

Agenda item 4 - Attachment II

PFM SYMPOSIUM EXERCISE						
PFM Output/Actions						
Original PFM Road map Section Topic	Original PFM Road Map Proposed "output/actions"	Status	Issues/Challenges	Proposed Action(s)	Proposed Timeline	COMMENTS FROM PARTICIPANTS
Reliable Government Integrated Financial Management Information System (IFMIS).	4. Review and upgrade the Government Integrated Communication Network that will support the communications of PFM activities within MFNP, and also with MDAs, and stakeholders.	Not Yet	limited reporting features for MDAs including HR component that should be linked to the PSC	Complete the Chart of Accounts review, incorporate the identified system limitations to the design of the new IFMIS	30-Jun-19	
Adequate Human Capital (Staff Capacity) - MFNP	2. Strengthen the human capital (staff) capacity of key PFM Units of MFNP through recruitment/upgrading to reinforce the existing staff capacity to carry out its mandatory PFM functions and to lead the implementation of the PFM reforms.	Not Yet	High turn over of staff, limited capacity	Establish and communicate the new structure. Need to develop standard operating procedures to ensure standard and consistency.	30-Jun-20	
Adequate Human Capital (Staff Capacity) - MDAs	1. Co-ordinate with MDAs to review and assess their PFM staff capacity then strengthen/recruit adequate staff to MDAs' Accounts Divisions to carry out their respective PFM functions.	Not Yet	High turn over of staff, limited capacity	Roll out training to MDA accounts teams consistently to address staff turn out and ensure up to date information reaches the intended users eg. Treasury Circulars. PFM week to raise awareness on PFM	30-Jun-20	ACCOUNT SECTION, stronger relationship btw finance n mdas, inclu reg training on instructions, policies, pfm roadmap (risks...)** share the needs analysis report

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<p>Improve The Existing Legislative and Regulatory Framework.</p>	<p>1. Review the Public Finance Management (PFMA) Act 2002 and PFM regulations, and other PFM related regulatory and policy frameworks.</p>	<p>Not Yet</p>	<p>some recent changes havent been incorporated eg. procurement act. Increase accountability of CEOs and Ministers for the operations of their Ministry. Need to incorporate Cabinet manual into regulations to enforce whole of government view. PSC/MFNP OT.</p>	<p>review and update the regulations as needed</p>	<p>30-Jun-19</p>	
<p>Improve Planning Processes</p>	<p>3. Review status of District Plans and Sector Plans and develop medium-term strategies, including mechanisms for periodic review. The review to be done on district and sector level and prioritized based on the TSDF/Long-term National Strategic Development Plan, and link to relevant CPs and budget process.</p>	<p>Not Yet</p>	<p>(1) This role has been moved to the Prime Minister's Office (National Planning unit), which needs strengthening.</p> <p>(2) Lack of coordination 'within' Government and 'between' Government ministries and the non-state actors in the Budget process (e.g. CSOs, private sector, churches, communities, NGOs etc.)</p> <p>(3) Lack of progress reports and weak M&E that hinder proper review from stakeholders involved in the budget process</p>	<p>(1) Establish taskforce between Cabinet and the Budget Advisory Committee for reviewing the Government Priority Agenda (members are at Ministerial level)</p> <p>(2) Change in governance of the BAC - For the Chief Secretary to Cabinet to become the Chair of BAC and deputy-chaired by CEO for Finance (members are at CEO level)</p> <p>(3) Strengthen coordination between Government ministries and non-state actors</p>	<p>-September - November 2018 (to be effective for 2019/20 budget preparation)</p>	

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Enhance policy formulation	3. MFNP to develop mechanism to enhance close co-ordination and ensure mutual working relationships with key institutions such as the National Reserve Bank of Tonga and the Bureau of Statistics.	Not Yet	(1) The mechanism has been developed (Macro Advisory Committee & Macro-Technical Committee). (2) Data issues have been improved, but the issue 'the policy formulation mechanism that's the issue' (3) There's a lack of buy-in for effectively executing the existing mechanisms - Macro Advisory Committee & Macro-Technical Committee (3) Lack of available 'timely' data to meet the data requirements	(1) Improve and strengthen coordination and participation in the Macro-Advisory and Macro-Technical committee meetings from relevant stakeholders (Finance, NRBT & Statistics) for transparency purposes (2) MTC to hold quarterly meetings and report to Macro-Advisory committee	2019/20 budget preparation	
Oversight of aggregate fiscal risk from other public sector entities.	3. MFNP and MPE to produce 6-month consolidated financial updates for all AGAs/PEs including narrative that highlights problems and assesses risks.	Not Yet	(1) Lack of coordination between MPE and MFNP and sharing of information (2) Need to clarify the 'oversight' role that this indicator is referring to - since this stage is about the preparation of the budget not the execution stage.	(1) Strengthen the coordination between MFNP & MPE and share information on assessment of P.Es for aggregate fiscal risk	On-going, for the 2019/20 budget.	
Effectiveness in collection of tax payments - Filing & Payments	10. Introduce a risk management/case selection module into RMS to further free up processing resources.	Not Yet				
Effectiveness in collection of tax payments - Filing & Payments	11. Maintain data-matching activities until the risk management module is purchased but review the current process and adopt a more strategic approach to data matching activities.	Not Yet				
Effectiveness in collection of tax payments - Audit and Investigation	12. Introduce and shift to computerized risk modelling.	Not Yet				

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Effectiveness in collection of tax payments - Audit and Investigation	13. Continue to develop the compliance program for more analytical assessments to build in a greater degree of specificity across each taxpayer segment, sectoral issues, resource allocation, compliance improvement measurement, and identification of implications for flow-on effects.	Not Yet				
Effectiveness in collection of tax payments - Collection Enforcement	14. Devise a system to analyse arrears on a systematic basis to better understand the breakdown of arrears, particularly collectible and uncollectible debt and identify sectors presenting the greatest likelihood of non-payment.	Not Yet	Accounting for all taxable economic activities of retail/wholesaler businesses and unregulated areas	Enforce penalties, review new local taxable products - target 1 substitute product - tobacco	current but scaled up, before end of FY	NEW Tracker
Effectiveness in collection of tax payments - Post Clearance Audit	15. Institute procedures for mounting combined tax and Customs audits where an identified benefit is likely to accrue.	Not Yet				
Predictability in the availability of funds for commitment of expenditure	1. Review the current composition of the Cash flow committee members to establish a stronger group with broader term of reference to regularly monitor the management of cash flows and also to include debt and asset management. The composition of the group to be determined by MFNP.	Not Yet				
Predictability in the availability of funds for commitment of expenditure	2. Review and Update the Cash Management Guidelines and submit for endorsement of the established group and seek approval for mandatory use and full compliance by all MDAs.	Not Yet				
Predictability in the availability of funds for commitment of expenditure	3. Review and develop a new Diplomatic Mission Financial Framework and Guidelines and ensure consistency with relevant established regulatory framework.	Not Yet				
Management of Debt	1. Support the adoption of the 'Public Debt Management Reform Plan' (PDMRP) and its related recommendations and consult with relevant stakeholders to ensure effective implementation.	Not Yet	The PDMRP needs revision	Request a TA for this task	FY 2020/21	
Improve Asset Management.	1. Develop an Asset Management Framework submit for Cabinet approval. The work on the proposed framework should take into account similar work done on NIIP.	Not Yet	lack of commitment	continue actions	by end of FY 18/19	

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Effectiveness of Internal Audit	<p>1. MFNP to work with AO on the mandate for internal audit to gradually expanding MFNP IAD internal audit coverage to all MDAs as follows:</p> <p>a. four (4) MDAs</p>	Not Yet				
Effectiveness of Internal Audit	<p>1. MFNP to work with AO on the mandate for internal audit to gradually expanding MFNP IAD internal audit coverage to all MDAs as follows:</p> <p>b. ten (10) MDAs</p>	Not Yet				
Effectiveness of Internal Audit	<p>1. MFNP to work with AO on the mandate for internal audit to gradually expanding MFNP IAD internal audit coverage to all MDAs as follows:</p> <p>c. All MDAs</p>	Not Yet				
Effectiveness of Internal Audit	<p>2. The MFNP to coordinate with the AO to strengthen Professional Internal Audit standards with the aim of applying those standards to all internal audit operations for MDAs and PEs. They will also be reviewed for consistency with international standards and practices.</p>	Not Yet				
Effectiveness of Internal Audit	<p>3. MFNP to work with the AO to develop annual targets for increased focus on systemic issues. The combined efforts of both offices on systemic issues will reach at least 50% of total audit effort.</p>	Not Yet				
Effectiveness of Internal Audit	<p>4. Response and Action on Internal Audit findings:- A quarterly report will be submitted to the Audit Committee on 'Status of Audit Recommendations, Responses, and Actions' by MDAs. A six-monthly report will be submitted to Cabinet. Items will be kept on the report until a satisfactory action accepted by the Audit Committee is reported.</p>	Not Yet				
Effectiveness of Internal Audit	<p>5. Develop a Risk Management Framework and strategy to provide adequate assessment of risks in all phases of PFM activities and the implementation of the PFM Roadmap so that appropriate mitigating measures are put in place.</p>	Not Yet				

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Devolution of Government PFM system	2. Review and design the PFM system including applicable policies and procedures for MFNP, and for MDAs.	Not Yet	- Lack of capacity / capability	-dedicated PFM Unit -Request TA	end of December 2019	
Devolution of Government PFM system	3. Conduct regular PFM trainings on the proposed PFM system with MFNP and all MDAs.	Not Yet	-Lack of capacity / capability / resources	-include in the training Plan of the overall PFM Roadmap	January 2020	
Devolution of Government PFM system	4. Devolve the PFM budgetary functions to all MDAs.	Not Yet	-Lack of capacity / capability / resources - hard to consolidate	- don't devolve the Budget functions OR - recruit budget officer at MFNP then redeploy to MDAs -include in the training plan	June 2021	Look at the processes rather than devolving

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Availability of information on resources received by service delivery units	MFNP to work with relevant MDAs to identify primary service delivery units and classify related transactions in the accounting system. This is to capture all related transactions and then report on both cash and in-kind resources on a regular basis. The related financial reports will be included as part of the respective MDA's Annual Reports	Not Yet	<p>1) Limited access to sun and no access to Vision from MDAs,</p> <p>2) Misunderstanding between MDAs and MFNP of what is there and actually happening,</p> <p>3) Training not enough</p> <p>4) System connection to MFNP,</p> <p>5) No systematic way to submit reports to MDAs,</p> <p>6) Staff turnover,</p> <p>7) No access from MDAs to previous financial year,</p> <p>8) In-Kind Resources, need to confirm who is responsible for collating information,</p> <p>9) Miscommunication,</p> <p>10) NO vote reconciliation taking place etc</p>	<p>1) Complete update of CoAs,</p> <p>2) More accessibility to the System from MDAs (Incl. Vision),</p> <p>3) Clear mandate in terms of Financial Reporting for MDAs (systematic way),</p> <p>4) While waiting for all the updates of policies etc, MFNP should ensure better reporting is maintained, start with sharing of very basic/simple reports,</p> <p>5) Work more closely with Donors in ensuring all in-kind resources are recorded and accounted for</p>	Start with pilot Ministries from January 2019	
Quality and timeliness of Annual Reporting.	1. Establish a Financial Managers Forum of Government and Public Enterprises and other Government entities to discuss relevant PFM issues including reporting. This is to set up the platform for the consolidation of AGAs/PEs financial statements with Government to form the Whole of Government Consolidated Financial Reports.	Not Yet	<p>1) Not meeting regularly, Set up already and members are only the MDAs. NO TOR for this forum</p>	<p>1) Priority should be focus on MDAs first, but Public Enterprises should be invited when needed, however should start communication and co-ordination with MPE/Pes</p>	2019/2020	

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Quality and timeliness of Annual Reporting.	2. Prepare Consolidated Financial Reports for Whole of Government (including the PEs and other Government entities) in accordance with applicable IPSAS and submit to AO.	Not Yet	1) Lack of communication and coordination with MPE & Public Enterprises 2) Capacity	1) Get Things right within Govt. Agree its something that it can be done, 2) Need to agree on Basis first 3) Request Assistance from donors	2019/2020	look at policy etc
Quality and timeliness of Annual Reporting.	3. Full compliance with IPSAS-Cash.	Not Yet	1) Capacity (within MFNP and other MDAs), 2) Reconciliation issues	1) Strengthen Accounts Sections of MDAs and MFNP (training need assessment/address training issues), 2) Streamlining Processes	2019/2020	top-priority
Legislative Scrutiny of the Annual Budget Law	2. MFNP to liaise with Parliament in devising written parliamentary procedures to be adopted by the Legislative Assembly for budget review including: <ul style="list-style-type: none"> - internal organizational arrangements - such as specialized review committees (may be PAC), and negotiation procedures; - scope of review - such as the recording of conclusions on corporate planning, fiscal policies, medium-term fiscal framework, medium-term priorities, MDAs corporate plans with key performance indicators, and the details of annual expenditure and revenue; and - any other budgetary issues that need explanations and clarifications 	Not Yet				
Legislative Scrutiny of External Audit Reports	1. LA Public Accounts Committee (PAC) to have a documented framework and/or procedures for review and scrutiny of external audit reports. This to include conduct hearings on key findings, and the issuance and monitoring of recommended actions, including the related communication strategy to the public.	Not Yet				

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Development Partner Management Practices	<p>1. Establish a Government Development Partners Forum (GDPF) to meet on monthly basis and discuss development assistance issues. These issues to include aid flows projections, use of Government system, projects' implementation status and issues, project status/completion reporting etc. The representatives from Government may include MFNP, MoFAT, PMO, and any other relevant MDAs.</p>	Not Yet				
Development Partner Management Practices	<p>2. MFNP to submit quarterly reports to Cabinet on Projects Implementation Status and major issues raised from the GDPF. The report is to be published in the MFNP website once approved by Cabinet.</p>	Not Yet				need to send to donors...so they're aware of the committees etc
Development Partner Management Practices	<p>3. MFNP to develop an Aid/Project Budgeting and Reporting Framework and agreed with Development Partners (DPs) for adoption. The framework to include requirements for DPs to provide:</p> <ul style="list-style-type: none"> a. Budget estimates for disbursement of project aid at stages consistent with the Government's budget calendar and with a breakdown consistent with the government's budget classification. b. quarterly reports, within one month of the end of quarter, on all disbursements made for externally financed projects in a break down consistent with the Government budget classification c. schedule of acquittals report submissions for MFNP to co-ordinate and implement for all cash projects. 	Not Yet				
Development Partner Management Practices	<p>4. The proportion of aid that is managed through Government system and procedures for PFM areas of procurement, payment/accounting, audit and reporting to be improved to at least 90% on average.</p>	Not Yet				

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PFM Reform Roadmap Steering Committee (PFM-RSC)	1. A PFM Reform Roadmap Unit (PFM-RRU) is established in the MFNP. (This Unit is to play the management unit roles of the PFM Reform Roadmap, and be responsible for the following up of the progresses and monitoring the implementation of the PFM Reform Roadmap.)	Not Yet	PFM Roadmap was established under CSD but MFNP was restructured and PFM Roadmap is now with FFD.	An unit for PFM Roadmap is to be established under FFD.	2 months - Dec 2018	recruitment asap
Communicating the PFM Reform Roadmap	1. The PFM-RRU to develop the PFM Reform Roadmap communication strategy and submit to PFM-RSC for approval.	Not Yet	PFM Roadmap Unit was not established and appropriately positioned in the Ministry	1. Communication Strategy submit for approval of Steering Committee 2. Include communication strategy need to include CSOs and FBOs and media and any other relevant community groups.	3 months - Jan 2019	
Change Management Process.	1. Develop a Change Management Plan to set out strategies to manage the changes proposed by the PFM Roadmap and ensure success of the Roadmap and for future improvements	Not Yet	PFM Roadmap Unit was not established and appropriately positioned in the Ministry	Develop Change Management plan for approval of Steering Committee	3 months - Jan 2019	initial step will be to ask unit to prioritise reforms and quarterly updates