



TECHNICAL ASSISTANCE REPORT

TONGA

Public Financial Management Action Plan

JUNE 2020

PREPARED BY

Celeste Kubasta, Richard Neves and Kris Kauffmann



MEMBERS

Cook Islands, Tonga, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu

PARTNERS

New Zealand, Australia, European Union, Republic of Korea, Canada, Asian Development Bank

DISCLAIMER

The contents of this report constitute technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of Tonga (the "TA recipient") in response to their request for technical assistance. This report (in whole or in part) or summaries thereof may be disclosed by the IMF to IMF Executive Directors and members of their staff, as well as to other agencies or instrumentalities of the TA recipient, and upon their request, to World Bank staff, and other technical assistance providers and donors with legitimate interest, including members of the Steering Committee of PFTAC, unless the TA recipient specifically objects to such disclosure (see [Operational Guidelines for the Dissemination of Technical Assistance Information](#)). Publication or Disclosure of this report (in whole or in part) or summaries thereof to parties outside the IMF other than agencies or instrumentalities of the TA recipient, World Bank staff, other technical assistance providers and donors with legitimate interest, including members of the Steering Committee of PFTAC, shall require the explicit consent of the TA recipient and the IMF's FAD Department.

MEMBERS



Cook Islands



Tonga



Kiribati



Marshall Islands



Micronesia



Nauru



Niue



Palau



Papua New Guinea



Samoa



Solomon Islands



Timor-Leste



Tokelau



Tonga



Tuvalu



Vanuatu

PARTNERS



CONTENTS

GLOSSARY	4
PREFACE	5
EXECUTIVE SUMMARY	6
I. BACKGROUND	9
II. DEVELOPMENT OF PFMAP	11
A. Approach and Methodology	11
B. Key Reform Issues	13
III. NEXT STEPS	20
ANNEX 1: PUBLIC FINANCIAL MANAGEMENT ACTION PLAN – DRAFT AS AT 26 JUNE 2020	21

Glossary

Acronym	Full Title
CEO	Chief Executive Officer of the Ministry of Finance
DFAT	Department of Foreign Affairs and Trade (Australia)
FMIS	Financial Management Information System
GFS	Government Finance Statistics
GPA	Government Priority Agenda
IMF	International Monetary Fund
ISSAI	International Standards of Supreme Audit Institutions (ISSAI)
MDA	Ministry, Department and Agency
MOF	Ministry of Finance
MRC	Ministry of Revenue and Customs
OAG	Office of the Auditor General
PEFA	Public Expenditure and Financial Accountability Assessment
PFM	Public Financial Management
PFMAP	Public Finance Management Action Plan
PFTAC	Pacific Financial Technical Assistance Centre
PMO	Prime Minister's Office

Preface

The CEO of the Ministry of Finance (MOF) of the Government of Tonga requested assistance from the Pacific Financial Technical Assistance Centre (PFTAC) in the preparation of a Public Financial Management Action Plan (PFMAP) based on the Public Expenditure and Financial Accountability (PEFA) assessment finalized in January 2020 and other assessment reports. It was agreed with the MOF that the mission would pilot Vol. IV of the PEFA Handbook on use of PEFA to support public finance management (PFM) action planning.

Celeste Kubasta and Richard Neves (both PFTAC), together with Kris Kauffmann, IMF technical expert, conducted the mission from May 6th to June 3rd 2020. Due to travel restrictions imposed in response to COVID-19, the work of the mission was conducted remotely utilizing email and video conferencing. The team worked in conjunction with a staff member of the PEFA Secretariat, Mr Martin Bowen, who participated in the mission to pilot of the PEFA Volume. IV Handbook in preparation of a national PFM action plan. The mission met with Ministry staff including the CEO of the MOF, the leadership of various divisions, and staff from MOF. The mission also met with representatives of the Ministry of Revenue and Customs (MRC), Ministry of Infrastructure (MOI), the Prime Minister's Office (PMO) and the Office of the Auditor-General (OAG).

Mission findings were presented to the CEO and management team of MOF, MORC and PMO at the end of the mission.

The team would like to thank the CEO and MOF staff, for their hospitality, eager cooperation and support during the mission. In particular, the Chief Accountant and Consultant for the Financial Framework Division, Nanise Lolohea Tu'ineau and 'Ana Lemani respectively, provided excellent support to the mission by coordinating the activities and the inputs to the PFMAP from the government.

Executive summary

A PEFA assessment was undertaken by PFTAC in November 2019 and the PEFA report finalized in January 2020. It was the first published assessment based on the “agile” methodology. Government officials agreed to invite the PEFA Secretariat to pilot the guidance and processes set out in PEFA Handbook, *Volume IV: Using PEFA to support PFM improvement*. The mission was conducted remotely, utilizing email and video conferencing due to imposed travel restrictions from May 6 to June 3, 2020. Government officials prepared a draft PFM action plan (PFMAP) at the mission’s conclusion.

The mission assisted government authorities to prepare a ‘bottom-up’ PFM action plan bringing together ownership of the plan and recognition of local circumstances. The aim was to foster a greater involvement of local staff in the development of the plan and, obtain greater ownership in its successful implementation. The mission launched with an opening presentation to the CEO and senior government officials. A series of individual working meetings followed with all functional areas of MOF, MOR, Customs, MOI, the National Planning Division of the PMO and the Auditor-General.

Following the working meetings, each group prepared a draft action plan for their area of responsibility. The initial draft action plans were reviewed and comments provided by the mission team. The former head and staff of the Financial Framework Division played an important role in communicating, guiding and coordinating the various government inputs. A plenary workshop was then held in which each division/agency presented their work plans as the basis for the development of an integrated PFM action plan. The plenary, which was hosted by the CEO, provided the opportunity to identify gaps and cross-cutting issues where more than one division would have responsibility for implementation.

Following the plenary session, the Financial Framework Division coordinated the compilation of updates from various entities, enabling formalization of a first draft of an integrated PFM action plan. The draft plan was presented to all participants on the mission’s final day, where options were discussed for managing and monitoring the PFM action plan as well as the need and priorities for technical assistance (TA).

Recommendations of the mission include:

- continuing internal and external engagement to finalize the draft action plan;
- obtaining approval of the new PFMAP, ideally at Cabinet level;
- re-establishing the technical working group to oversee implementation;
- monitoring progress of implementation and adjust the plan as required; and
- reporting on results to the PFM Steering Committee and take corrective actions if appropriate.

The main activities identified in the PFMAP are shown in Table 1.

Table 1 – Main Tonga PFMAP Activities

Activity	Timing	Responsibility
Enhancing macroeconomic forecasts, better alignment with revenue forecasts.	Q3 2020	MOF (E&FPD)
Changing the budget process to provide sufficient time to undertake analysis of policy decisions	Q4 2020	MOF (Budget)
Altering fiscal rules to limit post-budget policy and spending decisions that impact on fiscal outturns.	Q3 2020	MOF - Cabinet approval
Better calibration of medium term fiscal strategy, including fiscal anchors to ensure stability and sustainability.	Q3 2020	MOF - Cabinet approval
Enhancing budget process coordination, to improve planning and resource allocation processes.	Ongoing	MOF (various), National Planning of PMO
Training across government to improve budget costing in planning activities and expand currently incomplete information flows to and from service delivery units.	Q3 2020 ongoing	MOF (various), PMO
Redesigning budget execution business processes to capture expenditure commitments and obligations in the FMIS as they arise.	Q2 2021	MOF (FFD & Treasury)
Improve cash-flow forecasting through a wider cash-management approach	Q2 2021	MOF (FFD & Treasury)
Appointing a designated officer to lead the reconciliation processes and review current practices.	Q3 2020	MOF (Treasury)
Examining implementation of automatic reconciliation processes.	Q3 2020	MOF (Treasury)
Eliminating unused bank accounts.	Q2 2020	MOF (Treasury)
Creating a working group with banks to address system reconciliation issues.	Q3 2020	MOF (Treasury)
Progressively reducing use of cheques.	Ongoing	MOF (Treasury)
Establish a threshold for TD checking of payments (example only check PO above \$500?) with MDAs to be accountable for exp less than recommended thresholds	Q3 2020	MOF (Treasury)
Preparing a position paper on adoption of IPSAS standards (initially IPSAS Cash Basis).	Q2 2020	MOF (Treasury)
Enhancing the scope and quality of the data in the general ledger to support compliance with IPSAS.	Ongoing	MOF (Treasury and FFD)
Configuring and applying internal control features in SunSystem to reduce transactions (including reversals) associated with application of manual internal controls.	Q3 2020	MOF (FFD and Treasury)

Developing a plan for progressive inclusion of accrual elements within the accounts and associated reporting.	Q3 2020	MOF (Treasury and FFD)
---	---------	------------------------

I. Background

1. **The Government Priority Agenda (GPA) has identified public sector system reform among nine key priorities to guide development works and initiatives in the medium term, 2019-2021.** The rationale behind the GPA is to promote a more dynamic and inclusive economy. The government lists among the drivers of the GPA the need to expedite public sector system reforms as well as digitization of government processes and systems. The Budget Statement elaborates that “In terms of service delivery, government will endeavor to balance resources and investment with results and outcome. It will maximize efficiency and effectiveness in meeting citizens’ demands within financial constraints and limited capacities. Public administrations are expected to embrace these reforms.” It is in this context that the government seeks to strengthen its PFM performance.

2. **Since the previous PEFA assessment in 2010 Tonga has been implementing a PFM Reform Road Map, supported by development partners.** While progress in reforms has been made, the 2020 PEFA indicates that the benefits of this road map have not consistently resulted in improved PFM outcomes – as measured by the PEFA scores. In the context of the Road Map, the PEFA noted the following PFM improvements:

- The upgrading of the financial management information system (FMIS) and investments in hardware enabled some improved connectivity and integration between line agencies and the MOF. The revenue management system was also updated to enable the use of functionalities such as analysis, filing, risk management, audit and investigations, and assessment.
- The MOF is progressing towards an updated and internally consistent Chart of Accounts, which will meet international standards.
- The development of a new MOF website has resulted in some improvement in transparency.
- Three-year rolling corporate plans were introduced with medium-term policy and strategy content which were integrated somewhat into the annual budget process.
- The MOF capacity to develop medium term macro-economic-framework with proper macro-economic forecast and adequate analysis was strengthened, enabling macro-economic forecasting, especially GDP and funding (domestic, aid, debt) to feed into the budget.

¹ Government of Tonga Budget Statement for the year ending 30 June 2020

- The Budget Statement is now easier to read and provides an improved analysis of economic and social conditions and forecasts, the budget strategy and the allocation of expenditure between the government and development partners.
- Oversight of Public Enterprises has improved their financial reporting practices – although the associated analysis is not consolidated or published.
- The Ministry of Revenue and Customs (MRC) has established a taxpayers' function and established a streamlined system for effective minimization of late filing and late payments to improve payments rates by large and small businesses.
- Improved processes around the OAG's annual audit planning has enabled an improved scheduling of Audit Reports being submitted to the Legislative Assembly,
- Clearer guidelines and rules for in-year budget amendments by agencies were developed, setting limits on extent and nature of amendments.
- Procurement reform strategy (Action Plan) recommendations have begun to be implemented. This has seen improved procurement rules, policies and endorsement of compliance efforts which are consistent with good practice, for an appropriate government procurement system.

3. **The 2020 PEFA was identified as a mechanism for informing an update of the PFM Road Map.** A key purpose of the PEFA was to provide the government with the opportunity to assess progress of existing reforms and to reflect upon the action required to apply areas of strength and address elements of weaknesses as identified by the PEFA scoring.

4. **The PEFA assessment was undertaken by PFTAC in November 2019 and the PEFA report finalized in January 2020.** Following discussions between PFTAC and government officials, it was agreed to invite the PEFA Secretariat to pilot test the guidance and processes set out in PEFA Handbook, Volume IV: *Using PEFA to support PFM improvement*.

5. **MOF agreed for the PFM action plan mission to take place in May and June 2020.** The objective of the mission was to assist government officials to develop a new draft PFM action plan to replace the previous road map. At the conclusion of the mission, it was expected that government officials would have completed an initial draft PFM action plan for submission to government for approval, setting out the proposed PFM reforms, desired PFM outcomes, key tasks, responsible officers, timelines, capacity development needs and estimated costs.

II. Development of PFMAP

A. Approach and Methodology

6. **The approach and methodology underpinning Volume IV of the PEFA handbook is to assist government authorities to prepare a 'bottom-up' PFM action plan.** The aim of this approach is to foster a greater involvement of local staff in the development of the plan, recognition of local circumstances, consideration of known constraints and, consequently, greater ownership in its successful implementation.

7. **An initial seminar was held to launch the mission, which included a presentation on the PEFA process and the methodology to be used in developing the new PFMAP.** Participants included the CEO, heads of divisions of the MOF and senior government officials from MRC, MOI and PMO. The launch presentation was followed by a series of largely half day individual working meetings with the following divisions and agencies:

- Treasury Division;
- Economic and Fiscal Policy division, Budget and Corporate Planning Division and National Planning Division (within the PMO);
- Financial Framework Division (including Financial Framework Unit, Debt and Asset Management team);
- Internal Audit Division;
- Information and Communication Division;
- MRC;
- OAG; and
- MOI.

8. **Each of the working meetings included the presentation on the methodology and planned format of the PFMAP.** This was followed by discussions and dialogue on each of those stages for each group's area of responsibility as follows:

- reviewing the findings of the most recent PEFA report and the progress against the previous PFM reform plans;
- identifying the strengths and weaknesses of Tongan PFM systems in the PEFA report (and other relevant diagnostics);
- determining the underlying causes (and any necessary further analysis) of the strengths and weaknesses;
- agreeing on the most important PFM priorities; and

- identifying and sequencing a program of realistic, achievable PFM improvement initiatives that address the weaknesses and support the government to achieve the objectives tailored to specific country circumstances.

9. **From this discussion, each group was then invited to prepare a draft action plan for their area of responsibility.** Based on the guidance in Volume IV, a proforma table was proposed which segmented each PFM area and the desired PFM reform. The columns in the table identified specific problems to be addressed (column 1) and, for each of these problems a number of reforms were proposed, (column 2) with specific actions (column 3). For each action the person/team responsible is identified (column 4) as well as the timing (column 5). Constraints to the proposed reforms and actions is outlined in column 6, including actions to address these constraints (in italics) – which in some cases included TA. The anticipated cost to implement the reform is set out in the last column in Table 1.

Table 1 – PFMAP Structure

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
PFM Area: Budget Documentation						
Desired PFM Outcome: accuracy, consistency with clear presentation of the Budget documents						
Problem 1: provide forecast on some of key macro-indicators for the outer years	Reform 1: availability of key macro-socio-economic indicators (i.e. growth, exchange rate etc.)	Action 1: Clearly state the key macro-socio-economic indicators in the Budget Statement ²	Head of Economic & Fiscal Policy Div. (A)	as per approved Budget timeline	None	None
		Action 2: Publish key macro-economic indicators in budget documents	Head of Economic & Fiscal Policy Div. (A)	as per approved Budget timeline	None	None

10. **The format of the PFMAP evolved during the mission based on input from the GoT officials.** Compared to the format outlined in Vol. IV, the table used included a column that outlined the problem to be addressed, recognizing that reform actions are directed at achieving a specific outcome. In the column that sets out the person/team responsible it was agreed to indicate at what level of government the specific action would be authorized. To achieve this, a digit was included in this column in brackets as follows:

- A = Agency level reform
- M = Ministerial approval required
- G = Government approval required
- L = Legislative changes required

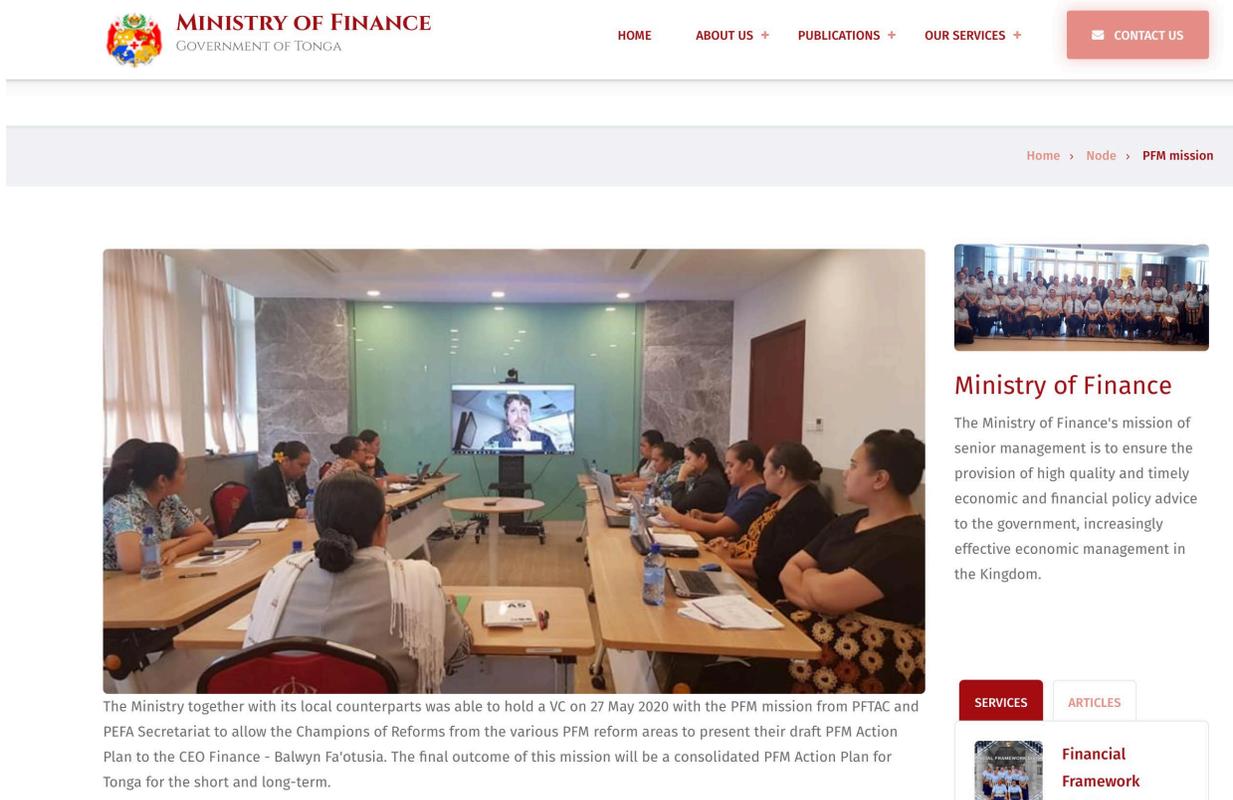
11. **Drafts of the reform plans, prepared by the respective division, were then submitted to the mission team for review and comment.** The mission team provided feedback on content and format of the various submissions. In offering this feedback, the mission team was mindful to respect the position put forward by the GoT regarding the nature of the problem, the prioritization of the reforms and the nature of the constraints

² Data are in the Budget Statement but need to consolidate in a summary table including actual data and projections for outer years.

identified. While most of the feedback related to gaps and overlaps, the mission team also provided advice regarding models of good PFM practice when requested.

12. **A plenary workshop was then held in which each division/agency presented their individual work plans as the basis for the development of an integrated PFM action plan for Tonga.** The session provided the opportunity to identify cross-cutting issues where more than one division would have responsibility for implementation. Importantly, the CEO participated in the discussion and identified gaps and overlaps as well as priorities not observed in the draft. After the video conference with the mission team, the CEO asked the local staff to stay back in the meeting, where it is understood these issues were further discussed. MOF publicized this plenary event on their website.

Figure 1 – Tonga Online Publication of Mission



The Ministry together with its local counterparts was able to hold a VC on 27 May 2020 with the PFM mission from PFTAC and PEFA Secretariat to allow the Champions of Reforms from the various PFM reform areas to present their draft PFM Action Plan to the CEO Finance - Balwyn Fa'otusia. The final outcome of this mission will be a consolidated PFM Action Plan for Tonga for the short and long-term.

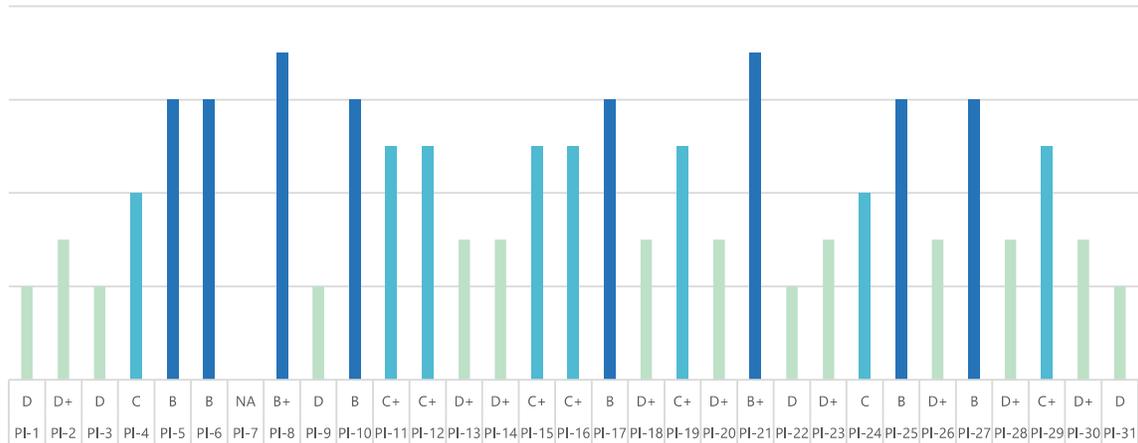
13. **Following the plenary session, the various ministries and divisions provided updates to their segment of the plan.** These were compiled and a further meeting held where each ministry and division provided a brief overview of the changes made. During that meeting options were discussed on approval, managing and monitoring of the PFM action plan as well as the need and priorities for development partner TA.

B. Key Reform Issues

14. **The discussions during the mission highlighted several key areas where interventions are being sought by the government.** In many cases these reflected the areas

where there was lower scoring in the PEFA but also some areas where the PEFA scores were strong but there remain some opportunities to improve performance. The following chart summarizes the indicator scoring from the PEFA.

Figure 2: PEFA Scores



Budget Process

15. **The PEFA indicators and assessment report point to challenges in ensuring the credibility of the budget in Tonga.** In particular, the PEFA report found that budget reliability has been weak in the last two fiscal years. Aggregate expenditure outturn (PI-1) and revenue outturn (PI-3) deviated significantly from the budgeted amounts. There were also significant compositional variations in expenditure (PI-2). While the budget documentation is reasonably comprehensive (PI-6), there is some important data that is not published, including macroeconomic forecasts (PI-8,14), and budget classification excludes analysis by function (PI-4). Fiscal strategy is approved by Cabinet and clearly set out in budget documents but absence of proper costing of policy proposals (PI-15) and of corporate plans (PI-16) as well as tight deadlines for submissions of budget proposals (PI-17) challenges the delivery of this fiscal strategy.

16. **Discussions with MOF indicate several underlying causes of the weakness in budget process.** The problems identified, and solutions presented, included:

- Enhancing macroeconomic forecasts, including the provision of more comprehensive statistical data and better alignment with revenue forecasts. In response, actions were proposed to improve forecasting by staff with enhanced skills using more comprehensive data.
- Changing the budget process to provide sufficient time to undertake analysis of policy decisions during the budget preparation process.

- Altering fiscal rules to limit post-budget policy and spending decisions that impact on fiscal outturns.
- Better calibrating the medium term fiscal strategy, including fiscal anchors to ensure stability and sustainability. The action plan proposes a review of medium term fiscal policy, including fiscal rules and policy anchors, to address this;
- Enhancing coordination between the ministries and divisions involved in the budget process, including establishment of a “central agencies working group” to improve coordination of various planning and resource allocation processes.
- Training for ministries, departments and agencies (MDAs) to improve budget costing in planning activities and enhance currently un-costed corporate plans and expand currently incomplete information flows to and from service delivery units.

17. **The mission team presented models of good practice in budget preparation that underpin the PEFA scoring.** The advice provided to the MOF included medium-term reform actions that would complement those identified in the plan, including:

- The introduction of rolling forward estimates which would simplify the budget process and ensure that future costs of existing programs and projects are adequately captured in the baseline budget and focus attention on policy driven changes to that baseline; and
- Strengthening the costing and economic analysis of major public investment projects by introducing guidelines for project assessment to be coordinated and assessed by a dedicated multi-disciplinary committee within MOF.

18. **The PEFA scores for revenue administration were mixed.** Revenue administration by MRC is mature, as reflected in the well-articulated rights and obligations of taxpayers and the recent enhancements in the approach towards risk management – particularly for large taxpayers. However, the build-up of revenue arrears points to some issues with compliance (PI-19) and other revenue collection agencies are not as advanced as MRC in terms of their approach to risk management. While revenue is systematically collected and transferred to Treasury, there were delays in reconciliation during the period covered by the PEFA (PI-20).

19. **MRC has proposed a suite of actions to address the problems in revenue administration.** MRC is seeking to update their audit capacity and provide training to other revenue collection agencies. A call-center is proposed to improve outreach and collections is to be complemented by a review of policy that may result in some write-off of arrears. MRC is in the process of installing reporting tools and enhancing their engagement with Treasury to resolve reconciliation issues.

Budget Execution Control

20. **Cash management was assessed positively during the PEFA but some issues have been highlighted during the current COVID-19 crisis.** The PEFA assessment found that cash flow forecasting and monitoring is in place and that agencies receive timely information on commitment ceilings without significant in-year adjustments. However, the COVID situation has exposed some weaknesses in the quality of cash flow projections provided by

agencies. The management of commitments against budget ceilings has required introducing some new manual processes. In response to this, the PFMAP proposes enhancement to budget execution controls, including: better cash flow forecasting (by agencies), closure of bank accounts no longer in use, implementing budget controls over the payroll and better enforcement of Treasury rules.

21. **During the mission (and also the PEFA mission) the team provided advice to the MOF regarding the models of good practice in banking and cash management that inform the PEFA scoring.** This stemmed from a concern that good PEFA scores for PI-21 disguised some weaknesses in cash management. This discussion included different models of a Treasury Single Account and the benefits of maximizing the use of electronic payments as well as more proactive cash management. Mechanisms to improve cash flow forecasting and the benefits of effective commitment control were also explored. The following actions may be appropriate for consideration in subsequent iterations of the action plan to enhance cash management:

- Redesigning the business processes associated with budget execution to capture expenditure commitments and obligations in the FMIS as these arise.
- Undertaking cash flow forecasting based on historical trends, and other data sources, in addition to cash flow plans provided by agencies.
- Establishing cash targets, informed by cash flow projections, which provide sufficient cash to meet payments according to agency plans but with a minimum buffer.
- Releasing budget allocations based on cash flow projections and targets.
- Controlling commitments against the budget allocations.
- Adjusting the timing and value of budget allocations to control incurrence of commitments and avoid expenditure arrears when an unexpected cash shortfall occurs.

Many of the actions currently outlined in the action plan would support and enable this more comprehensive approach to cash management.

Internal Audit

22. **The PEFA assessment identified weaknesses in the internal audit function (PI-26).** The internal audit function is currently central to MOF, focusing only on expenditure, and there is uncertainty regarding the application of internal audit to line ministries. The audits are focused on compliance and the work plan is only partly delivered. While management responses are included in audits, these are not adequate to determine if appropriate action has or will be taken.

23. **The PFMAP includes a broad range of initiatives to improve the functioning of internal audit.** The key action identified is to enter into dialogue, and make a formal decision, regarding the scope and application on internal audit to line ministries. The Auditor-General is identified as being part of this dialogue as there has previously been a misunderstanding that a central shared internal audit function would overlap with external audit. In addition, capacity building and supporting systems are proposed in the action plan.

Accounting and Reporting

24. **Treasury's ability to produce timely in-year reports and annual financial statements was a positive highlighted in the PEFA assessment, but some significant challenges in maintaining reliable accounts were also identified.** There is excessive complexity in treasury banking and accounting arrangements (PI-21) that places pressure on the accounting systems and staff. This results in incomplete in-year reports and financial statements that are not compliant with international standards. In particular, while Treasury seeks to reconcile accounts diligently on a weekly basis, chasing unidentified transactions across multiple accounts, multiple banks and various payment mechanisms using manual systems takes considerable time. In addition, application of ex-ante controls of payments by the Treasury involved a massive number of transaction reversals and re-posting of payment vouchers. This creates a situation where Treasury reports show material differences between the ledger and respective account balances requiring estimations to be included in year to date actuals revenue and expenditure (to match the bank statements). Addressing these anomalies is a key challenge in completing the annual financial statements.

25. **The PFMAP proposes improvements in the operation of bank accounts, and reconciliation and internal controls to facilitate timely and accurate accounting and reporting.** The actions identified include:

- Appointing a designated officer to lead the reconciliation processes and review current practices.
- Examining implementation of automatic reconciliation processes.
- Eliminating unused bank accounts.
- Creating a working group with banks to address system reconciliation issues.
- Progressively reducing use of cheques.
- Issuing instructions and providing support to MDAs, including project teams, in undertaking reconciliations

26. **Tonga is on a transition pathway from cash to accrual accounting and uses a modified cash approach to budgeting, resulting in challenges with complying with either the cash or accrual IPSASs.** This is reflected in the PEFA scoring, where a score of C was assigned for application of accounting standards (PI-29.3) but also in a recent history of qualified audits. Concurrent with the development of the action plan, PFTAC has been assisting Tonga with development of a plan for adoption of IPSAS. The actions set out in the action plan include:

- Preparing a position paper on the adoption of IPSAS Cash Basis as the standard for reporting during the transition period.
- Enhancing the scope and quality of the data in the general ledger to support compliance with IPSAS.
- Configuring and applying internal control features in SunSystem to reduce transactions (including reversals) associated with application of manual internal controls.

- Developing a plan for progressive inclusion of accrual elements within the accounts and associated reporting.

27. **The action plan includes several measures to improve asset management and reporting, including calculation of depreciation expense.** These actions are intended to both improve asset management generally, but also enhance the scope and quality of accrual information which may be included in the accounts.

28. **In conjunction with efforts to improve budget execution and reporting, a review of the Treasury Division is included in the action plan.** The review will examine the structure, business processes, staffing, and systems of the Treasury to provide assurance that these reflect current and future needs. During the mission, there was discussion regarding the need to ensure basic processes, such as reconciliation and basic cash accounting, are robust before taking on more advanced reforms. In addition, it is clear that the rigid application ex-ante controls in Treasury are both disguising and enabling weaknesses to emerge in internal controls in line ministries. The strengthening of these internal controls, including internal audit, would be associated with Treasury taking a more risk-oriented approach to its own control activities and freeing up resources for more critical tasks within the Treasury.

29. **The MOF suggested actions in the area of procurement to address emerging issues.** The scoring of procurement related PEFA indicators was mixed (PI-24). Strong complaints management processes and sound procurement monitoring for budget funded procurements were observed. However, there were low levels of competitive processes, and coverage of monitoring and information provision is weak for smaller value purchases and for donor funded activities. The MOF is also concerned that current procurement rules do not support rapid response to external events – such as natural disasters or pandemics. In response, MOF has proposed reviewing the procurement regulations to take responsiveness to such emergency situations into account.

External Audit

30. **The PEFA identified the application of international standards in external audit is not independently verified.** In response, the PFMAP includes an already-underway program to instill International Standards of Supreme Audit Institutions (ISSAI) standards and associated assurances within the procurement methodology.

Cross-cutting issues

31. **Several elements of PFM reform were identified as cross-cutting issues that would impact on multiple areas.** These included:

- **Law on Public Finance Management:** Several of the PFM problems identified are understood by MOF to require modifications to the PFM Act. TA has been sought from PFTAC to undertake a review/update of the Law.
- **Financial Management Information System (FMIS):** Where identified improvements in FMIS functionality would support enhanced internal controls, financial reporting, availability of data for management purposes and facilitation of budget preparation. The

action plan includes steps to rollout SunSystem and associated reporting tools to line ministries and undertake a review by mid-2021 of the current system to determine if and when a new FMIS may be required. The mission team cautioned MOF to carefully consider the time, cost and change management implications (and associated risks) of such a change.

- **Chart of Accounts:** Chart of accounts was identified as a weakness in the PEFA (PI-4) due to the absence of functional reporting. However, MOF also identified that improvements in the chart of accounts could assist with multiple areas of budget planning, fiscal policy setting, internal controls, budget execution and reporting. The PFMAP thus includes further changes to the chart of accounts.

III. Next steps

32. **The key next step is for the government to finalize and formalize the PFMAP and embed the management of the plans within its organizational architecture.** Most of the key actions of the PFMAP had been identified at the end of the mission, and the most recent draft version of the PFMAP is provided in Annex 1.

33. **Obtaining buy-in is critical to the ongoing success of the PFMAP.** The mission team discussed with the CEO possible strategies to build ongoing ownership, understanding and commitment to the PFMAP by other MDAs. A key step could be to seek Cabinet endorsement for the plan, specifically recognizing that Cabinet level decisions or engagement is at the heart of some of the proposed action – including in relation to the budget process. MOF could also share the report with key stakeholders within and outside of government, conduct information sessions and consider publishing an abbreviated version of the report as well as periodic outcome tracking reports on progress.

34. **An organizational infrastructure should be built around the PFMAP.** It is desirable that a new or existing team within MOF be charged with implementing, maintaining and monitoring the PFMAP. It is noted the plan includes establishing a PFM Reform Unit within the Financial Framework Division. It would also be ideal if a committee or leadership group provided strategic oversight of the monitoring and review of the PFMAP. Including key outputs or milestones of the PFMAP in annual key performance indicators for MOF managers would also assist in building ownership of and accountability for the planned actions.

35. **It is important the PFMAP remain a living document.** Obtaining Cabinet approval should not hinder management-level adjustment to the specific actions, their timing and milestones. The situation in which reforms are pursued can change, including as a result of movements of key personnel, availability of skills, time pressures on key staff, availability of budget and external resources, external factors, as well as changes in the political economy in which the reforms are pursued. Formalizing regular periodic reviews (quarterly or semi-annually) would ensure timely attention to the updates.

36. **The PFMAP should support engagement with development partners.** The PMFIP will facilitate the MOF articulating its PFM reform plans to its development partners and facilitate the process of creating alignment between the TA made available by those development partners and the needs of the government. In simple terms, the PFMAP should ensure a demand driven approach to TA.

Annex 1: Public Financial Management Action Plan – Draft as at 26 June 2020

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
PFM Area: Budget Documentation						
Desired PFM Outcome: accuracy, consistency with clear presentation of the Budget documents						
Problem 1: Absence of published forecasts of some of key macro-indicators	Reform 1: Availability of key macro-socio-economic indicators (i.e. growth, exchange rate etc.)	Action 1: Clearly state the key macro-socio-economic indicators in the Budget Statement ⁴	Head of Economic & Fiscal Policy Div. (A)	As per approved Budget timeline	None	None
		Action 2: Publish key macro-economic indicators in budget documents	Head of Economic & Fiscal Policy Div. (A)	As per approved Budget timeline	None	None
PFM Area: Macroeconomic and Fiscal Forecasting						
Desired PFM Outcome: Strengthen and maintaining credibility of macro-fiscal forecasting						
Problem 2: Identified need to strengthening credibility of macro-fiscal forecasting	Reform 1: Improve macroeconomic forecasting	Action 1: Review existing forecasting model and/or update manual	Head of Economic & Fiscal Policy Div. (A)	30 Sept 2020	Availability of required data. Technical skills of staff. <i>Continue to actively conducting an in-house training to the forecast team</i>	Yet to be determined
		Action 2: Extend the horizon of the assumptions and forecast to include all suggested macro-economic indicator that are not currently in the model				
		Action 3: Strengthen sectoral forecasting and data collection with close collaboration with relevant stakeholders	Head of Economic & Fiscal Policy Div. (A)	Ongoing	Human resource constrains at times of the forecasting period as ad-	

³ **A** = Agency level reform **M** = Ministerial approval required **G** = Government approval required **L** = Legislative changes required

⁴ Data are in the Budget Statement but need to consolidate in a summary table including actual data and projections for outer years.

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
					hoc activities are assigned	
	Reform 2: Improve Fiscal forecasting	Action 1: Consider the growth and macro socio-economic assumptions in the revenue forecasting	Head of Economic & Fiscal Policy Div. (A)	30 Sept 2020	Require appropriate skills and tools.	-
		Action 2: Create fiscal rule limiting post-budget expenditure decisions to urgent and unavoidable expenditures only	Budget Director (G)	1 July 2020	Requires Cabinet level support. <i>Propose Cabinet paper that outlines benefits.</i>	-
	Reform 3: Strong enforcement of macro-fiscal sensitivity analysis	Action 1: Include macro forecasting sensitivity analysis as a specific step in the budget process	Head of Economic & Fiscal Policy Div. and Head of Budget (A)	As per approved Budget timeline	None	None
		Action 2: Allow time for Economic & Fiscal Policy Division (EFPD) to conduct the analysis at least three to five days	Head of Economic & Fiscal Policy Div. and Head of Budget (A)	As per approved Budget timeline	Note that external factors often impact on budget timelines.	None
		Action 3: Align and consider the macro socio-economic assumptions in the revenue forecasting	Head of Economic & Fiscal Policy Div. and Head of Budget (A)		Continue to frequently share updates of all related information	None
PFM Area: Fiscal strategy						
Desired PFM Outcome: Strengthen and aggregate fiscal discipline in order to maintain fiscal sustainability						
Problem 1: Maintaining macro-socio-economic stability and	Reform 1: Medium-term fiscal strategy	Action 1: Review medium-term fiscal strategy	Head of Economic & Fiscal Policy Div. and Head of Budget (A) noting that change	Within the first Quarter of the Fiscal Year	None	None

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
fiscal sustainability			requires Cabinet approval (G)			
		Action 2: Consult relevant divisions under MOF and other MDAs	Head of Economic & Fiscal Policy Div. and Head of Budget (A)	Within the first Quarter of the Fiscal Year	None	None
	Reform 2: Fiscal impact of policy proposals	Action 1: Allow time for EFPD to conduct the analysis at least three to five days	Head of Economic & Fiscal Policy Div. and Head of Budget (A)	Ongoing	None	None
		Action 2: Align and consider the growth macro socio-economic assumptions and the revenue assumptions	Head of Economic & Fiscal Policy Div. and Head of Budget (A)	Ongoing	None	None
	Reform 3: Fiscal strategy adoption	Action 1: Review rationale for the existing fiscal anchors and explore new fiscal anchors where necessary	Head of Economic & Fiscal Policy Div. and Head of Budget (M), noting that change requires Cabinet approval (G)	Prior to commencement of 2021-22 budget process	None	None
	Reform 4: Reporting on fiscal outcomes	Action 1: Emphasize with clear presentation and clarity of GFS and accounting basis of the budget	Head of Economic & Fiscal Policy Div. and Head of Budget (M)	Ongoing	Continuity the strengthening skills of both policy and technical staff on GFS	None
PFM Area: Budget and Corporate Plan Preparation						
Desired PFM Outcome: Strengthening budget and corporate planning processes						
Problem 1: Coordination could be improved between the various	Reform 1: Coordination of macro & fiscal forecasting, Budget Calendar, CP and GPA	Action 1: Ensure regular meetings are in place to strengthen the coordination between macro & fiscal forecasting, Budget Calendar, CP and GPA	Head of Economic & Fiscal Policy Div. and Head of Budget and Head of National Planning (M)	Beginning of the Fiscal year	Continuity of regular update of information to strengthen coordination	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
elements of planning and budgeting processes and the agencies that lead these.	Reform 2: Improve CP/Budget alignment and coordination	Action 1: Establish a “ Central Agencies working group ” (MOF, PMO-NPD, PSC, MORC) and undertake monthly meetings on strengthening the CP/Budget one process tool. (TOR-communication and capacity building)	Joint: Head of National Planning (A), Head of Budget (A) and Head of Aid (A)	July 2020 (after LA approval)	Availability to implement CP/Budget schedules.	N/A
		Action 2: Ensure involvement of National Planning Division in the joint review process through regular meetings. Share the consolidated MDA priorities with Budget, Aid, Economic and Fiscal Policy on the linkages of MDA.	Head of Budget (A) and Head of Aid (A) Head of National Planning (A), Head of Economic and Fiscal Policy	Subject to the CP/Budget timeline	Changes on the budget timelines	N/A
Desired PFM Outcome: Budget reliability is improved						
Problem 1: Budget reliability has been weak in the last two years due to significant variances	Reform 1: Improve performance information for service delivery	Action 1: Undertake training to build the capacity of MDA planning and budget officers on M&E reporting to better inform the budget and planning process.	Joint: Head of National Planning (A), Head of Budget (A) and Head of Aid (A)	July-September 2020 (after LA approval)	Availability to implement training	N/A
Desired PFM Outcome: Corporate Plans and budget are better aligned						
Problem 2: Only 1 of the 5 largest MDA provided	Reform 1: Transparency of Budget costing alignment to CP outputs	Action 1: Provide training to identified MDAs within the 1-2-1 on Budget costing with MDA budget officer and Planning	Head of National Planning (A), Head of Budget (A) and Head of Aid (A)	November 2020 – February 2021	Human capacity ⁵ - <i>training for MDA Internal Planning officers</i>	\$3,000

⁵ This is also linked to the staff turnover issues and it affect the process if no proper training conducted with those new staff and mostly to give a realistic time for these new staff to absorb and expedite the skills in filling the CP & Budget

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
costings as part of their CP.		officer to ensure costings are incorporated to MDAs CPs.		(ongoing every year)		
PFM Area: Rights and obligations for revenue measures						
Desired PFM Outcome: Enhanced revenue administration						
Problem 1: There is no evidence of a risk-based approach to compliance by other revenue collecting agencies	Reform 1: Improve risk-based approach to compliance by other revenue collecting agencies	Action 1: Provide training on risk-based approach use by the Ministry of Revenue & Customs	Ministry of Revenue & Customs (A) Government (G)	August-September 2020	Capacity of staff in other ministries Other Ministries Program and priorities	PFTAC
Problem 2: The execution of the audit plan is tracked within the compliance program. In 2018-19 90% of audits of tax returns were completed but only 50% (5 of 10) complex audits of taxpayers were completed.	Reform 1: Review existing Audit Manual & strategies	Action 1: Increase training of Auditors advance auditing skills	Ministry of Revenue & Customs (A) PSC Government (G)	August, September 2020	Availability of Trainers, COVID19 limitations Ministry's other priorities Renumeration Authority System	PFTAC
		Action 2: Review existing approach to completing of audits of taxpayers	Ministry of Revenue & Customs (A)	August, September 2020		PFTAC
		Action 3: Initiates motivation program to retain experience staff turnover (Band evaluation were same position but different salary bands)	Ministry of Revenue & Customs (A) PSC Government (G)	July 2020		PFTAC
Problem 3: Total arrears of the revenues collected by the Ministry of	Reform 1: Implement Returns & Debts Management Strategy in place	Action 1: Execute Outbound Call Centre, Execute Partnership Approach, Risks-based approach (values, aging)	Ministry of Revenue & Customs (A)	May 2020	Ministry's other priorities and staff negotiation skills	PFTAC

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
Revenue and Customs, which represent 45% of their total collections. The value of arrears that are older than 12 months represents 82% of total arrears.	Reform 2: Execute Write-off of irrecoverable arrears	Action 1: Review current write-off policies	Ministry of Revenue & Customs (A)	July 2020	Availabilities of Policy Officers	PFTAC
		Action 2: Seek approval for the write-off policy	Cabinet approval (G)	To be determine		
PFM Area: Rights and obligations for revenue measures						
Desired PFM Outcome: Enhanced revenue administration						
Problem 1: Reconciliation of revenue is not timely	Reform 1: Improve approach to reconciliation	Action 1: Arrangement to work closely with MOF (Treasury-Revenue Team) to address identified issues on a timely manner	Ministry of Revenue and Customs(A) Government(G)	Weekly/Monthly basis – On going	Ministry's priorities	Recurrent
		Action 2: Install Vision so that Revenue can independently run information from Sun System to update reconciliation as required without delay	Ministry of Revenue and Customs(A) Government(G)	Weekly/Monthly basis - On going	Technical/System problem	Recurrent
PFM Area: Budget Execution, Monitoring & Evaluation						
Desired PFM Outcome: Strengthening fiscal discipline (closer alignment of budget with outturn)						
Problem 1: Lack of effective cash management <i>Despite that the Treasury Instructions requires all</i>	Reform 1: Improve cash-flow forecasting through a wider cash-management approach	Action 1: Create internal standard of procedures (SOPs) and provide training for budget and aid team to produce and review cash-flow forecasts	Head of Budget (A), Head of Aid	June 2021	Staffing	No additional cost
		Action 2: Conduct monthly/quarterly site-visits to line ministries as part of budget	Head of Budget (A), Head of Aid	June 2021	Availability of staff in line ministries/ other divisions to meet – <i>conduct online meetings</i>	No additional cost

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
<i>ministries to prepare and submit cash-flow forecasts on a regular basis; the submissions are not credible and reliable for effective cash management.</i>		monitoring & evaluation process				
		Action 3: Regularly meet/ liaise with Treasury, Debt teams and Revenue ministry to coordinate in producing cash-flow position reports	Head of Budget (A), Head of Aid	July 2020	None	No additional cost
		Action 4: Issue a monthly circular Savingram to advise the Office of the Public Service Commission online ministries not complying with Treasury Instructions (such as Section 70 on cash-flow forecasting) towards informing CEO contracts performance.	Head of Budget (A), Head of Aid	July 2020	Lack of buy-in from management – <i>Issue via an internal memo</i>	No additional cost
Problem 2: Unreliability of budget estimates <i>Aggregate expenditure outturn has been significantly lower than the budget plan by an average of almost 20% p.a.</i>	Reform 1: Improve medium-term budgeting through strengthened linkage between the budget and corporate plans	Action 1: Revise annual budget guidelines to require line ministries to submit the value of government contribution from the recurrent budget towards major investment projects in the medium-term, including existing projects.	Head of Budget, Head of Aid Coordination (A)	Budget Preparation for 2021/22	Line ministries not adhering to the guidelines – <i>Significant unbudgeted contributions during the FY to be considered in Action 5 of Reform 1.</i>	No additional cost
		Action 2: Monitor the factors causing the variance, project timeline, financing agreement disbursements to be more precise per year	Head of Aid (A)		-	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
<i>in the last 3 years</i>		Action 3: Determine the chart of accounts and the restructure of the line ministries to align	Head of Aid (A)			
		Action 4: Enhance coordination with Treasury throughout the whole budget process – planning & implementing stages in particular	Heads of Budget, Treasury (A)	<i>Subject to budget timeline</i>	Availability of staff to participate	No additional cost
	Reform 2: Improve performance information for service delivery	Action 1: Follow-up on the progress of the Tonga Strategy for the Development of Statistics 2019-2023 – particularly on performance information to justify budget proposals, project proposals, monitoring & evaluation processes.	Heads of Statistics, Budget, Aid, National Planning (A)	October 2020	None	No additional cost
PFM Area: Fiscal Transparency						
Desired PFM Outcome: Increase public access to fiscal information						
Problem 3: Latest budget documents are not being made available online	Reform 1: Increase public access to budget documents	Action 1: Create SOPs for uploading budget documents/ information online and ensure that they are being adhered to for timely uploading of budget documents (mid-year, end of year budget performance reports-recurrent and development)	Head of Budget, Head of Aid, Head of ICT (A)	June 2021	None	No additional cost
		Action 2: Projects profile and progress to be available on line				

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		from the MOF/PAMD division website				
Problem 4: Lack of public access to budget documents prior to approval by the House	Reform 1: Issue budget information for the forthcoming year prior to the budget deliberation	Action 1: Prepare press release for Minister to hold a press conference on the budget for the forthcoming year, prior to budget deliberation	Head of Budget, Head of Aid (A)(M)	May 2020	Change in Ministerial preference – <i>Budget pamphlet to be issued for MPs and Public Accounts Committee instead</i>	No additional cost
		Action 2: Prepare a budget pamphlet to be issued publicly prior to budget deliberation	Head of Budget, Head of Aid (A)	May 2021		No additional cost
Desired PFM Outcome: Strengthening Accounting and Reporting						
PFM Area: Adoption of International Accounting Standards						
Problem 1: Annual Financial Statements (Public Accounts) are not consistent with IPSAS – resulting in qualified audit opinions.	Reform 1: Adopt Cash Basis IPSAS	Action 1: Prepare a Position Paper on the adoption of IPSAS cash basis as the standard for reporting during the period when both cash and accrual information are contained in the annual financial statements (AFS).	Head of Treasury to prepare (A) CEO to endorse, for approval by Minister (M).	June 2020	Technical knowledge of IPSAS – <i>TA proposed</i>	No additional cost
		Action 2: Reach agreement with Auditor General and other stakeholders regarding the proposed approach (critical to have common understanding)	Treasury Division (A)	July 2020	Must be well prepared – <i>TA proposed</i>	No additional cost
		Action 3: Capacity- building trainings for TD team on IPSAS	TD - Accounts Section (A)	July 2020	Timing for the trainings (ref. to other competing priorities of the team) – <i>TA proposed</i>	
		Action 4: Prepare 2019-20 financial statements according to IPSAS cash basis.	TD - Accounts Section (A)	July-August 2020	Readiness of the data – <i>TA proposed</i>	PFTAC

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
	Reform 2: Progress appropriate elements of accrual accounting	Action 1: Develop a plan and pathway for the progressive adoption of accrual elements in financial reports	TD, Financial Framework (A) with Minister's endorsement (M)	September 2020	Human, financial and systems – <i>technical assistance and internal resources required</i>	Development partners & budget
		Action 2: Enhance the scope and quality of accrual information included in the AFS for the following elements: i) Recording Arrears and Commitments (working with MDAs) ii) Basic calculation of depreciation expense for 2020-	TD/FFD/MDAs (A)	June 2021	Capacity at MDAs. Coordinating and collecting this information from MDAs are normally very challenging. – <i>TA proposed</i>	No additional cost/PFTAC
PFM Area: Timely and Accurate Reporting						
Problem 1: It takes a long time to provide accurate and reconciled reports – both within the year and at end of year	Reform 1: Improve the reconciliation of accounts	Action 1: Streamline Reconciliation process within Treasury, also at MDAs.	Treasury Team	July 2020- August 2020		\$1000
		Action 2: Implement "Reconciliation Module within the system	TD/FFD/ITS (A)	June -July 2020	Timeline- may take longer to implement this module - <i>training for Treasury team</i>	Additional cost?? (INFOR may charge extra??)
		Action 3: Appoint a designated officer to just focus on addressing "Reconciliation" issues, as a short-term solution	Head of Treasury, CEO MOF (A)	June -July 2020	Additional workload to whoever will be appointed	Additional cost (if recruit more staff)
		Action 4: Establish a working group with commercial banks to develop solutions to recurring reconciliation issues. (esp. minimizing unreconciled direct credits/debits)	Head of Treasury, CEO MOF (A)	June -July 2020	Banks may prefer to meet individually with MOF, instead as a working group?	No additional Cost

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		Action 5: Establish monthly (quarterly??) meetings with Revenue collecting MDAs to discuss any reconciliation issues and address unreconciled items	TD/MDAs (A)	From July 2020		No additional Cost
		Action 6: Issue revised Treasury Instructions to instruct MDAs that it is compulsory to carry out regular reconciliation	FFD (A)	June-July 2020	Capacities within MOF to ensure this is implemented.	No additional cost
	Reform 2: Improve structure and management of bank accounts and associated information flows	Action 1: Review and stock-take all bank accounts with a view to closing unnecessary accounts	Head of Treasury (A)	June 2020	Timeline- a busy time for Treasury but is also the best time to address this issue	
		Action 2: Undertake a banking tender, where we identify one (or more – maybe all) banking partners who can manage Treasury accounts according to Treasury requirements for consolidation of balances, transmission of data in required formats, and undertake electronic transactions at agreed (low) cost.	TD/Procurement (A)	Jan 2021	Limitations in domestic interbank clearing	Additional Cost
	Reform 3: Reduce use of cheques (including manual cheques)	Action 1: Set progressively lower limits on the size of transactions that will be allowed to be transacted by cheque.	TD (A)	July 2020	Limitations in domestic interbank clearing	No additional cost

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		Action 2: Assess and introduce On-line Payments to major customers (large payments), should be in-line with Reform 2 /action 2 above (banking tender)	TD (A)	July 2020/Jan 2021	<i>Training/Informing MDAs</i>	Additional cost (depending on agreed banking arrangements)
	Reform 4: Improve communication and networking with MDAs Accounts Team	Action 1: Introduce a forum /chat room for Accounts Staff (Treasury and MDAs) where can instantly raise and address issues	TD/ITS/MDAs (A)	June 20	Need ITS support/Internet access at least during working hours	No additional cost
Problem 2 : Many expenses are rejected and need to be reversed in Sun-Systems	Reform 1: Improve internal controls associated with processing expenses	Action 1: Activate internal control functions within Sun-System that set approvals for transactions and enable rejection of a payment request without reversing the accounting transaction.	Financial Framework and Head of Treasury (A)	June -July 2020	Knowledge of system configuration – technical assistance Capacity of manager in MDAs - <i>training</i>	Additional cost to gain access to systems expertise
	Reform 2: System access	Action 1: Increase number of users allocated to MDAs and outer islands to enable the system to be used as for control purposes and to enable timely recording of transactions.	FFD/ICT/TD (A)	June-Dec 2020	Internet Connections at MDAs/Outer islands Human capacity - <i>training of users at MDAs</i>	Additional cost (FFD and ITS to confirm)
	Reform 3: Streamline Treasury Processes (Checking -view to decentralize?)	Action 1: Establish a threshold for TD checking of payments (example only check PO above \$500?) with MDAs to be accountable for exp less than recommended thresholds.	TD/IAD/CEO to endorse (A)	Sept 2020	There may be resistance from MDAs. However, the idea is for TD to focus more on more material payments)	No additional cost
PFM Area: Improve Financial Data Integrity						

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
Problem 1: Salary Overpayments	Reform 1: To minimize and eliminate Salary Overpayment	Action 1: Review and identify all causes of salary overpayments and volume	TD - Payroll (A)	May/June 20		No additional cost
		Action 2: Integrate payroll with CHRIS (PSC HR System) and Sun-system	TD/FFD/ITS/PSC (A)	July 20	Timeline may take longer, depending on work needed to be done. <i>Training of Treasury and PSC Team</i>	Additional cost (ITS to confirm)
		Action 3: Re-activate the requirement for MDAs to carry out monthly Salary reconciliations via a circular savingram with TD (Payroll)	TD (payroll)/MDAs (A)	July 20	<i>Refresher training with MDAs</i>	\$1000
		Action 4: Update TI on payroll and payroll overpayments recovery with a view to be more specific, strict and enforce penalty on surcharges.	TD/FFD (A)	July 20	Capacity within MOF to implement and meet deadline	No additional Cost
PFM Area: Improve Treasury Structure and Operations						
Problem 1: The structure and capability of the Treasury are not supportive of future requirement	Reform 1: Restructure and revitalize Treasury	Action 1: Undertake a review of Treasury structure, business processes, staffing, and systems to provide assurance that these reflect current and future needs.	MOF (A)		Independent expertise required - <i>external TA</i>	Additional Cost
PFM Area: Improve management of Assets and Liabilities						
Desired PFM Outcome: Strengthening managing of Government Assets and Debt management						
Problem 1. Government Asset Register	Reform 1 Improve Government's Asset	Action 1: (Merge current Asset Register Template with the Auditor General Asset Register	Head of Financial Framework (A)	30 Jun 2020	Technical skills of staff at MDAs - <i>Training and awareness sessions</i>)	Government of Tonga funded

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
Template incomplete	Register Template/records.	Template) Action 2 Provide training to Line Ministries' Asset Team on the new Asset Register Template	Head of Financial Framework (A)	30 Jun 2020	Staff Capability of Trainers - <i>Training provided by consultant</i>	Government of Tonga funded
Problem 2: Natural Resources (Government does not have in place a Register of Natural Resources)	Reform 1: Improve Asset Register coverage to include natural resources	Action 1: Identify existing natural resources to update in the Asset Register.	Head of Financial Framework/Lands & Natural resources (A)	30 Jun 2021	Land Valuation capacity of staff- <i>training and awareness and TA support</i>	Seek funding
		Action 2: Include in PFM Act or TI review to legalize its procedures.	Head of Financial Framework (L)	30 Jun 2022 (PFMA) or 30 Jun 2020 (TI)	Expertise to review the PFMA - <i>TA support</i>	Seek funding
Problem 3: Inexistence of policy on Disposal of Government Equity	Reform 1: Complete policy on disposal of Government Equity	Action 1: Develop guideline for disposal of Government Equity	Head of Financial Framework(A), Ministerial Approval (M) and Cabinet Approval (G)	30 Jun 2021	Need corporation between ministries - <i>TA support</i>	Seek funding
Problem 4: There is no implementation plan for the approved Asset Management Framework	Reform 1: Complete an implementation plan for Asset Management Framework	Action 1: Develop implementation plan for Government Asset Management	Head of Financial Framework (A), CEO approval	31 Dec 2020	Need corporation between Finance and Lands Ministry - <i>TA support</i>	PFTAC funding
Problem 1: Out-of-Date Debt	Reform 1: Update of Quarterly Debt Bulletin &	Action 1: To update Quarterly Debt Bulletin and approved by Cabinet within the following	Head of Financial Framework(A), Ministerial Approval	30 June 2020	Staff capacity - <i>Debt Management Advisor & Loan Officer</i>	Debt efficiency ⁶

⁶ The Debt Strategy will include recommendations to maintain debt level at lowest cost. This includes the best option of the currency composition of debt that Government should hold.

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
Management Strategy	Medium-Term Debt Strategy	month, and for the medium term development strategy to be approved by Cabinet and upload to MOF website by end of 3 rd quarter of following Financial year	(M) and Cabinet Approval (G)			
Problem 2: No PFM	Reform 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.	Action 1: Revise the existing PDMRP	Ministerial Approval (M) and Cabinet Approval (G)	Jun 2021	Staff Capacity <i>TA support for capacity development</i>	Seeking Donor Funding
Problem 3: Lack of transparency in debt reporting	Reform 1: Publish debt reports online	Action 1: Submit quarterly debt sustainability report to management for approval and to be published online a month after	Ministerial Approval (M) and Cabinet Approval (G)	Jul 2020	Staff Capacity	No cost
		Action 2: Publish Annual Debt Report online three months after the Financial Year ends	Ministerial Approval (M)	Sep 2020	Staff Capacity	No cost
PFM Area: Enhancing financial reporting in accordance with IPSAS cash/accrual						
Desired PFM Outcome: Improving Accounting and Reporting						
Problem 1: No functional classification in Chart of Accounts	Reform 1: Initiate mapping of functional classification in Chart of Accounts.	Action 1: Map out the existing functional coding to the Chart of Accounts	Head of Financial Framework (A)	December 2020	Lack of skills in mapping exercise - <i>TA support</i>	Seek Funding
		Action 2: Map the historical data to the new functional	Head of Financial Framework (A)	December 2020	Staff capacity constraints - <i>TA support</i>	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		coding within Chart of Accounts				
Problem 2: No proper classification of Assets and Liabilities Coding in the existing Chart of Accounts	Reform 1: Enhance existing chart of accounts to include Assets and Liabilities Coding	Action 1: Identify and verify the Assets and Liabilities Coding in the existing Chart of Accounts in accordance with GFS 2014	Head of Financial Framework (A)	November 2020	Lack of implementing Auditor's recommendations - <i>TA support</i>	Seek funding
		Action 2: Seek approval of CEO on the new coding of Assets and Liabilities in the existing Chart of Accounts	Head of Financial Framework/ Head of Economic Policy (A)	December 2020	Lack of knowledge regarding GFS 2014 - <i>TA support and training</i>	
		Action 3: Identifying System capacity in terms of number of digits allowed, rearranging of economic classifications to include Assets and Liabilities Coding	Head of Financial Framework/Head of ICT (M)	September 2020	Lack of support from Vendor. Lack of staff competence	
		Action 4: Implement Assets and Liabilities Coding in the existing or new System	Head of ICT/Head of Financial Framework (A)	March 2021	Technical skills/system constraints	
		Action 5: Update the Chart of Account Definition document to reflect the new Assets and Liabilities coding for ease of spending purposes	Head of Financial Framework/Budget Team (A)	May 2021		
		Action 6: Circulate a Circular informing relevant shareholders on the Chart of Accounts Reform	Head of Financial Framework (CEO Approval)	May 2021		

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		Action 7: Training on usage of new Assets and Liabilities Coding/Module within the system	Head of Financial Framework/Head of ICT (A)	May-June 2021	Training provided by Vendor to trainers then trainers to users in MDAs	
	Reform 2: Improve awareness of related stakeholders for service delivery	Action 1: 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. Start with Pilot Ministries ⁷	Head of Financial Framework (A)	August 2020	Systems, human capacity, communication challenges. ⁸ Requires: 1. Training with MDAs 2. Regular dialogue to ensure progress and share any issues if any	NO COST
Problem 3: MDAs financial reporting through the sun system	Reform 1: Roll-out vision tools to MDAs for better and timely producing of financial reports	Action 1: Test the vision set up in remote access of all users within MDAs	Head of Financial Framework/Head of ICT (A)	July 2020	Availability of staff	No additional Cost
		Action 2: Provide Training/manual to relevant users on how to extract data using vision.	Head of Financial Framework (A)	July 2020		
PFM Area: Transparency of public finances						

⁷ MORC, MOH, OAG, MOP, MOJ, Prisons, MIA, MOI

⁸ 1)Reliability of internet access and no access to Vision from MDAs, 2)Misunderstanding between MDAs and MOF of what is there and actually happening, 3) Training not enough 4)System connection to MOF, 5) No systematic way to submit reports to MDAs, 6) Staff turnover, 7) No access from MDAs to previous financial year , 8)Miscommunication, 9) NO vote reconciliation taking place etc.

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
Desired PFM Outcome: Fiscal Transparency						
Problem 1: Latest Chart of Accounts Definition document are not being made available online	Reform 1: Increase public access to Chart of Accounts documents/information	Action 1: Upload latest Chart of Accounts definition document online.	Head of Financial Framework, Head of ICT (A)	July 2020	Lack of coordination of documents with ICT for uploading online.	No Additional Cost
PFM Area: Enhancing Legal Framework						
Desired PFM Outcome: Improving existing legal framework						
Problem 1: Out of date PFM Act since	Reform 1: Updating the existing PFM Act	Action 1: Review the existing PFM Act to incorporate all related changes being approved and other independent acts. Also include consultation with relevant stakeholders.	Head of Financial Framework (L)	Dec 2021	Expertise to review & amend PFM Act 2002 - <i>TA support</i>	PFTAC funding
		Action 2: Submit cabinet submission to seek Cabinet's approval on the review				
		Action 3: Issue Circulars to relevant shareholders for their information				
Problem 2: Regulations related to PFM Act needs an update based on problem 1	Reform 1: Update the current (4) Regulations to highlight the changes made in PFM Act	Action 1: Review the existing PFM Regulations to highlight the changes in PFM Act 2002	Head of Financial Framework (G)	June 2022	Expertise to update the Regulations - <i>TA support</i>	PFTAC funding
		Action 2: Seek Cabinet's approval on the review of these regulations				
		Action 3: Issue Circular to MDAs informing them of the revised Regulations				
Problem 3: Regulations does not	Reform 1: Update the current Procurement Regulations	Action 1: Update the Procurement Regulations to include emergency procedures	Head of Procurement (A),	June 2021	Availability of TA - <i>TA support</i>	Seek donor funding

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
address emergency needs		and pre-disaster framework contracts	Attorney General Office, Ministerial Approval (M), and Cabinet Approval (G)			
PFM Area: Various PFM						
Desired PFM Outcome: Integrating the Financial Management Information System						
Problem 1: Piece meal approach to the IFMIS hence no system interoperability	Reform 1: ONE System that caters for all government data	Action 1: Review the existing IFMIS	Head of Financial Framework (A)	June 2021	Required technical expertise - <i>TA support</i>	DFAT
		Action 2: Seek Ministerial and Cabinet approval to implement the review recommendations	Head of Financial Framework (A), Government (G)	June 2021		Do
Problem 2: Automate the Payment System	Reform 1: Improvement in bank reconciliation/processing of suppliers' payments on time	Action 2: Seek Cabinet's approval on the review of these regulations	Head of Treasury (A)	June 2021		PFTAC
Problem 3: No dedicated Unit for the PFM Reform works	Reform 1: PFM Reform Unit is established and visible in MOF. (Unit is to play the management roles of the PFM Reform Plan and be responsible for following up of progresses and monitoring the implementation of the Plan)	Action 1: Recruitment of critical posts of Chief Accountant and Principal Accountant to assist with PFM reform plan.	Head of Financial Framework (A)	Sep 2020	1. MOF not committing to the recruitment on PFM Unit 2. Overall freeze of recruitment in government	NA
		Action 2: Recruitment of a Tonga Support Unit (TSU) to offer policy and technical advice on the PFM Reform Plan	Head of Financial Framework (A)	Sep 2020	COVID-19 restrictions - <i>TA support international and local</i>	DFAT funding
	Reform 2: PFM Reform Unit to develop the PFM Reform Communication Strategy	Action 1: Develop a communication Strategy and share with CEO/HODs for comments and approval	Head of Financial Framework (A)	Sep 2020	Staff capacity to develop a strategy	DFAT funding

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
	and submit to the PFM – RSC for approval					
Problem 4: Irregularity of PFM Monitoring and Evaluation	Reform 1: Appoint new PFM Reform Steering Committee and new PFM Technical Committee to hold regular meetings	Action 1: PFM Unit to call meetings on a quarterly basis or ad-hoc basis to update on the progress and any issues	Head of Financial Framework (A)	Sep 2020	Availability of Steering Committee members.	NA
Problem 5: Change Management Process not fully embedded in MOF and MDAs	Reform 1: Develop a Change Management Plan	Action 1: Set out strategies to manage the changes proposed by the PFM reform plan and ensure success of the Plan and future improvements.	Head of Financial Framework (A)	Dec 2020	Lack of staff skills to develop strategy	DFAT funding
PFM Area: Internal Audit						
Desired PFM Outcome: Improve Quality of Internal Audit						
Problem 1: Inadequate Staff capacity	Reform 1: Improve internal Auditors basic knowledge and further developments	Action 1: Establish quarterly In-house training of staff by Acting Deputy and Principal Auditor	Acting Deputy of Internal Audit (A)	Start immediately	Other Commitments of Acting Deputy & Principal could hinder this. <i>Proper time management</i>	
		Action 2: Register auditors to attend professional trainings and conferences conducted by Institute of Internal Auditors in which Tonga is a member	Deputy of Internal Audit (A)	30 June 2021	Limited budget allocated to Internal Audit could hinder this. <i>Donor support</i>	
		Action 3: Improve staff knowledge and professionalism in the area include keep up-to date with new ideas in the area through undertake professional courses	Deputy of Internal Audit (A)	30 June 2022	Limited budget allocated to IA could hinder this. <i>Donor support will help address the problem.</i>	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		and become Certified Internal Auditors				
	Reform 2: Recruit more Internal Auditors to be able to cover all Line Ministries	Action 1: Liaise with Audit Committee and CEO of Finance regarding the model of Internal Audit coverage for line ministries (central or decentralized).	Audit Committee & CEO for Finance (M)	30 June 2021	Disagreement between Auditor General and Internal Audit on this function of Internal Audit to LM. <i>External expert advice such as PFTAC or PASAI could address this.</i>	
		Action 2: Suggest a budget increase for approval of CEO	CEO for Finance (A)	30 June 2021	CEO not approve the budget increase could hinder this. <i>budget increase will help address the issue.</i>	
		Action 3: Write up Job Descriptions for new posts	Head of Internal Audit & CEO (A)	30 June 2022	Poor/Limited knowledge of JD write up could hinder this and could lead to CEO not approving of new JD. <i>Training</i>	
		Action 4: Submit JDs for PSC approval	Head of CSD and PSC (A)	30 June 2022	PSC disagreement with new posts could hinder this. <i>Clear Audit Plan and structure could help address the issue</i>	
		Action 5: Advertise new posts for recruitment	Head of CSD & CEO (A)	30 June 2022	Late advertisement of post from CSD could be a hindrance. <i>Frequent reminder to CSD of this need could address the issue.</i>	
Problem 2: Weak legal framework for	Reform 1: Strengthen legal framework for Internal Audit	Action 1: Amend PFM Act to include the establishment of	CEO of Finance & Deputy CEO (FFD) (L)	30 June 2021	Disagreement between CEO and FFD on this notion could hinder this	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
Internal Audit Division		Internal Audit Division and Audit Committee.			reform. <i>Reaffirmation from PFTAC the important of this will address the issue.</i>	
		Action 2: Revised Treasury Instruction to detail IAD's role in assessment of response to organizational risk across the Government and also detail the role of Audit Committee	CEO of Finance & Deputy CEO (FFD) (A)	30 June 2021		
Problem 3: Less awareness across Line Ministries of Internal Audit Function	Reform 1: Implement Awareness Program for Internal Audit Function	Action 1: Establish awareness training program for IA. Conduct a session within MOF where Ministry's staff are brief of the function of Internal Audit.	CEO of Finance & Audit Committee (M)	30 June 2021	Disagreement between Internal Audit and Committee members (Auditor General) could hinder this. <i>TA Support</i>	
		Action 2: Conduct awareness training program with Line Ministries	CEOs of Line Ministries & Head of IAD (A)	30 June 2022	Limited knowledge within the Internal Audit team on the rolling out to LM could hinder this. <i>TA support</i>	
Problem 4: No Internal Audit system such as Teammate	Reform 1: Implement an Internal Audit System to assist in audit	Action 1: Design an Internal Audit System to be used	Head of Internal Audit (A)	30 June 2022	Lack of system knowledge within the Internal Audit Team could hinder this. <i>Recruitment of an IT specialist by IAD</i>	
		Action 2: Seek approval of Audit Committee	Audit Committee (M)	30 June 2022	Audit Committee disagreement with the idea could hinder this. <i>I guess regular discussion with Committee of this need could address the issue.</i>	
		Action 3: Request CEO for Increase budget or Donor Support on buying this new system.	CEO for Finance (M)	30 June 2023	No fund to buy this new system could hinder this reform plan. <i>Donor</i>	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
					<i>support will address the issue.</i>	
		Action 4: Test and Implement Internal Audit System	Head of Internal Audit & ICT (A)	30 June 2023	No fund to buy this new system could hinder this reform plan. <i>Donor support will address the issue.</i>	
		Action 5: Request TA Support on training of this new system to IA staff	Head of Internal Audit (A)	30 June 2023	Not getting TA Support will hinder this. <i>Requesting the supplier of the system for training will address the issue.</i>	
Problem 5: Weak quality assurance process	Reform 1: Engage Quality Assurance Activities	Action 1: Give out survey to Auditee after every audit activity	Head sections or division (A)	Start immediately	Time constraint for both IA team and auditee team could hinder this. <i>Allowing enough time for this exercise will address the issue.</i>	
		Action 2: Give out annual survey to all divisions in the ministry.	Head of Divisions within the Ministry (A)	31 Dec 2020	Time Constraint for both IA and staff could hinder this. <i>Giving enough time for this exercise will address the issue.</i>	
		Action 3: Get Independent person to review the work of IAD in every 5 years as per Internal Audit Standards	Head of Internal Audit & Audit Committee (A)	30 June 2022	Head of Internal Audit disagree with the idea could hinder this. <i>Having the Audit Committee push this exercise will address the issue.</i>	
Problem 6: Limited coverage of internal audit activities	Reform 1: Include Audit of Revenue in Internal Audit Program	Action 1: Roll out to Line Ministries	CEO of Finance & CEO of Line Ministries (A)	30 June 2023	Disagreement with various parties could hinder this issue, together with limited knowledge within the	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
					team on rolling out. <i>Donor / TA support in this will address the issue.</i>	
		Action 2: Include auditing of Revenue in planned assignments	CEO of Finance & CEO of Line Ministries (A)	30 June 2024	Since government revenue are earned from other LM not rolling out to LM will hinder this. <i>Thus, having IA to roll out will address this issue.</i>	
Problem 7: Risk assessment based on MOF only and not the whole government	Reform 1: Have a Risk Matrix for the whole of government (after internal audit roll out to Line Ministries)	Action 1: Signed MOU with Line Ministries	Audit Committee & CEOs of Line Ministries (M)	30 June 2023	Disagreement with relevant parties will hinder this. <i>Having TA Support</i>	
		Action 2: Roll out to Line Ministries	CEO of Finance & CEO of Line Ministries (A)	30 June 2023	Disagreement with relevant parties especially with Audit Committee could hinder this. Staff capacity could also a hindrance for this. <i>TA support</i>	
		Action 3: Assess Risks involved within Line Ministries and compile for a Government Risk Matrix	CEO of Finance & CEO of Line Ministries (A)	30 June 2024	Staff capacity and IA roll out issues are hindrances to this. <i>TA support will address the issue.</i>	
Problem 8: No Information technology/ information system specialist in Internal Audit team	Reform 1: Recruit an auditor specialist in Information technology/ Information system	Action 1: Raise to Audit Committee the need to recruit a specialist in Information Technology / Information System	Audit Committee (M)	30 June 2021	Disagreement with audit committee together with limited budget are hindrances for this action. <i>TA support in IT Audit.</i>	
		Action 2: Request CEO for increase in IAD budget	CEO for Finance (A)	30 June 2021	Disagreement with CEO will be a hindrance for	

PROBLEMS TO BE ADDRESSED	PFM REFORM	KEY TASKS/ ACTIONS	RESPONSIBILITY ³	TIMING	CONSTRAINTS and Proposed Solutions	COST AND FUNDING
		especially with salaries to recruit a system specialist			this. <i>Pressure from Audit Committee.</i>	
PFM Area: External Scrutiny and Audit						
Desired PFM Outcome: Strong External Audit						
Problem 1: ISSAIs have been adopted but application is not yet quality assured	As part of continuous improvement agenda, verify the adoption of ISSAI compliant methodology	Action 1: Revising the current Audit methodology for financial, performance and compliance against the ISSAI handbooks	Auditor General (A)	31 Dec 2020	<i>Resources on requirements of ISSAI.</i>	PASAI and IDI
		Action 2: Determining required organizational change in implementation of ISSAIs	Auditor General (A)	31 Dec 2020	NA	PASAI and IDI
		Action 3: External quality assurance of audit methodology through the conduct of one financial, performance and compliance audit under the pilot methodology.	Auditor General (A)	31 Dec 2020	<i>Technical Support during the conduct of the Audits.</i>	PASAI and IDI