that, the budgets were prepared in line with the Budget Call Circular for FY2018 and submitted as required.

The team also provided assistance to finance officers in data entry of sector activities into the budget access database to be uploaded in the Petra Accounting system.

The objective of the technical support mission was to assist LCs as mentioned below:

- Review, finalize and submit (hard and electronic copies) of Council budgets in line with instructions of the budget call circular for FY2018;
- Prepare and align devolved sector strategic plans, in line with format provided by MoFED;
- Adhere to DSDP -2 and RCHP -2 regulations for use of these funds;
- Upload their database to the Petra accounting system before the end of December 2017;

### **Challenges**

Notwithstanding the above efforts, Local Councils still face challenges in ensuring that the final approved budgets reflect the development needs of the Local Councils and the requirements of the Budget Call Circular. The late submission of budget data by LCs for uploading in the Petra accounting system has resulted in the late posting of financial transactions and to a large extent timely preparation and submission of financial statements which is a prerequisite among others for quarterly disbursements of funds for devolved functions.

### **Strengthening Internal Audit**

The Internal Audit Department with support from the Commonwealth Secretariat developed a draft Enterprise Risk Management Policy and Framework for the Government of Sierra Leone after incorporating comments from stakeholders. A Cabinet paper on ERM was prepared for presentation to the Honourable Minister of Finance and Economic Development for onward submission to Cabinet for approval.

A two-man mission from the Commonwealth Secretariat conducted training on ERM fundamentals and also prepared the ERM Coordinating team for subsequent rollout to pilot MDAs. The department has also developed a Flier and a Comprehensive Implementation Plan and same have been forwarded to the Head of the Public-Sector Governance Unit for Commonwealth Africa at the Commonwealth Secretariat in the UK for review.

The EU State Building project has supported Internal Audit with a consultant who is currently working with the Internal Audit Directorate in the following areas:

- Developing and implementing realistic internal audit plans.
- Review and rollout of the internal audit manual to internal audit units in ten MDAs.
- Coaching and mentoring of internal auditors on the use of the internal audit manual.
- Review of the internal audit bill to make it more suitable for enactment.
- Assist in the establishment and composition of audit committees in a bid to make them more effective.
- Assist in the following-up of the implementation of the Auditor-General's recommendations.

The current deliverables of the Consultant include the following:

- Assist in developing some Better Practice Guides for the Internal Audit Department.
- Currently reviewing the contents of the Internal Audit Manual as against the Institute of Internal Audit's IPPF and identify gaps.
- The consultant has also developed Public Sector Internal Audit Standards for Sierra Leone.
- An Audit Committee hand book has also been developed for the Internal Audit Department by the consultant.
- The Consultant has also drafted a questionnaire and issued to internal auditors in the various MDAs to determine their training needs and the Internal Audit Strategy as a whole.
- Reviewed the internal audit bill to make it more suitable for enactment.
- Met with the Auditor-General (AG) and explore audit issued from the AG's perspective.
- Familiarized and analysed the INTOSAI GOV and related references for relevant guidance.
- Conducted a training for all Heads of Internal Audit Units on 'Developing a Relevant and Effective Internal Audit Strategy'.

Seventeen (17) senior members of staff registered with the Institute of Internal Auditors (IIA) Global to pursue the Certified Internal Auditor (CIA) exams through support from the PFMIC Project. Study materials and payment of subscriptions for the seventeen registered candidates has been completed and registration for Part One (1) of the exams at an advanced stage. The service of a group of trainers from Ghana to teach and prepare staff for the exams during the first quarter of 2018 in Ghana has also been completed.

Officials from the Directorate of Internal Audit attended a workshop in Monrovia, Liberia on Risk –Based Internal Auditing organized by AFRITAC West 2 of the International Monetary Fund during September 2017. The main objective of the workshop was to acquaint participants with modern trends in Internal Auditing for the adoption of a risk-based approach, share experiences across the AFW2 region. Techniques and tools adopted in internal auditing and necessary actions to be taken in each AFW2 member country to transition towards the adoption of the risk-based framework of internal auditing were also identified.

A training course was attended by the Director of IAD on Internal Audit, Incorporating Corporate Governance and Financial Risk Management in Singapore during the last quarter of 2017. The purpose of the course was to broaden participants' knowledge with modern trends in internal audit, risk management and governance. There is a growing importance to these areas due to significant number of failures linked to lapses in Internal Audit and Corporate Governance. Participants gained auditing skills and knowledge through a balance of classroom training, practical role-playing, group workshops, case studies and open forum discussions.

Sierra Leone has adopted IPSAS Cash Basis of reporting for the presentation of Public Sector Financial Statements, a cross section of key stakeholders responsible for keeping and maintaining the accounts of MDAs and those that have oversight responsibilities attended a

two day training on the theme ‘Making IPSAS Work in Sierra Leone’. The training was organized by AFRITAC West 2 and IMF. Presentations were made on IPSAS Cash basis, though some aspects of IPSAS Accruals were introduced to enhance a better understanding of the concepts. Reference was also made to the 2016 Annual Report of Sierra Leone and recommendations for improvement discussed.

In accordance with the provisions of the First Protocol of the Mano River Union(MRU) Declaration and in partial fulfilment of its mandate, the MRU Audit Committee held its fourth meeting at the Secretariat of the MRU in Freetown in October 2017. Participants reviewed the following documents:

- The Internal Audit Reports for the year ended 2015 and 2016;
- The External Audit Report for the year ended 2016;
- The unaudited Financial Statements for 2016;
- The draft Internal Audit Charter;
- The 2016 Internal Audit Activity Report; and
- The 2018-2020 Internal Audit Strategy.

The Committee’s deliberations on the above reports resulted in resolutions taken, recommendations made for the Secretariat and Council of Ministers for future improvement in the Union’s activities.

The Internal Audit Directorate conducted a training workshop on Risk Based Internal Auditing, and Audit Fundamentals for Internal Auditors of the nineteen Local Councils in Bo, mentioned above.

### **PFM Oversight and Accountability**

Effective functioning financial management system of Government assumes the integrity and political will of the Government to serve citizens and to hold public officials accountable. Accountability requires that actions and decisions taken by public officials are subject to oversight. Effective accountability achieved through oversight is an essential ingredient in achieving the objectives of Government in providing services to citizens. This involves both the political justification of decisions and actions, and the managerial accountability for implementing the agreed tasks<sup>3</sup>.

The PFM Oversight structure of Sierra Leone in summary includes Parliament (PAC, PFC, Transparency and Accountability Committee), the Supreme Audit Institution (Audit Service Sierra Leone), and Non-State Actors including civil society groups and the media.

### **Strengthening External Audit**

Public sector auditing is a crucial element of an effective accountability framework which is the corner stone of all democratic governments. The Audit Service Sierra Leone (ASSL), being the Supreme Audit Institution (SAI) of Sierra Leone, is constitutionally responsible for the audit of

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<sup>3</sup> Status Report: Good Financial Governance in Africa

all MDAs, parastatals and other government institutions. This mandate is enshrined in the 1991 Constitution of Sierra Leone and other related legislation, including the Public Financial Management Act, 2016 and the Audit Service Act, 2014. Key achievement/ result for the reporting period are mentioned below:

Two Performance Audits were conducted by ASSL in 2017. Monitoring of Environmental Compliance and Enforcement by the Environmental Protection Agency (EPA) and Youth in Drainage Clearing Project, conducted by the Ministry of Youth Affairs (MOYA). Performance audits are currently ongoing and at the draft review stage for Ministry of Agriculture on the Management of Fertilizer and Ministry of Health and Sanitation on HealthCare Waste Management.

ASSL continues to show a positive image of accountability in Sierra Leone by widening audit work to include Revenue, Environmental, Procurement, IT and Forensic Audits. As at March 2017, the ASSL started auditing activities in the extractive industries. The audit of surface rent revenue by the National Minerals Agency (NMA), has been completed

ASSL has commenced auditing of Civil Society Organizations in September 2017 as listed below:

- Plan Parent Association Sierra Leone;
- Action Plus;
- Aberdeen Women Centre;
- SOS Children’s Village;
- Focus 1000;
- Don BonscoFambul.

The ASSL continues to undertake audits of all class “A” mining chiefdoms, verifying and attesting reports submitted by government agencies on the EITI process.

Audit of projects funded by the World Bank, International Fund for Agricultural Development (IFAD) African Development Bank (AfDB) are also undertaken by the ASSL.

### **Parliamentary Oversight**

The Legislative oversight of PFM aims at scrutinizing and authorizing revenues and expenditures and ensuring proper implementation of the national budget. In this respect, the legislature play a key role in promoting transparency and accountability in the budget process. An effective legislature is necessary for good financial governance. The Public Accounts Committee, Parliamentary Finance Committee and Transparency and Accountability Committees continue to undertake oversight role in Sierra Leone with respect to PFM issues. These committees continue to receive support from the PFM Reform programme in strengthening their functions in executing oversight on PFM.

Successful debate on national budget and subsequent approval and monitoring of Central Government and LCs on financial and performance auditing, and Public Enterprises operations.

The 2018 budget was approved by the House of Parliament on the 6<sup>th</sup> December 2017 before the start of the financial year reducing the extent of unappropriated expenditures.

The Public Accounts Committee of Parliament completed scrutiny of the 2015 Public Accounts of Sierra Leone and completed the Committee's report titled "2015 MDAs and Local Councils Report". Scrutiny of the 2016 Public accounts is ongoing.

<b>Table 5: Date of budget submission by MoFED and approval by Parliament</b>		
<b>Budget Year</b>	<b>Budget Speech</b>	<b>Approval by Parliament</b>
2016	6 <sup>th</sup> Nov 2015	9 <sup>th</sup> December 2015
2017	11 <sup>th</sup> Nov 2016	13 <sup>th</sup> December 2016
2018	27 <sup>th</sup> October 2017	6 <sup>th</sup> December 2017

### **Non-State Actors Oversight**

The overarching objective of this sub component is to facilitate oversight by NSAs that would promote transparency and accountability in PFM processes. This is achieved by building a constituency for reform of the PFM system within NSAs and the operation of a grant program to facilitate experiential learning for NSAs to improve on transparency and accountability.

#### *Achievements*

Over a hundred of Non-State Actors across the country participated in the FY 2018 Policy Hearing and Bilateral Budget discussions held in August by the Ministry of Finance and Economic Development for the general government. The Secretariat has produced a report highlighting the successes and challenges encountered during the process and recommendations<sup>4</sup> for future budget discussions which include the following:

- Review of timetable for MDA presentations: MDAs with similar mandate and thematic focus to be grouped together to ensure better sequencing of presentation which will in turn enable stakeholders to streamline activities, detect overlapping activities, identify cost saving and address leakages in public expenditure programmes across implementing agencies;
- Improved collaboration between MoFED and NSAs towards strengthening procurement monitoring system to enhance value for money;
- MoFED to introduce Performance based financing scheme/programme for LCs for motivation towards improved revenue generation;
- MoFED should organize mid-term budget reviews in a bid to make follow-ups with MDAs on progress made towards achieving agreed deliverables and proffer necessary recommendations;
- Penalties should be levied on MDAs who fail to attend budget discussions;
- MoFED should uphold commitment to transfer funds in a timely and effective manner in order to improve on budget credibility and timeliness of release of funds for service delivery.

<sup>4</sup> NSA Report on the FY 2018 Budget Discussion produce in September 2017

## **Other PFM Reforms**

The Public Expenditure and Financial Accountability (PEFA) program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management using quantitative indicators to measure performance. It is designed to provide a snapshot of government's public financial management performance over a specific period mostly three years. Independent PEFA assessments have been undertaken for central government in 2007, 2010, and 2014, and for selected sub-national governments (LCs) in 2010; the 2007 assessment provided a baseline for the subsequent assessments.

A joint PEFA assessment was conducted by the EU and the DfID for the period 2014-2016 coordinated by MoFED. The overall objective as per the terms of reference is to provide the Government with an objective indicator-led assessment of the national PFM system in a concise and standardized manner, to promote an updated understanding of the overall fiduciary environment of the PFM systems, and to assist in identifying those parts of the PFM systems in need of further reform and development. This will also provide a baseline for a number of monitoring indicators to be identified as part of the PFM results framework. The PEFA assessment commenced in 2017 and is at an advanced stage with an expected completion in early 2018.

### **PFM Strategy**

The existing PFM Reforms Strategy 2014-2017 was developed to accelerate PFM reforms for the Government of Sierra Leone and establish an efficient, effective, transparent PFM system that minimizes opportunities for corruption. In a bid to develop a new strategy for 2018-2021, a review of the outgoing strategy was undertaken to identify achievements made and challenges encountered during the implementation period. The review also evaluated the relevance, cost effectiveness and sustainability of results and outcomes obtained, and the reasons for not achieving some results. Lessons learnt from the review will form the basis for developing the new strategy. The 2014-2017 reform matrix with updated outcomes for 2017 forms part of this report as Annex 6.

Development of the new PFM Reforms Strategy for the period 2018-2021 is at an advanced stage. Consultations with relevant stakeholders will be conducted in early 2018 before submission of the final PFM Strategy. This final consultation process is crucial to improve ownership and prioritization of reform objectives.

## **Public Financial Management Improvement and Consolidation Project (PFMICP)**

Additional financing for the PFMICP of Ten Million United States Dollars (USD 10,000,000) equivalent to Seven Million Three Hundred Thousand Special Drawing Rights (SDR 7,300,000) was signed between the Government of Sierra Leone and the World Bank on the 27th of July 2017. Amendments to the original financing agreement was made accordingly and reflected in the agreement. The objective for providing additional financing is to improve public financial management system and accountability in the use of Government's funds in three areas namely:

- Procurement – USD3m;
- Revenue mobilization – USD4.5m and;
- Open data – USD2.5m.

The Government of Sierra Leone in consultation with the task team of the PFMICP agreed to extend the project by 24 months as a result of significant time lost in the implementation of the Project during the Ebola outbreak and additional activities to be funded as per the amended financing agreement. Thus, the Project is expected to end on the 31<sup>st</sup> of March 2020.

### **Building Core Systems for the Government of Sierra Leone**

The Building Core Systems (BCS) program, a DFID funded program commenced in June 2016 and ended in December 2017 by Adam Smith International contracted to provide technical assistance to the Government of Sierra Leone. The program was designed to improve five core work streams in public financial management listed below:

- Budget execution;
- Revenue mobilisation;
- Procurement;
- Macroeconomic policies and;
- Wage-bill management.

Work stream 1: Budget Execution - well-developed and well executed national budget

In pursuit of a well-developed and well executed national budget, milestones relating to: establishing a prototype dashboard using consolidated information from Access data, IFMIS and Budget Book; and the approval of an indicative budget calendar for formulation of 2018 budget were set. Summary of activities and achievements are listed in **table 6** below:

	Summary of Activities	Output
1	Improve Budget Execution	An automated budget execution process of PET 1 and PET 2 is ready to be rolled-out
2	Support Government to amend allotment control to allow for cash management via IFMIS	Allotment controls rationalised to the level of MDA and funds control to the Activity level. The technical specifications for this are in the TOR for the new IFMIS
3	Improve the quality of in year budget reporting	MoFED provided with quarterly and ad-hoc in-year analysis emanating from the 'Datamart'
4	Improve the quality of budget forecasting	2018 MTEF and MTFF planning incorporates revenue, fiscal and wage-bill forecasts and scenarios
5	Improve the quality of budget planning	Budget calendar revised and linked to procurement planning and capital planning exercises

#### Achievements:

- High quality “datamart” will be essential in terms of future transparency, accountability, technical analysis and financial reporting;
- Detailed risk analysis data is now available for budget forecasting purposes;
- Detailed functional design of new IFMIS is with the Government / World Bank;
- Detailed analysis for the establishment of a Treasury Single Account;
- Supported cash flow committee – numerous errors in methods of calculation plus designed a program to move away from transactions management to cash flow management by linking allotments to cash;
- Public Investment Manual Policy;
- Public Investment Manual operational guideline and;
- “Datamart” developed which covers the full range of government spending not just salary and wages.

#### Challenges ahead:

- Cash flow management will remain a significant challenge;
- IFMIS upgrade will take time and many future reforms depend on this.

#### Work stream 2: Revenue mobilization

Milestones have been set in respect of the sharing of NRA's MDA revenue data with and analysed by MoFED, and the tracking of total revenue data at NRA and MoFED for progress towards the DLI.

**Table 7**

	Summary of Activities	Output
1	Support the Revenue and Tax Policy Unit to strengthen their capacity to monitor MDA revenues	Reporting tool for MDA revenue monitoring established
2	Support the Revenue and Tax Policy Unit to strengthen their capacity to forecast MDA revenues	Basic set of forecasts of MDA revenue established
3	Improve the linkages between revenue forecasts and the budget	The fiscal framework used for the budget includes the final revenue estimates as agreed between EPRU / NRA / Tax Policy

**Achievements:**

- High quality data revenue tool fully adopted by RTPD. This will be essential in terms of future transparency, accountability, technical analysis and financial reporting;
- Detailed revenue forecasts now available for budget forecasting purposes;
- Improved working level coordination between NRA and RTPD;
- Detailed analysis of telecoms sector receipts completed;
- Draft NRA Act completed (with R4P support);
- Tax Administration and Procedures Act completed (with R4P support) and approved by Parliament;
- Financial Control Act completed and approved by Parliament;
- Medium term Revenue Strategy completed.

**Challenges ahead:**

- Demand to expand revenue tool to include exemptions tracking;
- Completion of NRA Act;
- Improve revenue accounting and reporting between NRA / AGD and IFMIS;
- Management and reporting of receipts through the TSA.

Work stream 3: Improved transparency and more competition in national procurement

Milestones were set for uploading 24 contracts on the NPPA website and the amendment and harmonization of Procurement Regulations with new Procurement Act, internally approved by NPPA.

**Table 8**

	Summary of Activities	Output
1	Support to MoFED, Public Procurement Directorate	A capacitated PPD, which can support the MoFED with reviews, analyses and advise within the area of public procurement.
2	Support to MoFED, Expenditure and Contract Management Committee	A capacitated committee capable of professionally reviewing the requests for award certificates
3	Support to the NPPA - DLI 2016	NPPA meets DLI target of 24 contracts uploaded by end of October
4	Harmonisation of Regulations and documents to new Procurement Act	Harmonisation of the Procurement Regulations with the Procurement Act
5	Update of standard bidding documents	Standard Bidding Documents updated and adopted by the NPPA
6	Capacity building of NPPA	Capacity built across the NPPA, and capability developed within the NPPA to build the capacity of those involved in procurement

**Achievements**

- Procurement regulations completed, socialised and approved by Parliament;
- Standard bidding documents completed;
- Improved working level coordination between NPPA and PPD;
- ECMC formally established (PFM Regs) with rules and processes and training;
- Regular meetings of procurement cadre;
- Clarification of role-of-government supply chain process and policy;
- Clarification and strengthening of role of PPD;
- Skills analysis and strengthening of NPPA.

**Challenges ahead**

- The key institutions – NPPA, PPD and the Cadre remain fragile and in need of technical support and training;
- The cadre is not yet formally under the PPD;
- Standard Bidding Documents prepared by Commonwealth Secretariat rejected by Government and need to be re-done;
- Once the Procurement Manual is completed modified versions will have to prepared for large MDA's and there will be a need for significant follow up training;
- E-procurement, whilst useful, will not be a panacea of solutions.

Work stream 4: Wage Bill - Better processes and increased capacity for management of the public sector wage bill

**Table 9**

	<b>Summary of Activities</b>	<b>Output</b>
1	Automation of Sub-Vented Agencies Payroll	An automated budget execution process of PET 1 and PET 2 is ready to be rolled-out
2	Provide support for preparing the wage bill budget according to DLI	Allotment controls rationalised to the level of MDA and funds control to the Activity level. The technical specifications for this are in the TOR for the new IFMIS
3	Train budget analysts to routinely track wage-bill expenditure and analyse the underlying causes for variations using Tableau Software	MoFED provided with quarterly and ad-hoc in-year analysis emanating from the 'Datamart'
4	Development of Wage-Bill Budgeting Model and preparation 2018 Budget	2018 MTEF and MTFF planning incorporates revenue, fiscal and wage-bill forecasts and scenarios

**Achievements**

- Almost all (bar 2) sub-vented agencies payroll automated;
- “Datamart” capable of producing highly detailed payroll analytics and already used by AGD and Internal Audit for exceptions reports (double pay etc);
- New wage bill templates for the 2018 budget which if correctly populated will allow for the first ever comprehensive wage model;
- Payroll strategy approved;
- Considerable support to various payroll cleaning exercises.

**Challenges ahead**

- Implementing the payroll strategy, especially the numerous data cleaning work;
- Continuing the technical support to ensure closer integration between various payroll systems.

Work stream 5: Macroeconomic - Better processes and increased capacity for macroeconomic management

Milestones were set in respect of supporting the production of a Pilot Fiscal Strategy Statement, capacitating MoFED to undertake in-year analysis of key fiscal performance indicators and updating the Macro Fiscal model to incorporate deflator (by sector), inflation and terms of trade.

**Table 10**

	Summary of Activities	Output
1	Support to achieving the program agreed with the IMF	Agreement of a new IMF program, and successful completion of previous program
2	Support to the development of a medium term fiscal framework for the EPRU (as an input into the MTEF)	Medium Term Fiscal Framework developed for the EPRU
3	Improve the quality of the macroeconomic model (SLIMM)	Improved SLIM model (development of the forecasting and policy making capacity of the EPRU)
4	Support the development of a risk framework for the EPRU	Risk Framework developed for the EPRU

**Achievements:**

- Technically enhanced / updated SLIMM model
- Range of fiscal risk analysis tools developed and published in the FSS and Budget Book
- Production of FSS and improved Budget data
- 

**The European Union State Building Capacity Technical Assistance Project (EU SBCTAP)**

This Project started in earnest in February 2016 and provided TA support during FY2017 in all of the major PFM functional areas covered by the Project, except for Revenue and Procurement.

During the fiscal year 2017, the key milestones accomplished are as follows:

**Result Area 1:** Enhanced capacity for measuring and assessing progress in the implementation of national development policy through (i) strengthened national statistical systems; and (ii) increased monitoring and evaluation capacity of MOFED.

- Annual Progress Report on A4P
  - Provided Technical Assistance to the Central Planning, Monitoring and Evaluation Unit in MoFED (CPM&E) in producing the FY2016 annual progress report on the Agenda for Prosperity (A4P), and the accompanying results framework.

**Result Area 2:** Enhanced implementation, reporting and review process of the PFM Reform Strategy.

- PFM Act implementation and PFM Regulations
  - Assisted in the finalization of the PFM Regulations;
  - Assisted in the production of a Simplified Version of the PFM Act;
  - Assisted in the production of an Implementation Plan for the PFM Act.
- PFM Reform Strategy
  - An assessment of the 2014-2017 PFM Reform Strategy was carried out, with report produced that includes findings, lessons and preliminary recommendations for the design of the new PFM Reform Strategy.

Assist in the development of a new PFM Reform Strategy for the period 2018-2021, to include a program matrix presenting objectives, activities and outputs across five thematic areas plus two cross cutting areas. Provided support to thematic technical working group sessions in the run up to the development of the PFM Reform Strategy 2018-2021.

- PEFA
  - Assist in developing the PEFA Concept Note for the 2017 PEFA assessment for Sierra Leone, with feedback from MoFED, donor partners and the PEFA Secretariat.
  - Supported the launching (and field mission) of the 2017 PEFA assessment for Sierra Leone, with a team of four experts, jointly funded by the DFID and the EU SBC TAP.
  - Assist with the review of the draft PEFA Report issued out by the PEFA Team.
- Revised Chart of Accounts (COA)
  - Provided technical assistance in the development of a revised Chart of Accounts (COA) for the Central Government to be used for Budgeting and Accounting, and to support the preparation of Cash Basis IPSAS Compliant Financial Statements.
- Enhanced Financial Statements for the Government of Sierra Leone - supported AGD in producing enhanced financial reports for Government, through:
  - Assistance provided in the preparation and finalization of the FY2016 General Purpose Financial Statements (GPFS) of the Consolidated Fund, using the Cash Basis IPSAS. This brought about Enhanced Transparency in Financial Reporting – with inclusion of the following in the Annual Financial Statements of the Government:
    - ✓ Analysis of Expenditure Items by Object Code and by MDA – Expenditure Analysis of Wages, Salaries and Other Employees’ Benefits as well as of Use of Goods and Services are provided by Object Code and at MDA Level.

- ✓ External Debts Schedule – Inclusion of Year Loan Signed; Total Loan Approved; Year of first Disbursement; Grace Period (in Years); First Repayment Year; Number of Payments per Year; Total Number of Payments; and Last Year of Repayment.
  - ✓ Domestic Debts – Inclusion of Maturity Periods of Treasury Bonds, Interest Rates and Interest Due Period
  - ✓ Contingent Liabilities (and Government Guarantees) – limited information on Contingent Liabilities and Government Guarantees were included in the Public Accounts, based on a requirement in the PFM Act 2016 for the submission of a Fiscal Risk Statement.
  - Support provided in the categorization of public sector entities into major categories, as defined in the PFM Act 2016.
  - Initiating the bringing of Departmental Bank Accounts in Ministries into IFMIS, with development of a concept note and assisting with this process. Also, initiated bank reconciliation (and adjustments) for self-accounting MDAs, using the IFMIS.
  - Facilitating Assessment of Financial Reporting Capabilities of Sub-vented and Extra Budgetary Agencies.
  
- Payroll Management and Control
 

Supported enhancement of the Government’s Payroll Management and Control, through:

  - Assisting the Government with payroll data cleansing, based on a NASSIT Number Action Plan to correct all NASSIT numbers in the GOSL payroll.
  - Development of a Memorandum of Understanding (MOU) between MOFED and NASSIT for the sharing of information.

Furthermore, under a bridging arrangement, supported the Human Resource Management Office (HRMO) in fulfilling two of the Civil Service Rightsizing Policy Objectives, through:

  - Civil Service HR/payroll cleansing – dealing with civil servants without NASSIT Numbers, those with wrong NASSIT Numbers, and the Civil Servants Job Titles.
  - Populating the Personnel Records Management System (PRMS) – upload of civil service personnel records into the PRMS.
  - Production of a Diagnostic Report for HRMO outlining the areas where HR data was lacking or inaccurate, as well as anomalies and discrepancies, for follow up.
  - Development of Guidelines for Establishment of Personnel Record Systems in MDAs.
  - Facilitated the validation of the Obsolete Civil Service Job Positions, and
  - Supported the Biometric authentication of personnel records in the Civil Service Payroll.
  
- Internal Audit
 

On Internal Audit, supported the Internal Audit Directorate (IAD) through:

  - Development of a position paper - ‘GOSL Payroll: Options for Internal Audit’ in furtherance of a regular ‘GOSL Payroll Audit’ function.
  - Development of ‘Sierra Leone Public Sector Internal Audit Standards’ (PSIAS), based on international standards.
  - Development and administering of questionnaire to assess training needs of internal audit staff in MDAs.
  - Review of the Internal Audit Bill to make it more suitable for enactment.

- Production of series of Internal Audit Good Practice Guides (GPGs):
  - ✓ Good Practice Guide – Developing an Internal Audit Strategy
  - ✓ Good Practice Guide – Audit Committee Handbook
  - ✓ Good Practice Guide – Internal Audit Customer Handbook
  - ✓ Good Practice Guide – Cooperation between Internal and External Auditors
- Graphical Summary Illustration of the 2015 Audit Report
  - Supported the development of the Graphical Summary Illustration of the 2015 Audit Report produced by the Auditor General.

**Result Area 3:** Enhanced capacity for policy planning, monitoring and evaluation and sector budget analysis supported during budget planning and formulation process, with a focus on the Ministry of Education and the Ministry of Agriculture.

Supported the Budget Bureau in enhancing the Medium-Term Expenditure Framework (MTEF) process, through:

- Improving comprehensiveness of the National Budget for FY 2018 Budget (presented to Parliament) by introducing amongst others the following information:

**Table 11**

FY2018 Budget at a glance	Tax expenditures
Fiscal Year 2018 Budget Overview	Extra budgetary funds
Macroeconomic risks and budget sensitivity analysis	Government guarantees
Extractive Industries Revenues	Donor expenditures
Local Government Financial Performance	

- Review and Update of the MTEF guidelines, including facilitating a MOFED review workshop.
- Review of Fiscal Strategy Statement.
- Supporting the Ministry of Education, Science and Technology (MEST) and the Ministry of Agriculture Forestry and Food Security (MAFFS) preparing presentations of their FY2018 budget proposals for the Budget Hearing.

**Result Area 4:** Enhanced MOFED and EUD capacity to monitor the implementation of the budget support operations in Sierra Leone.

- Finalization of the review of the 2016 Performance Assessment Framework (PAF) and review of the Free Health Care Indicator for the FY2017 EU Budget Support.
- Assisted with the development of the Budget Support Formulation Dossier for the third EU State Building Contract (SBC) for the period 2018-2020.

- Assisted with the Preparation of the GOSL Disbursement Request for the 2017 tranche of the SBC II for Sierra Leone.

#### Annex 1- Next Steps in the PFM Reform Process

- Revision of the NRA Act of 2002 to further strengthen revenue collection
- Roll-out of PET forms 1 and 2 to all MDAs
- Finalization of the Public Procurement Regulations
- Development of a Procurement Manual, upon approval of the Regulations
- Development of an Internal Audit Act
- IFMIS roll-out to remaining 24 MDAs
- IFMIS upgrade
- Development of an Accounting Manual

**Table 12**

#### Annex 2: Loans and Grants

2016 LOANS AND GRANTS CONTRACTED					
		LOAN/CREDIT			
NO.	PROJECT	SIGNING DATE	DONOR	AMOUNT IN LOAN /GRANT CURRENCY	AMOUNT IN MILLION US \$
1.	Rehabilitation and Expansion of Fourah Bay College	28 Jan. 2016	Saudi Fund	Saudi Riyals 45 million	12
2.	Smallholder Commercialization and Agribusiness Development Project	24 Feb. 2016	IDA	US\$978 thousand	0.978
3.	Smallholder Commercialization and Agribusiness Development Project	14 Mar. 2016	IDA	US\$40 million	40
4.	Bo-Bandajuma Road Project	11 Mar. 2016	AfDB/PBA	UA3,710,000	5.2
5.	Bo-Bandajuma Road Project	25 Mar. 2016	AfDF/TSF	UA3,230,000	4.5
6.	Hill Side Bye-Pass Road	24 May. 2016	Kuwait Fund	KD 6million	19.9
7.	Bo-Bandajuma Road Project	14 Jun. 2016	OFID	US\$20 million	20
8.	Revitalizing Education Development Project	15 Jun. 2016	IDA	US\$950 thousand	0.95
9.	Line of Credit (LOC) Agreement	11 Aug. 2016	India EXIM Bank	US\$78 million	78
10.	Health Service Delivery and Systems Support Project	4 Aug. 2016	IDA	SRD7.1 million	10
11.	Regional Disease Surveillance	4 Aug. 2016	IDA	SDR14.2 million	20

	Systems Enhancement Project				
	Total				211.528
		GRANT			
1.	Assistance to Flood Victims	15 Apr.2016	AfDB	US\$1 million	1
2.	Health Service Delivery and Systems Support Project	4 Aug. 2016	IDA	US\$5.5 million	5.5
3.	Regional Disease Surveillance Systems Enhancement Project	4 Aug. 2016	IDA	SRD7.1 million	10
	Total				16.5
	PIPELINE PROJECTS				
1.	Three Towns Water Supply and Sanitation Project (additional Financing)	22 Feb. 2017	OFID	US\$13.15 Million	13.15
2.	Tokeh Lumley Road Project	X	Kuwait Fund	KD 5million	16.6
3.	Western Area Power Generation Project	X	IDA	US\$40 million	40
4.	Fly-Over at Lumley Project	X	China	US\$60 million	60
5.	Kambia-Kamakwie Road Project	X	IDB/BADEA	US\$100 million	100
	Total				229.75

### Annex 3: IFMIS implemented and rolled-out – MDA's

1. Accountant General's Department
2. Ministry of Finance and Economic Development
3. Sierra Leone Police
4. Ministry of Defence
5. Prisons Department
6. Ministry of Foreign Affairs and International Cooperation
7. Office of the President
8. Ministry of Education, Science and Technology
9. Ministry of Works, Housing and Infrastructure
10. Ministry of Health and Sanitation
11. Ministry of Agriculture, Forestry and Food Security
12. Human Resource Management Office
13. Office of the Vice President
14. Cabinet Secretariat
15. Ministry of Lands, Country Planning and Environment
16. Ministry of Energy
17. Ministry of Tourism and Cultural Affairs
18. Ministry of Social Welfare, Gender and Children's Affairs
19. Ministry of Labour, Employment and Social Security

20. Ministry of Information and Communication
21. Ministry of Transport and Aviation
22. Ministry of Local Government and Community Development
23. Ministry of Water resources
24. Parliament
25. Audit Service Sierra Leone
26. Ministry of Information & Communication
27. Immigration Department
28. Ministry of Marine Resources
29. Ministry of Mineral Resources
30. Ministry of Trade & Industry

#### List of MDAs for IFMIS roll-out

1. Sierra Leone Agricultural Research Institute (SLARI)
2. Office of National Security
3. Local Government Service Commission
4. Law Reform Commission
5. National Commission For Democracy
6. Ministry of Youth Affairs
7. Sierra Leone Water Company
8. National Commission For Privatization (NCP)
9. Standard Bureau
10. National Fire Authority
11. Ministry of Political and Public Affairs
12. Ministry of Sports
13. The Judiciary
14. Statistic Sierra Leone
15. National Public Procurement Authority (NPPA)
16. Pharmacy Board Services
17. Human Rights Commission
18. Office of the Ombudsman
19. Public Service Commission
20. Anti -Corruption Commission
21. National Mineral & Agency
22. National Electoral Commission
23. National Authorizing Office
24. Government Printing Department

#### Annex 4 - Audit Opinion on the Local Councils

The audit of Local Councils covers all revenues and expenditures. The Audit Opinion for 2016 in relation to 19 Local Councils is summarised below.

14 councils (74%) received an unqualified opinion. In 2015 the proportion was 47%. These councils were able to reasonably address errors initially identified during the audit process.

Three councils (16%) received a qualified audit opinion against 21% in 2015. This simply means that these Councils were unable to adequately and accurately account for all the financial effects of the transactions and activities they conducted.

2 councils (10%) received adverse audit opinion. An adverse opinion is issued when the auditor determines that the financial statements of an auditee are materially misstated and, when considered as a whole, do not conform to Generally Accepted Accounting Principles. It is considered the opposite of an unqualified or clean opinion, essentially stating that the information contained is materially incorrect, unreliable, and inaccurate in

A disclaimer of audit opinion was not issued on any of the 19 LCs during the 2016 audit as compared to 2015.

**Table 13**

Below shows the audit opinions received by Local Councils for the period 2014-2016:

No.	Name of Council	Opinion 2016	Opinion 2015	Opinion 2014
1	Bo City	Adverse	Qualified	Unqualified
2	Bo District	Unqualified	Qualified	Unqualified
3	Bonthe District	Unqualified	Unqualified	Unqualified
4	Bombali District	Unqualified	Unqualified	Unqualified
5	Bonthe Municipal	Qualified	Disclaimer	Qualified
6	Freetown City	Unqualified	Qualified	Qualified
7	Kailahun District	Adverse	Unqualified	Unqualified
8	Kambia District	Unqualified	Qualified	Unqualified
9	Kenema City	Unqualified	Disclaimer	Disclaimer
10	Kenema District	Unqualified	Unqualified	Unqualified
11	Koidu New Sembehun City	Unqualified	Disclaimer	Unqualified
12	Koinadugu District	Unqualified	Unqualified	disclaimer
13	Kono District	Unqualified	Unqualified	Unqualified
14	Makeni City	Unqualified	Unqualified	Unqualified
15	Moyamba District	Qualified	Qualified	Unqualified
16	Port Loko District	Unqualified	Unqualified	Unqualified
17	Pujehun District	Unqualified	Qualified	Qualified
18	Tonkolili District	Unqualified	Unqualified	Unqualified
19	Western Area Rural District	Qualified	Disclaimer	Qualified

**Table 14**

Below shows five councils that maintained clean audit opinions or unqualified opinions in the period 2013-2016 and two council that maintained clean audit opinions or unqualified opinions in the period 2014-2016.

No	Name of Council	Type opinions Year ending 31 <sup>st</sup> December			
		2013	2014	2015	2016
1	Bonthe District	Unqualified	Unqualified	Unqualified	Unqualified
2	Kenema District	Unqualified	Unqualified	Unqualified	Unqualified
3	Makeni City	Unqualified	Unqualified	Unqualified	Unqualified
4	Port Loko District	Unqualified	Unqualified	Unqualified	Unqualified
5	Bombali District	Unqualified	Unqualified	Unqualified	Unqualified
6	Kono District	Qualified	Unqualified	Unqualified	Unqualified
7	Tonkolili District	Qualified	Unqualified	Unqualified	Unqualified

Two councils were relegated in their performance during 2016 by moving from a more satisfactory or clean opinion to an unsatisfactory or unclean opinion, as shows **table 15** below:

Relegated Councils in 2016				
No	Name of Council	Opinion 2014	Opinion 2015	Opinion 2016
1	Bo City	Unqualified	Qualified	Adverse
2	Kailahun District	Unqualified	Unqualified	Adverse

**SUMMARY OF THE FINAL AUDIT OPINION OF THE AUDITED FINANCIAL STATEMENTS OF  
LOCAL COUNCILS FOR THE YEAR TO 31<sup>st</sup> DECEMBER 2016**

NO	COUNCILS	AUDIT OPINION	SUMMARY OF SIGNIFICANT FINDINGS
1.	FREETOWN CITY	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Procurement document not submitted for audit-Le150,000,000</b> for the construction of a health facility was paid, but the contract agreement for the construction of the health facility to enable confirmation of the contractor, contract start and completion dates, and the basis upon which the amount was paid were not submitted for audit.</li> <li>➤ <b>Procurement procedures not followed correctly-</b> For the procurement of a vehicle and photocopiers at <b>Le 69,000,000</b> respectively, request for quotation method was used instead of the National Competitive bidding method.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le352.5 million weremade for councillors’ sitting fees during 2016</li> <li>➤ <b>National Social Security and Insurance Trust (NASSIT) contribution not paid for staff-Le300,761,656.70</b>deductions were made from staff salaries in respect of social security contributions but there was no evidence that these amounts were paid to (NASSIT).</li> </ul>
2.	WARD-C	QUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Incorrect opening balances-</b> There was an understatement of Le460,084,284 in the opening balances of the 2016 draft financial statements.</li> </ul>

			<ul style="list-style-type: none"> <li>➤ <b>Bank balances not reported in the financial statements-</b> Confirmation received from SLCB revealed that the Council had two bank accounts with balances totalled Le29,254,162, for which the balances, receipts and payments were not reported in the financial statements.</li> <li>➤ <b>Staff terminal benefit liabilities-</b> As at 31st December 2016 the Council had terminal benefit liabilities of Le100,840,000, which is due to the fact that the council do not pay terminal benefit to staff.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le226,300,604 weremade for councillors’ sitting fees during 2016 and Le22,310,000 was paid as Sitting Fees and other allowances to Councillors who were absent from the meeting to which the payments related.</li> <li>➤ <b>National Social Security and Insurance Trust (NASSIT) contributions not paid for support staff-</b> NASSIT deductions of Le24.3 million from salaries of support staff were not paid over to NASSIT.</li> <li>➤ <b>Delay in the payment of withholding tax-</b> The Council withheld tax from payments to suppliers and contractors but payments to the National Revenue Authority were not made promptly as stipulated in the Income Tax Act. As at the end of the 2016 financial year, unpaid withholding tax amounting Le38,460,047.</li> </ul>
3.	MAKENI CITY	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Poor budgetary performance in own-source revenue generation-</b> At 31<sup>st</sup> December 2016, the total</li> </ul>

			<p>amount of own-source revenue generated was Le1,801,374,693, compared to the budgeted amount of Le1,426,371,486 in the same financial year.</p> <ul style="list-style-type: none"> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b> Payments which amounted to Le126,000,000. weremade for councillors’ sitting fees during 2016 and Le16,600,000 was paid as Sitting Fees and other allowances to Councillors who were absent from the meeting to which the payments related.</li> </ul>
4.	<b>BOMBALI DISTRICT</b>	<b>UNQUALIFIED</b>	<ul style="list-style-type: none"> <li>➤ <b>Poor budgetary performance in own-source revenue generation-</b> At 31<sup>st</sup> December 2016, the total amount of own-source revenue generated was Le267,964,012, compared to the budgeted amount of Le825,500,000.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le318,323,750 weremade for councillors’ sitting fees during 2016 and Le32,370,000 was paid as Sitting Fees and other allowances to Councillors who were absent from the meeting to which the payments related.</li> <li>➤ <b>Fixed assets not made available for verification-</b> fixed assets of the Council at a total cost of Le34,350,000 were not made available for physical verification.</li> </ul>
5.	<b>KOINADUGU DISTRICT</b>	<b>UNQUALIFIED</b>	<ul style="list-style-type: none"> <li>➤ <b>Poor budgetary performance in own-source revenue generation-</b> At 31<sup>st</sup> December 2016, the total amount of own-source revenue generated was Le283,016,429,</li> </ul>

			<p>compared to the budgeted amount of Le971,789,948 in the same financial year.</p> <ul style="list-style-type: none"> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le294,220,000. weremade for councillors’ sitting fees during 2016 and Le14,110,000 was paid as Sitting Fees and other allowances to Councillors who were absent from the meeting to which the payments related.</li> </ul>
6.	<b>TONKOLILI DISTRICT</b>	<b>UNQUALIFIED</b>	<ul style="list-style-type: none"> <li>➤ <b>Poor budgetary performance in own-source revenue generation-</b> At 31<sup>st</sup> December 2016, the total amount of own-source revenue generated was Le571,602,487, compared to the budgeted amount of Le957,184,390 in the same financial year.</li> <li>➤ <b>Fixed Assets not made available for verification-</b> Twenty sewing machines costing Le20,000,000 and a Toyota Land Cruiser with registration number ADP-096 were not made available for verification. .</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b> Payments which amounted to Le313,897,495. weremade for councillors’ sitting fees during 2016 and Le28,500,000 was paid as Sitting Fees and other allowances to Councillors who were absent from the meeting to which the payments related.</li> </ul>
7.	<b>KAMBIA DISTRICT</b>	<b>UNQUALIFIED</b>	<ul style="list-style-type: none"> <li>➤ <b>Poor budgetary performance in own-source revenue generation -</b> At 31<sup>st</sup> December 2016, the total amount of own-source revenue generated was Le228,860,800</li> </ul>

			<p>compared to the budgeted amount of Le700,454,790 in the same financial year.</p> <ul style="list-style-type: none"> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances</b>-Payments which amounted to Le108,030,000. weremade for councillors’ sitting fees during 2016 and Le120,500,000 was paid as Sitting Fees and other allowances to Councillors and ward committee members with no evidence to justify that the meetings relating to these payments were held.</li> </ul>
8.	PORT LOKO DISTRICT	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Poor budgetary performance in own-source revenue generation-</b> At 31<sup>st</sup> December 2016, the total amount of own-source revenue generated was Le266,311,509 compared to the budgeted amount of Le780,436,120 in the same financial year.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances</b>-Payments which amounted to Le405,320,000. weremade for councillors’ sitting fees during 2016 and Le7,470,000 was paid as Sitting Fees and other allowances to Councillors who were absent from the meeting to which the payments related.</li> </ul>
9.	KOIDU NEW SEMBEHUN CITY	UNQUALIFIED	<b>No issue was identified</b>

10.	KONO DISTRICT	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le78,120,000 weremade for councillors’ sitting fees during 2016</li> <li>➤ <b>Procurement procedures not followed correctly-</b> A review of the procurement documents for the construction of a bridge revealed that a bank guarantee was not obtained from the contractor and a visit to the site also revealed that the bridge was still under construction even though it was supposed to have been completed</li> </ul>
11.	KAILAHUN DISTRICT	Adverse	<ul style="list-style-type: none"> <li>➤ <b>Incorrect opening balances and postings into the Petra system not completed-</b> opening balances in 2016 for twenty (20) accounts did not agree with the 2015 closing balances disclosed in the 2015 audited financial statements by a difference of Le1,532,395,599. Payment vouchers amounting to Le512,183,874 were not posted into the PETRA Accounting Software.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b> Payments which amounted to Le338.15 millionweremade for councillors’ sitting fees during 2016</li> </ul>

12.	KENEMA DISTRICT	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Inadequate information on property tax arrears-</b> property cadastre not functioning and as a result detailing amount of property tax arrears were unable to determine.</li> <li>➤ <b>Incomplete procurement documentation-</b> Completion certificates and/or monitoring and evaluation reports for Le3 billion for construction and rehabilitation not submitted for audit.</li> <li>➤ <b>National Social Security and Insurance Trust (NASSIT) contribution payments not submitted for audit-</b> Le13.9 million deducted from staff salaries were paid to the National Social Security and Insurance Trust but was not submitted for audit</li> </ul>
13.	KENEMA CITY	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Non-compliance with Cash Basis IPSAS-</b> that is, third party expenditure not disclosed.</li> <li>➤ <b>National Social Security and Insurance Trust (NASSIT) contribution payments not submitted for audit-</b> Le1.2 million deducted from staff salaries were paid to the National Social Security and Insurance Trust but was not submitted for audit</li> <li>➤ <b>Inadequate supporting documents-</b> contract price for the construction of a 2,500 seat mini-pavilion was increased to Le1.4 billion from the original price of Le986 million. However, a revised contract agreement with the new contract price was not submitted for audit inspection.</li> <li>➤ <b>Late submission of financial statements-</b> Financial Statements</li> </ul>

			were submitted on the 11 <sup>th</sup> May, 2017, which was 40 days after the deadline of 31 <sup>st</sup> March, 2017.
14.	BO CITY	Adverse	<ul style="list-style-type: none"> <li>➤ <b>Misstated cash and cash equivalents balance-</b> The cash and cash equivalent balance as at 1st January 2015 as disclosed in Statement 1 is incorrectly stated as nil. As a result, the incorrect figure (Le585.9million) has been brought forward and the cash and cash equivalent balance as at 31st December 2016(Le571.1million) is materially misstated.</li> <li>➤ <b>Understatement of total revenue and expenditure figures in the financial statement-</b>The total revenue and expenditure figures of Le4.6 billion and Le4.5billion respectively were misstated. Comparison between total revenue and expenditure figures revealed an understatement of revenue and expenditure by Le178.5million and Le466.7million respectively.</li> <li>➤ <b>Inconsistencies of information in the chief administrator’s report and the financial statements-</b> In the chief administrator’s (CAs) statement, the amount disclosed as approved budget figures for revenue and expenditure is different from the statement of comparison of budget and actual amounts as at 31<sup>st</sup> December 2016. Also, the 2015 financial year figures disclosed in the summary of cash receipts and payments by the CA’s report was different from the audited 2015 figures.</li> <li>➤ <b>Revenue not banked and without adequate supporting documents-</b> Revenue totalling Le184.2 million</li> </ul>

			<p>were but not banked. Also, no supporting documents were produced to justify the utilisation of this amount.</p> <ul style="list-style-type: none"> <li>➤ <b>Transactions not fully supported by relevant supporting documents-</b> Payments totalling Le814.4million in the Financial Statements were without adequate supporting documents such as receipts, reports, lists of beneficiaries, activity plans, requests and minutes of meetings held for the period under review.</li> <li>➤ <b>Withholding taxes not paid to the National Revenue Authority-</b> Withholding taxes of Le44.6million were deducted but not paid over to the NRA.</li> <li>➤ <b>National Social Security and Insurance Trust (NASSIT) contributions not paid for staff-</b> NASSIT deductions of Le58.6million from salaries of staff were not paid over to NASSIT.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b> Payments which amounted to Le199.7 million were made for councillors' sitting fees during 2016.</li> </ul>
15.	BO DISTRICT	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Non-Disclosure of information in the Additional Statements of the Financial Statement-</b> Non-current assets, amounting to Le58.5million were not disclosed in the Statement of Fixed Assets Purchased for the year ended 31<sup>st</sup> December 2016 (Statement 17).</li> <li>➤ <b>Withholding taxes not paid to the National Revenue Authority-</b> Le6.2 million withholding taxes were deducted at source from the payment of goods, works and services but no evidence of payment</li> </ul>

			<p>made to the National Revenue Authority.</p> <ul style="list-style-type: none"> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances</b>-Payments which amounted to Le277.5 million weremade for councillors’ sitting fees during 2016.</li> </ul>
16.	MOYAMBA DISTRICT	QUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Understatement of revenue and expenditure figures in the financial statement</b>- The total own source revenue and expenditure figures were overstated in the financial statement by Le47.4million and Le45.1million respectively.</li> <li>➤ <b>Inaccurate Bank reconciliation for several bank accounts</b> - Bank reconciliations carried out for twenty-four (24) accounts during the financial year ended 31st December 2016 were not correct.</li> <li>➤ <b>Receipt books not submitted for audit inspection</b>- Four receipt books with an estimated value of Le18.5 million were not submitted for audit inspection during the period under review.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances</b>- Payments which amounted to Le212.7 million weremade for councillors’ sitting fees during 2016</li> <li>➤ <b>Weaknesses in internal audit</b>- A review of the operational effectiveness of the Internal Audit Unit revealed that the unit was understaffed for the reviewed period. As a result, no internal audit function was carried out within the council for the entire period under review.</li> </ul>
17.	PUJEHUN DISTRICT	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Transactions not fully supported by relevant supporting documents</b>-</li> </ul>

			<p>Payments totalling Le68.8 million in the Financial Statements were without adequate supporting documents such as receipts, reports, lists of beneficiaries, activity plans, requests and minutes of meetings held for the period under review.</p> <ul style="list-style-type: none"> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b> Payments which amounted to Le242.7 million weremade for councillors’ sitting fees during 2016</li> <li>➤ <b>Weaknesses in Internal Audit-</b> A review of the operations of the Internal Audit (IA) Unit revealed that the IA assignments carried out were not supported by sufficient appropriate audit evidence and the link between the planning, execution and reporting documents could not be easily identified.</li> </ul>
18.	BONTHE DISTRICT	UNQUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Withholding taxes not paid to the National Revenue Authority-</b> Le43 million withholding taxes were deducted but not paid over to the NRA.</li> <li>➤ <b>National Social Security and Insurance Trust (NASSIT) contributions not paid for staff-</b> NASSIT deductions of Le18.7 million from salaries of staff were not paid over to NASSIT.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le166.3 million weremade for councillors’ sitting fees during 2016</li> </ul>
19.	BONTHE MUNICIPAL	QUALIFIED	<ul style="list-style-type: none"> <li>➤ <b>Understatement of revenue in the financial statement-</b>A review of the general receipt issued for own source revenues collected during 2016 revealed that out of a total</li> </ul>

			<p>receipt of Le22.7 million, only the sum of Le9.4 million was disclosed in the financial statement as total own source.</p> <ul style="list-style-type: none"> <li>➤ <b>Transactions not fully supported by relevant supporting documents-</b> Bank withdrawals totalling Le183.1million in the Financial Statements were without payment vouchers and supporting documents such as receipts, invoices, delivery notes, reports, lists of beneficiaries, activity plans, requests and minutes of meetings held for the period under review.</li> <li>➤ <b>Withholding taxes not paid to the National Revenue Authority-</b> Le10.5million withholding taxes were deducted but not paid over to the NRA.</li> <li>➤ <b>No guidelines to support the payment of councillor sitting fees and allowances-</b>Payments which amounted to Le153.9 million weremade for councillors’ sitting fees during 2016.</li> </ul>
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ANNEX 5-Performance baseline,targets and actuals

See Next page

ANNEX 5- PERFORMANCE BASELINE,TARGETS AND ACTUALS												
	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>1.0 Planning, Comprehensiveness, and Credibility</b>												
<b>1.1 Budget Planning</b>												
1.1.1	Budget planning and review	Budget over-runs and cuts third quarter (% cut)	<b>No Baseline and target set in the Reform Strategy</b>						Minimal but regular budget adjustments	Cannot be ascertained – no specified target	BB	11,12
1.1.2	Aggregate Fiscal Control Design and implementation of a fiscal rule for RRM	Agreed rule in revised GBAA (y/n)	No	Yes	Yes (Fiscal rule is part of the PFM Act approved by Cabinet. Implementation will commence once approved by Parliament)	Yes	Yes	<b>Fully Met</b> Design of the Fiscal rule of RRM was met upon the enactment of the PFM Act 2016.	Full implementation	<b>Not Met</b> No such statutory instrument has been issue.	EPRU	1, 2
1.1.3	Aggregate Fiscal Control Design and implementation of a fiscal rule for RRM	Implementation of rule (% variance)	<b>No Baseline and target was set in the Reform Strategy</b>						Full implementation	<b>Not Met</b> Statutory Instrument not yet defined and implemented	EPRU, BB	1, 2
<b>1.2 Budget Credibility and Coverage: Realistic Budgeting</b>												
1.2.1	Budget coverage	Total MDAs in IFMIS	12 MDAs	17 MDAs	12 MDAs (The rollout was halted following the indefinite suspension of FreeBalance by the Bank)	25 MDAs	35 MDAs	<b>Partially Met</b> 30 MDAs are now rolled out with IFMIS by end 2016 40MDAs	<b>Partially Met</b> 30 MDAs working with IFMIS currently as no roll-out was undertaken due to funding and suspension of Freebalance during the period.	AG, ICT	7	
1.2.2	Budget coverage	% DP funds in IFMIS (look at PFM projects as a subset)	IFMIS not rolled out to PIUs but some report to AGD	IFMIS rolled out to PIUs in 20% of rolled out MDAs	IPAs are being established in MDAs. The rollout was also halted following the indefinite suspension of FreeBalance by the Bank	IFMIS rolled out to PIUs in 40% of rolled out MDAs	IFMIS rolled out to PIUs in 60% of rolled out MDAs	<b>Not Met</b> This Indicator is not met. IFMIS has not been rolled out to any PIU.	IFMIS rolled out to PIUs in 80% of rolled out MDAs	AG, ICT, MPD	7	

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
1.2.3	Fiscal risk assessment	Publication of fiscal risk statement (y/n)	Some fiscal risk assessment is carried out by the National Commission for Privatization (NCP), but mainly in the context of privatization, without an overview in the budget	Yes	No This will be done and published following the approval of the PFM Act by Parliament	Yes	Yes	Fully Met The first Fiscal Strategy was developed by the MOFED and submitted to parliament in November 2016	Yes	Fully Met A detailed description of government fiscal objective as well as an assessment of its fiscal risk was approved by Parliament and published.	NCP EPRU	9
<b>1.3 Compliance with budget estimates and reporting standards</b>												
1.3.1	GFSM-Compliance	Production of GFS fiscal operations reports quarterly (y/n)	Government Chart of Accounts (CoA) applies to all levels of government and is mapped to GFSM 2001	Yes	Yes (GFS Fiscal Operation report for the three Quarters of 2014 posted in MoFED Website	Yes	Yes	Partially met Migration report produced, training of key stakeholders completed. Full implementation is expected 2018		Partially met Implementation is expected in 2018.	EPRU,AG	6, 10
1.3.2	Budget estimates variance	PEFA 1-2	10%	8%	7.9% in 2013	7%	5%	Not Met 6.6% Based on 2017 External PEFA	4%	Cannot be determined Auditing of the 2016 FS is still in progress.	BB	1,2
1.3.3	Revenue estimates variance	PEFA 3	% of actual to budget revenue is 116.3%	% of actual to budget revenue not less than 94% and not more than 112%	The variance is 112.2%	% of actual to budget revenue not less than 95% and not more than 110%	% of actual to budget revenue not less than 96% and not more than 108%	Met Aggregate Revenue was 100.6% of budget which is not less than 96: and not more than 108%	% of actual to budget revenue not less than 97% and not more than 106%	Cannot be determined Auditing of the 2016 FS is still in progress.	RTPD,EPRU, NRA	3, 13-15
<b>1.4. Strengthening the PFM Legal and Regulatory Framework</b>												
1.4.1	Revising PFM Legal Framework	Revised PFM legal framework in place	The GBAA and FMR are currently being thoroughly reviewed	GBAA 2005 and FMR 2007 revisions completed	Cabinet has approved the revised PFM Act. The regulation will start as soon Parliament approves the PFM Act			Fully Met The first Fiscal Strategy was developed by the MOFED and submitted to parliament in November 2016		Fully Met A detailed description of government fiscal objective as well as an assessment of its fiscal risk was approved by Parliament and published.	PFMRU	20

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA		
<b>1.5. Capacity-building for Budget Planning and Management</b>														
1.5.1	Capacity-building	Needs Assessment (y/n)	All to be done in continuity with current training program- with consideration of needs assessments and process reviews built in	Yes	No	Yes	Yes	Not Met	Yes	Data not available	PFMRU, BB EPRU,MDA-reps			
		process reviews (y/n)		Yes	No	Yes	Yes	Not Met	Yes	Cannot be ascertained				
		Courses (no)		5	0	8	10	Partially met	12	Partially met				
		trainees (no)		50	0	150	250	Partially met	350	Partially met				
<b>2 Financial Control and Accountability, Service Delivery and Oversight</b>														
<b>2.1. Strengthening Compliance of Legal Framework</b>														
2.1.1	Strengthen Compliance with Legal Framework	MDAs in compliance with the new PFM Act and Regulation (%)	The revision is in an advance stage	25%	0	The revision has not been completed	50%	70%	Not Met	The implementation of the PFM Act was deferred to 2017	100%	Unable to quantify as the indicator is too general	AGD,EPRU,PFMRU,IA,MDAs	
<b>2.2 IFMIS Development and Roll-out</b>														
2.2.1	IFMIS Roll-out	MDAs and ICT requirements for communication, hardware, and software in place	12 MDAs	20 MDAs and Projects	No additional rollout as FreeBalance has been suspended indefinitely.	25 MDAs and Projects	35 MDAs and Projects	Partially Met	30 MDAs with ICT requirements in place. Roll- Out to projects is yet to commence.	40 MDAs and Projects	Partially Met	30 MDAs with ICT requirements in place. Roll- Out to projects is yet to commence.	AG ICT	20
2.2.2	IFMIS functionality	Applied:Commitments (y/n)	Yes	Yes	Yes	Yes	Yes	Fully Met	Yes	Fully Met	AG, ICT	20		
		Systems Cheques (y/n)	Yes	Yes	Yes	Yes	Yes	Fully Met	Yes	Fully Met				
		Bill-tracking	Yes	Yes	Yes	Yes	Yes	Fully Met	Yes	Fully Met				
2.2.3	Payroll/ HRM	Roll-out of CSM modules (no)	CSM Module rolled out to SLP and Defense	CSM Module rolled out to Ministry of Education	Yes	CSM was rolled out to HRMO.			Fully Met	CSM was rolled out to HRMO in 2014	Partially Met	30 MDAs with ICT requirements in place. Roll- Out to projects is yet to commence.		

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>2.3. TSA, Cash, Debt, and Aid Management</b>												
2.3.1.	Establishing the TSA	Total CG balances in TSA within BoSL (%)	10%	50%	25%	80%	90%	Not Available TSA is in the pilot phase	100%	Not Available TSA is in the pilot phase	AG,ICT, BoSL	17
2.3.2.	Cash management	Establish interfaces Configure and use cash-	Not linked with the IFMIS	IFMIS linked with CSDRMS	No			Not Met		Not Met	AG,PD MD,BoSL	17
2.3.3.	External debt and aid management	DP projects using country systems (%)	Information not available	20%	< 50%	50%	80%	Not Met <50%	100%	Not Met	AG,DAC O,PDMD,MPD	D2, 3
2.3.4	External debt and aid management	DACO , MPD and PDMD systems variance from AG (%)	Information not available	10%		8%	6%	Information not available	3%	Information not available. Responsible Department provided AGD with the required information which is recorded in the system. No variance exists	DPs, DACO, MPD,PDMD	D1
<b>2.4. Commitment Recording and Control</b>												
<b>2.5. Procurement Legislation, Application of Practices, and Integration with PFM Processes</b>												
2.5.1	Procurement legal framework	Completion of assessment revised Act	Revised draft PPA prepared	Revised PPA Enacted by Parliament	The Revised Act has been approved by Cabinet	Procurement Regulation, Procurement Manual and Standard Bidding Document harmonised with the Revised Act		Partially Met The PP Act 2016 was enacted in 2016. Draft regulations, Manual and SBD are currently being reviewed to align with the new PP Act 2016.		Partially Met Draft Procurement Regulations is currently with the Law Officers Department whiles Manual and SBD are currently being reviewed to align with the new PP Act 2016.	NPPA	19
2.5.2.	Procurement administration	Procurement Directorate established in MoFED	No	Yes	Yes Procurement Directorate established in MoFED and Director recruited	Yes	Yes	Fully Met	Yes	Fully Met	HRMO, MoFED, NPPA	19

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>2.6. Service Delivery</b>												
2.6.1.	Public expenditure tracking surveys (PETS)	Process review (date)	Production of the 2011 PETS Report	Review of 2013 Public Expenditures and production of Report	No	Review of 2014 Public Expenditures and production of Report	Review of 2015 Public Expenditures and production of Report	<b>Not Met</b> PETS not Undertaken	Review of 2016 Public Expenditures and production of Report	<b>Not Met</b> PETS not Undertaken	AG, ASSSL, NSA	23
<b>2.7. Internal Audit</b>												
2.7.1.	Strengthening IA	Follow-up to IA reports by Internal Audit Committee	No	Yes	No	Yes	Yes	Yes	Yes	<b>Not Met</b> Compliance with IA recommendations remains weak	IA,ASSL, AG	21
2.7.2.	Strengthening IA Committees	No of IA Committees in MDAs and LCs	26	35	26	45	51	24	61	<b>Not Met</b>	IA	21
		No. Of Committees Meeting Quarterly	15	25	No	35	40	13	50	<b>Not Met</b>		
2.8.1.	Strengthening External Audit	PFM Performance Audits (no)	6	9	10	12	16	Partially Met – 15 performance audits were carried out	20	<b>Partially Met</b> 15 performance audits were carried out	ASSL,PA C,NSA	26,27
		Time to certify AG Financial Statements (PEFA)	AG certifies FS in accordance with the Legislation	AG certifies FS in accordance with the Legislation	The 2013 Financial Statement Audit was certified December 2014	AG certifies FS in accordance with the Legislation	AG certifies FS in accordance with the Legislation	<b>Fully Met</b> The 2015 Financial Statement Audit was certified December 2016	AG certifies FS in accordance with the Legislation	<b>Partially Met</b> Auditing was carried out but report not produced in accordance with the Legislation due to closure of Parliament and General Election preparations		

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>2.8 PFM Oversight and Public Accountability (Cont.)</b>												
2.8.2.	Strengthening Parliamentary and Public Scrutiny of the Budget	Process review (date)	2013 Budget submitted in December 2012	2014 Budget submitted latest 31 <sup>st</sup> October	2014 Budget was read in Parliament on Friday, 29 <sup>th</sup> November 2013	2015 Budget submitted latest October 31 <sup>st</sup>	2016 Budget submitted latest October 31 <sup>st</sup> 2015	<b>Not Met</b> 2016 Budget was read in Parliament on Friday, 6th	2017 Budget submitted latest October 31 <sup>st</sup> 2016	<b>Not Met 2017</b> Budget was read in Parliament on Friday, 11th November 2016	BB PFC	27
		Follow-up to ASSSL/PAC (%)	There is little follow up on PAC recommendation	IA/ASSSL/MDAs maintain a register of PAC recommendation and actions taken	19% recommendations have been implemented In absolute numbers, for the three years 2010 to 2013 there were 682 recommendations for the nine entities of which 130 were implemented, 508 were not implemented and 44 are in process	IA/ASSSL/MDAs maintain a register of PAC recommendation and actions taken	IA/ASSSL/MDAs maintain a register of PAC recommendation and actions taken	<b>Not Met</b> 29% recommendations have been implemented. In absolute numbers, for the five years 2011 to 2015 there were 959 recommendations for the selected entities of which 276 were implemented, 65 are works-in-progress and 618 were not implemented. In absolute numbers, for the five years 2011 to 2015 there were 959 recommendations for the selected entities of which 276 were	IA/ASSSL/MDAs maintain a register of PAC recommendation and actions taken	<b>Unable to determine- 2016 Audit report not yet published.</b>	ASSSL,PA C,MDAs /LC,NSA	
		NSA Workshops Supply-driven support (USD) Demand-driven (USD)	<b>No Target Set herein</b>									

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>2.9. Capacity-building for Financial Control and Management</b>												
2.9.1	Capacity building	needs assessment (y/n)	All to be done in continuity with current training program--with	Yes	No	Yes	Yes	Not Met	Yes	Data not available	PFMRU,AG D	
		process reviews (y/n)	consideration of needs assessments and process	Yes	No	Yes	Yes	Not Met	Yes	Cannot not be ascertained		
		courses (no)		5	No	8	10	Data not available	12	Partially met		
		trainees (no)		300		450	500	Data not available	600	Partially met		
<b>3 Revenue Mobilization</b>												
<b>3.1. Tax Legislative and Regulatory Reform</b>												
3.1.1.	Strengthening the legal framework	Draft Acts (dates)	No EITI Bill Drafted	Draft the EITI Bill and consultations	SLEITI Bill is at an advance stage to be tabled in parliament	EITI Act in place		<b>Not met</b> Drafting process for Extractive Industries Administration (EIRA) Bill; Revenue Administration Bill and PFM Regulations is ongoing		<b>Partially met</b> EIRA Bill submitted to Parliament Revenue Administration Bill enacted PFM Regulations in place	NRA,RTPD	13-15
		EITI compliance (y/n).	No	No	No ( the bill has not yet been passed)	Yes	EITI Act in place	Yes	Yes	Yes		

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>3.2.</b>	<b>Tax Systems, Business Processes, Collection, and Reconciliation</b>											
3.2.1.	Strengthening Revenue Systems	System interfaces completed	No system within NRA interfaced with IFMIS and BoSL	NRA Systems interfaced with IFMIS	No			Not Met		<b>Not Met</b>	NRA, A GD	3
		MOU with Banks in place (y/n);	Yes	Yes	Yes	Yes	Yes	To be ascertained	Yes	<b>Cannot be ascertained</b>		
		MOU with Banks Operational (y/n)	Yes	Yes	Yes	Yes	Yes	To be ascertained	Yes	<b>Cannot be ascertained</b>		
<b>3.3.</b>	<b>Tax Policy Transparency</b>											
3.3.1.	Tax exemptions (tax expenditures)	Tax expenditure statement included in Budget (date)	Tax expenditure statement not included in budget	Tax expenditure statement included in budget	Yes	Tax expenditure statement included in budget	Tax expenditure statement included in budget	Not Met	Tax expenditure statement included in budget	<b>Partially Met</b> Aggregated data is included as part of annual budget. No reporting on GST and Corporate Income Tax exemptions	EPRU, RTPD	3

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>3.4. Capacity-building for Revenue Mobilization</b>												
3.4.1.	Capacity-building	needs assessment (y/n)	Yes	Yes	No	Yes	Yes	Not Met	Yes	Data not available	RTPD,NRA, PFMRU	
		process reviews (y/n)	Yes	Yes	No	Yes	Yes	Not Met	Yes	Cannot be determined		
		courses (no)	5	5	5	6	7	To be ascertained	10	Partially Met Some capacity building actions carried out (n.º cannot be determined)		
		trainees (no)	60	70	70	100	150	To be ascertained	200	Partially Met Some capacity building actions carried out		
<b>4 Strengthening Local Governance Financial Management through Local Councils for Effective Decentralization</b>												
<b>4.1. Strengthen Local Government Financial Administration Regulations</b>												
4.1.1.	Financial Administration Regulations for LCs	Regulatory review (FAR)(2013)	FAR drafted	FAR approved	FAR in draft stage			<b>Not Met</b> FAR not yet approved. Still "draft" stage since 2013		<b>Not Met</b> FAR not yet approved. Still in "draft" stage since 2013		PFMRU

	Activity	Outcome/Output Indicators	Baseline 2013	2014 Planned	2014 Actual Outcome	2015	2016	2016 Actual Outcome	2017	2017 Actual Outcome	Unit	PEFA
<b>4.2.</b>	<b>Establish Budget Credibility</b>											
4.2.1.	Improving the CG grant allocation and budget system	Review basis of grants and sectoral ties (date)	No Review of the grant allocation formulae	Grant allocation formulae reviewed	<b>Yes</b> Grant allocation formulae reviewed by Key stockholders on LCs		Grant allocation formulae reviewed	<b>Met</b> Grant allocation forms organised for review by key stockholders on LCs		<b>Met</b> Grant allocation forms organised for review by key stockholders on LCs		HLG 1, SNG 1-3
<b>4.3.</b>	<b>Strengthen Local Government Systems and PFM Capacity</b>											
4.3.1	Strengthen Controls and Reporting	GFS/sectoral/COFOG reports (date)	IPSAS has been introduced to LCs and report on GFS/Sectoral/COFOG	LCs report on GFS/Sectoral/COFOG	<b>Yes</b> -The 2013 Annual Financial statements of LCs contained reports on GFS, Sectoral and COFOG	LCs report on GFS/Sectoral/COFOG	LCs report on GFS/Sectoral/COFOG	<b>Met</b> -The 2015 Annual Financial Statements of LCs contains reports on GFS, Sectoral and COFOG	LCs report on GFS/Sectoral/COFOG	<b>Met</b>	PFM RU,L GFD	