



# Government of Sierra Leone

## Ministry of Finance and Economic Development

Public Expenditure and Financial Accountability  
2016 Framework  
(Central Government)  
REPORT  
31 May 2018

Funded by:



Department  
for International  
Development



Supported by:



## **CURRENCY AND EXCHANGE RATES**

Currency: Leone (Le)

1.00 euro = Le 9,141

1.00 USD = Le 7,665

(rate as at 27 November 2017)

## **GOVERNMENT FISCAL YEAR (FY)**

1 January – 31 December



## **PEFA Assessment Report of Sierra Leone (2018)**

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the '**PEFA CHECK**'.

**PEFA Secretariat**  
**June 7, 2018**



## ACRONYMS AND ABBREVIATIONS

|         |   |
|---------|---|
| ACC     | Anti-Corruption Commission                                    |
| AfDB    | African Development Bank                                      |
| AfP     | Agenda for Prosperity   |
| AFROSAI | African Organisation of Supreme Audit Institutions            |
| AG      | Auditor General   |
| AGA     | autonomous government agency                                  |
| AGD     | Accountant General's Department                               |
| ASSL    | Audit Service Sierra Leone                                    |
| ASYCUDA | Automated System for Customs Data                             |
| BB      | Budget Bureau   |
| BCC     | Budget Call Circular  |
| BCG     | Budgetary Central Government                                  |
| BFP     | Budget Framework Paper  |
| BSC     | Building Core Systems (EU TA project)                         |
| BoSL    | Bank of Sierra Leone (Central Bank)                           |
| BUs     | budgetary units (formerly called MDAs)                        |
| CBF     | Capacity Building Framework (INTOSAI publication)             |
| CG      | Central Government  |
| COFOG   | Classification of the functions of government                 |
| CPM&E   | Central Planning Monitoring and Evaluation Division, MoFED    |
| CS-DRMS | Commonwealth Secretariat Debt Recording and Management System |
| DAC     | Development Assistance Committee                              |
| DACO    | Development Assistance Coordination Office, MoFED             |
| DAD     | Development Assistance Database                               |
| DBOC    | District Budget Oversight Committee                           |
| DFID    | Department for International Development, UK                  |
| DSA     | Debt Sustainability Analysis                                  |
| EBAs    | Extra-Budgetary Agencies                                      |
| EC      | European Commission   |
| ECMC    | Expenditure and Contract Management Committee                 |
| ECOWAS  | Economic Community of West African States                     |
| EITI    | Extractive Industries Transparency Initiative                 |
| EPRU    | Economic Policy Research Unit                                 |
| ERM     | Enterprise Risk Management                                    |
| EU      | European Union  |
| FMR     | Financial Management Regulations                              |
| FS      | Financial Secretary   |
| FSS     | Fiscal Strategy Statement                                     |
| FY      | Fiscal Year (1 January–31 December)                           |
| GBAA    | Government Budgeting and Accountability Act, 2005             |
| GBS     | General Budget Support  |
| GDP     | Gross Domestic Product  |
| GFS     | Government Financial Statistics (IMF database)                |
| GoSL    | Government of Sierra Leone                                    |
| GRP     | Government Resource Planning System                           |
| GST     | Goods and Services Tax  |
| HRMO    | Human Resource Management Office                              |
| IAD     | Internal Audit Division, MoFED                                |
| IAU     | Internal Audit Unit   |
| IFMIS   | Integrated Financial Management Information System            |
| IMF     | International Monetary Fund                                   |
| INTOSAI | International Organization of Supreme Audit Institutions      |
| IPFMRP  | Integrated Public Financial Management Reform Project         |
| IPRP    | Independent Procurement Review Panel                          |

|        |   |
|--------|---|
| IPSAS  | International Public Sector Accounting Standard                   |
| IRCB   | Institutional Reform and Capacity Building Project                |
| IT     | information technology  |
| ITAS   | Integrated Tax Administration System                              |
| LC     | Local Council   |
| Le     | Leone (national currency)   |
| LG     | local government  |
| LGA    | Local Government Act  |
| LGFD   | Local Government Finance Department, MoFED                        |
| LTO    | Large Taxpayer Office, National Revenue Authority                 |
| MDAs   | Ministries, Departments and Agencies                              |
| MDBS   | Multi-Donor Budget Support  |
| MEST   | Ministry of Education, Science and Technology                     |
| MHS    | Ministry of Health and Sanitation                                 |
| MoFED  | Ministry of Finance and Economic Development                      |
| MOU    | Memorandum of Understanding                                       |
| MPD    | Multilateral Projects Division, MoFED                             |
| MTDS   | Medium Term Debt Management Strategy                              |
| MTEF   | Medium Term Expenditure Framework                                 |
| NaCSA  | National Commission for Social Action                             |
| NASSIT | National Social Security Insurance Trust                          |
| NCP    | National Commission for Privatisation                             |
| NGO    | Non-Governmental Organization                                     |
| NPPA   | National Public Procurement Agency                                |
| NRA    | National Revenue Authority  |
| NSA    | Non-State Actors  |
| O&M    | Organization and Methods  |
| PAC    | Public Accounts Committee   |
| PCA    | Post-Clearance Audit  |
| PDMD   | Public Debt Management Division                                   |
| PE     | Public Enterprise   |
| PEFA   | Public Expenditure and Financial Accountability                   |
| PETS   | Public Expenditure Tracking Survey                                |
| PFM    | Public Financial Management                                       |
| PFMICP | Public Financial Management Improvement and Consolidation Project |
| PFMRU  | Public Financial Management Reform Unit                           |
| PIMU   | Public Investment Management Unit                                 |
| PIP    | Public Investment Programme                                       |
| PIU    | Project Implementation unit                                       |
| PPA    | Public Procurement Act  |
| PPP    | Public-Private Partnership  |
| PRSP   | Poverty Reduction Strategic Plan                                  |
| PSC    | Public Service Commission   |
| RRM    | Revenue Resource Management                                       |
| SAA    | Semi-Autonomous Agency  |
| SAI    | Supreme Audit Institution   |
| SLEITI | Sierra Leone Extractive Industry Transparency Initiative          |
| SLIMM  | Sierra Leone Integrated Macroeconomic Model                       |
| SMTO   | Small and Medium Taxpayer Office                                  |
| SNG    | Sub-National Government   |
| SOE    | State-Owned Enterprise  |
| STA    | Single Treasury Account   |
| SVA    | Sub-Vented Agency   |
| TA     | Technical Assistance  |
| TBD    | To Be Determined  |

|       |  |
|-------|--|
| TIN   | Tax Identification Number                      |
| USD   | US dollar                                      |
| WAIFM | West African Institute of Financial Management |
| WB    | World Bank                                     |

## DISCLAIMER

**The opinions contained in this report are the exclusive responsibility of the authors and do not represent in any way the official position of the Government of Sierra Leone, the European Union, or the UK Government.**

|   |      |
|---|------|
| ACRONYMS AND ABBREVIATIONS  | i    |
| EXECUTIVE SUMMARY   | viii |
| I. INTRODUCTION   | 1    |
| 1.1 Rationale and purpose   | 1    |
| 1.2 Assessment management and quality assurance                     | 2    |
| 1.3 Assessment methodology  | 4    |
| 2.1 Country economic situation                                      | 7    |
| 2.2 Fiscal and budgetary trends                                     | 8    |
| 2.3 Legal and regulatory arrangements for PFM of central government | 11   |
| 2.4 Institutional arrangements for PFM                              | 14   |
| 2.5 Other important features of PFM and its operating environment   | 17   |
| 3. ASSESSMENT OF PFM PERFORMANCE                                    | 18   |
| 3.1 Pillar I - Budget reliability                                   | 18   |
| 3.2 Pillar II – Transparency of public finances                     | 23   |
| 3.3 Pillar III – Management of assets and liabilities               | 35   |
| 3.4 Pillar IV - Policy-based fiscal strategy and budgeting          | 49   |
| 3.5 Pillar V - Predictability and control in budget execution       | 62   |
| 3.6 Pillar VI - Accounting and reporting                            | 93   |
| 3.7 Pillar VII - External scrutiny and audit                        | 102  |
| 4. CONCLUSIONS ON THE ANALYSIS OF PFM SYSTEMS                       | 111  |
| 4.1 Integrated assessment of PFM performance                        | 111  |
| 4.2 Effectiveness of the internal control framework                 | 112  |
| 4.3 PFM strengths and weaknesses                                    | 115  |
| 4.4 Performance changes since 2014                                  | 116  |
| 5.2 Recent and ongoing reform actions                               | 120  |
| 5.3 Institutional considerations                                    | 124  |
| ANNEX 1: PERFORMANCE INDICATOR SUMMARY                              | 127  |
| ANNEX 2: SUMMARY OF OBSERVATIONS ON THE INTERNAL CONTROL FRAMEWORK  | 137  |
| ANNEX 3: SOURCES OF INFORMATION                                     | 143  |
| Annex 3A - Surveys and analytical work                              | 143  |
| Annex 3B - List of persons interviewed                              | 144  |
| Annex 3C - Sources of Information by Dimension                      | 149  |
| ANNEX 4: COMPARISON WITH 2014 ASSESSMENT                            | 156  |
| ANNEX 5: CALCULATION OF PI-1 AND PI-2 VARIANCES                     | 172  |
| ANNEX 5A CALCULATION OF PI-3 VARIANCES                              | 175  |
| ANNEX 6 TABLE OF CORE PFM FUNCTIONS                                 | 178  |
| ANNEX 7 ACCOUNTANT GENERAL DEPARTMENT- ORGANOGRAM 2017              | 182  |



## LIST OF TABLES

|  |     |
|--|-----|
| Table 1 Overall summary of PFM performance scores                                    | xii |
| Table 2 Comparison of data from Budget and Public Accounts                           | 5   |
| Table 3 Selected economic indicators   | 8   |
| Table 4 Aggregate fiscal data  | 8   |
| Table 5 Aggregate fiscal data as % of GDP  | 9   |
| Table 6 Budget allocations by functions  | 9   |
| Table 7 Budget allocations by economic classification                                | 10  |
| Table 8 Structure of the public sector   | 16  |
| Table 9 Structure of the public sector (number of entities and budgeted expenditure) | 17  |
| Table 10 Actual and budgeted expenditure for last three years (Le billions)          | 18  |
| Table 11 Expenditure of extra-budgetary activities in 2016 (Le million)              | 27  |
| Table 12 Revenue of extra-budgetary activities in 2016 (Le million)                  | 28  |
| Table 13 Financial reports of public corporations                                    | 37  |
| Table 14 Budget calendar for FY2017  | 56  |
| Table 15 Annual budget submissions to Parliament                                     | 57  |
| Table 16 Analysis of NRA Tax Audits FY2015 and FY2016                                | 64  |
| Table 17 Stock of revenue arrears (Le million)                                       | 65  |
| Table 18 Analysis of extent of payment arrears                                       | 75  |
| Table 19 Summary of workforce per payroll category                                   | 77  |
| Table 20 Summary of employee benefits  | 77  |
| Table 21 Analysis of payroll verifications   | 79  |
| Table 22 Procurement thresholds  | 83  |
| Table 23 Dimension assessment criteria   | 84  |
| Table 24 Analysis of bank reconciliations  | 94  |
| Table 25 Auditor General qualification matters on IPSAS compliance                   | 100 |
| Table 26 Audit report submission dates   | 104 |

## LIST OF FIGURES

|  |     |
|--|-----|
| Figure 1 SAI CBF scores: audit standards | 103 |
| Figure 2 SAI CBF scores: independence    | 105 |

## EXECUTIVE SUMMARY

This assessment of financial management in the central government of Sierra Leone was requested by the Ministry of Finance and Economic Development (MoFED) and supported by its development partners.<sup>1</sup> It was funded by UK Government and the European Union. The last PEFA assessment was made in 2014, when a different methodology was used, so **one objective was to assess progress since 2014** using the former framework. The assessment shows that there has been some progress over the past three years - see section 4.4 and Annex 4, which may have been greater if allowance is made for possible over-scoring in 2014.

**An equally important objective** was to provide a snapshot of where Sierra Leone is today, which could be input to the PFM reform strategy and serve as a baseline for future assessments using the new PEFA methodology (the 2016 framework). It is important to point out that the assessment on the 2016 basis, using a different methodology, cannot be compared directly with the 2014 assessment. The scores are not comparable. In fact, it has been noted that the requirements of the 2016 framework are much more detailed than the former framework and it is much harder to obtain A and B scores. In Sierra Leone, as in other countries, there is a preponderance of C and D scores. In each indicator, the requirements are reproduced from the framework document, so that government officers can see for themselves what is needed to improve the scores. Thus, **two** assessments were made during the fieldwork, one using the 2016 framework and the other using the former framework to assess progress since 2014.

**The assessment has been made by an international team with inputs from a wide range of persons and institutions** (see Annex 3). The team collaborated with the PFM Reform Unit of MoFED and had meetings with stakeholders during the fieldwork. It remained in touch with all interlocutors.

**The assessment covers only the central government**, which includes extra-budgetary bodies (subvented agencies and semi-autonomous agencies) but not local councils or public enterprises. Most indicators were assessed as at the last completed year, which at the time of assessment was 2016. The budget credibility indicators were based on the last three completed years, which were 2014-2016. This period was marked by the Ebola virus epidemic, the collapse of iron ore export price and government revenues, the falling away of budget support, and post-Ebola recovery.

Nevertheless, **Sierra Leone has maintained its progress** since PFM reform started with the IRCB project in 2004. An analysis of changes since 2014 shows more improvements in scores than deteriorations (see section 4.4). In some indicators, the team believe that the 2014 scores were overstated (see annex 4), so the true progress may be greater than it appears. In the light of the difficulties faced by the country over this period, the PFM reform performance should be commended.

The weaknesses in some areas impact on **fiscal discipline** (the ability to stay on track), on strategic allocation of resources (alignment with the Agenda for Prosperity), and on efficient delivery of services. Weaknesses in fiscal discipline are shown in high composition variances between original budgets and out-turns for revenue and expenditure. The expenditure variances are partly due to frequent ‘overrides’ to the procedures for control of commitments and payments. Commitments are made, goods and services are delivered and bills processed, and cheques are printed, but cheques are

---

<sup>1</sup> World Bank, African Development Bank, European Union, IMF, and Department for International Development, UK.

not issued to suppliers because of shortage of cash to pay. Cheques are printed and expenditure is recorded as far as possible to use up existing budget allocations, but there has been an increasing disconnect with the cash situation. This is recognized and MoFED is aiming to pay off outstanding cheques by the end of 2017, and not allow further accumulation.

At a time of great fiscal stress, payroll remains the first charge on available resources. As payroll takes 60% of domestic revenue, leaving very little for operations and capital investment, variations in revenue have a geared impact on fiscal space.

Fiscal discipline is also impacted by widespread flouting of laws and regulations, particularly with regard to procurements, payrolls and asset registers.<sup>2</sup> Fiscal risk is coming under closer management, but the risk that may arise from government obligations under public-private partnerships falls outside MoFED's risk management portfolio.

Oversight of fiscal discipline is strongly spearheaded by the Audit Service Sierra Leone (ASSL) but late scrutiny of their reports, years after the event, dilute accountability and reduce the likelihood of effective corrective actions such as system strengthening, prosecution and recovery of public funds.

### **Strategic allocation of resources**

Budgets are drawn up to implement the Agenda for Prosperity and achieve the sustainable development goals of Sierra Leone. All programs are mapped to the pillars of the AfP. However, non-adherence to the budget destroys any planned alignment.<sup>3</sup> Political interventions during the year, even if they are well-intentioned, are less well planned than the budget, which goes through a lengthy and inclusive scrutiny before it is approved.

Another factor that makes rational sectoral planning difficult is the omission from the accounts of donor expenditures on development projects. The information base is incomplete. Recorded expenditures, say on health, understate the actual expenditure on health. The performance management system is compromised, as expenditure does not compare with physical performance. This omission is well recognised and it is planned to bring all donor aid and expenditures to account.

### **Efficient use of resources for service delivery**

Accounting systems are not yet sufficiently developed to provide management information such as unit costs of similar service delivery centres. Progress has been made in program budgeting, but it is not yet possible to compare unit costs of schools, hospitals, road construction, building maintenance, etc.

The weak controls on procurement result in higher prices being paid on purchases of goods and services and on works contracts. Together with the delays in settlement of bills, which also increase the prices, value for money is reduced.

A predictable flow of resources is the most vital condition for rational planning, procurement and elimination of waste and delays. Physical resources such as drugs and school supplies that are purchased and stored centrally are no longer being tracked from the centre to service delivery units such as peripheral health units and schools. Without independent checks on distribution, it is inevitable that there will be delays and discrepancies. Even more important than the distribution of physical resources, there are bottlenecks in the disbursement of cash from the centre. In the health

---

<sup>2</sup> See Auditor General's reports up to 2015, internal audit reports, and the recent survey by Afrobarometer for the ACC. The Transparency International index of perceived corruption in Sierra Leone, which improved significantly from 2008 to 2012, has remained unchanged over the last five years.

<sup>3</sup> It is pointed out that poor accounts coding of things like NASSIT are also a reason for apparent resource misallocation.

sector, MoFED releases funds half yearly to the Ministry of Health and Sanitation and to local councils. Local councils distribute to District Health Management Teams and hospitals. There are long delays and large discrepancies in all links of this chain.

A contributory factor is the cumbersome procedures in which many persons are involved, not for the purpose of segregating functions and preventing fraud, but to spread rent opportunities. In the planned IFMIS strategy, we were informed that business process re-engineering is postponed to a late stage. This reduces the efficiency and effectiveness of service delivery.

Nevertheless, over the last three years Sierra Leone has made progress in rolling out its Integrated Financial Management Information System (IFMIS) from a baseline of seven connected BUs (MDAs) in 2013 to 30 (out of all 54 planned) central budgetary agencies. The legal and regulatory framework has been overhauled and the accounting/reporting system is being extended to allow consolidation of the whole of central government, now fully inventoried. A Fiscal Strategy Statement has been developed as a tool for annual assessments of fiscal risk and as the top-down framework within which budgets and medium-term projections are prepared. Revenue data is being systematically shared by MoFED and the National Revenue Authority. The budget timetable has been reformed to allow more time for parliamentary and public participation. Budget analysis has been strengthened by development of a DataMart portal. Cash management has also been strengthened, though currently under stress, and a Treasury single account has initially linked all Treasury-managed bank accounts, though its implementation is slow. The Accountant General has adopted the cash-based IPSAS as the standard for producing the annual financial statements. Since the standard was relaxed in 2017 (with fewer mandatory requirements), full compliance has become easier and could be achieved with the 2017 statements. Capacity of PFM officers is being built, though not within any overall strategy. The oversight capacity of internal audit, external audit, civil society and parliamentary committees has also been strengthened.

**The PFM Reform Strategy** has been supported by development partners, principally through the PFM Improvement and Consolidation project, multi-donor budget support, and bilateral technical assistance and/or financial support from World Bank, African Development Bank, DFID, EU, IMF and others. The PFM Reform Unit in MoFED coordinates all PFM reform under policy direction from the PFM Reform Committee and technical direction from the PFM Technical Committee. The main ongoing projects are the PFM Improvement and Consolidation Project, the Building Core Systems Project and the State Building Capacity Technical Assistance Project. There are also several projects targeting particular institutions, such as the ACC and ASSL. Chapter 5 elaborates the overall approach to PFM reform, recent and ongoing reforms, and institutional considerations. The main reform areas include revenue and tax administration, financial accountability and reporting including expenditure tracking, the PFM legal framework and environment, and public access to fiscal information, amongst others.

The **sequencing of reforms** is important as it is generally recognized that a government needs to ensure that its basic or **core** PFM functions perform to a satisfactory level **before** it can implement and realise the full benefits of more advanced PFM functions. Sophisticated budgetary systems cannot be effective if simple revenue and expenditure budgets cannot be executed as initially planned without significant arrears of expenditure or shortfalls of revenue. Actual expenditures will not correspond with planned allocations in line with the national Agenda for Prosperity. And operational efficiency in the delivery of public services will not be achieved without widespread compliance with rules and regulations. Adherence to “due process” controls inputs and minimizes bribes and waste.

The exact definition of core functions is debatable and may differ from one government to another and from one year to another. For least developed countries they have been defined by a PEFA

research study, together with the related PEFA indicators and dimensions and the minimum acceptable scores.

Annex 6 lists 16 core PFM functions and 25 target scores for these functions. In Sierra Leone central government, 18 target scores are currently being met or exceeded. An assessment of core PFM functions within the PEFA framework shows that the following elements are not being performed adequately and should be regarded as priorities for reform

- Availability of data on expenditure arrears
- Comprehensiveness of information in budget documentation
- Coverage of reports on government operations
- Collection of tax revenues
- Predictability in the availability of resources to program managers
- Central monitoring of extra-budgetary agencies and public enterprises
- Effectiveness of payroll controls
- Reliable information on procurement activities
- In-year budget execution reporting
- Legislative control of budgets
- Timely legislative scrutiny of external audit reports

These basic deficiencies may be regarded as priorities for reform to strengthen the role of PFM in development.

The table below summarizes the present scores on indicators.

|       |    |
|-------|----|
| A     | 2  |
| B+    | 0  |
| B     | 4  |
| C+    | 7  |
| C     | 2  |
| D+    | 9  |
| D     | 7  |
| Total | 31 |

Table 1 Overall summary of PFM performance scores

| PFM Performance Indicator |  | Scoring Method | Dimension Ratings |    |    |    | Overall Rating |
|---------------------------|--|----------------|-------------------|----|----|----|----------------|
|                           |  |                | 1.                | 2. | 3. | 4. |                |
|                           | <b>Pillar I. Budget reliability</b>                          |                |                   |    |    |    |                |
| PI-1                      | Aggregate expenditure out-turn                               | M1             | D*                |    |    |    | D              |
| PI-2                      | Expenditure composition out-turn                             | M1             | D*                | D* | D* |    | D              |
| PI-3                      | Revenue out-turn   | M2             | A                 | D* |    |    | C+             |
|                           | <b>Pillar II. Transparency of government</b>                 |                |                   |    |    |    |                |
| PI-4                      | Budget classification  | M1             | A                 |    |    |    | A              |
| PI-5                      | Budget documentation   | M1             | B                 |    |    |    | B              |
| PI-6                      | Central government operations outside financial reports      | M2             | D                 | D  | D* |    | D              |
| PI-7                      | Transfers to sub-national governments                        | M2             | A                 | A  |    |    | A              |
| PI-8                      | Performance information for service delivery                 | M2             | D                 | D  | D  | D  | D              |
| PI-9                      | Public access to information                                 | M1             | D                 |    |    |    | D              |
|                           | <b>Pillar III. Management of assets and liabilities</b>      |                |                   |    |    |    |                |
| PI-10                     | Fiscal risk reporting  | M2             | C                 | D  | C  |    | D+             |
| PI-11                     | Public investment management                                 | M2             | D                 | C  | D  | C  | D+             |
| PI-12                     | Public asset management                                      | M2             | C                 | D  | C  |    | D+             |
| PI-13                     | Debt management  | M2             | C                 | D  | D  |    | D+             |
|                           | <b>Pillar IV. Policy-based fiscal strategy and budgeting</b> |                |                   |    |    |    |                |
| PI-14                     | Macroeconomic and fiscal forecasting                         | M2             | C                 | C  | C  |    | C              |
| PI-15                     | Fiscal strategy  | M2             | D                 | C  | B  |    | C              |
| PI-16                     | Medium-term perspective in expenditure budgeting             | M2             | B                 | A  | D  | D  | C+             |
| PI-17                     | Budget preparation process                                   | M2             | C                 | A  | C  |    | B              |
| PI-18                     | Legislative scrutiny of budgets                              | M1             | B                 | A  | A  | C  | C+             |
|                           | <b>Pillar V. Predictability and control in budget</b>        |                |                   |    |    |    |                |
| PI-19                     | Revenue administration                                       | M2             | B                 | C  | C  | B  | C+             |
| PI-20                     | Accounting for revenues                                      | M1             | B                 | B  | C  |    | C+             |
| PI-21                     | Predictability of in-year resource allocation                | M2             | C                 | B  | D  | D  | D+             |
| PI-22                     | Expenditure arrears  | M1             | D*                | D  |    |    | D              |
| PI-23                     | Payroll controls   | M1             | B                 | D  | C  | C  | D+             |
| PI-24                     | Procurement  | M2             | D                 | D* | C  | D  | D              |
| PI-25                     | Internal controls on non-salary expenditure                  | M2             | A                 | C  | C  |    | B              |
| PI-26                     | Internal audit effectiveness                                 | M1             | B                 | C  | D  | D  | D+             |
|                           | <b>Pillar VI. Accounting and reporting</b>                   |                |                   |    |    |    |                |
| PI-27                     | Financial data integrity                                     | M2             | B                 | NA | NA | B  | B              |
| PI-28                     | In-year budget reports                                       | M1             | D                 | D  | C  |    | D+             |
| PI-29                     | Annual financial reports                                     | M1             | B                 | A  | C  |    | C+             |
|                           | <b>Pillar VII. External scrutiny and audit</b>               |                |                   |    |    |    |                |
| PI-30                     | External audit   | M1             | B                 | C  | C  | C  | C+             |
| PI-31                     | Legislative scrutiny of audit reports                        | M2             | D                 | C  | C  | C  | D+             |

# I. INTRODUCTION

## 1.1 Rationale and purpose

PEFA assessments of the central government of Sierra Leone have been made in 2007, 2010 and 2014. The Government has requested a repeat assessment in 2017. This coincides with a review of the Public Financial Management Reform Strategy, with technical assistance from the State Building Project funded by EU.

### Objectives of the assessment

The overall objective of the PEFA 2017 repeat assessment is to provide the Government with an objective, indicator-led assessment of the national PFM system in a concise and standardized manner, to promote an updated understanding of the overall fiduciary environment of the PFM systems, and to assist in identifying those parts of the PFM systems in need of further reform and development. This will also provide a baseline for a number of monitoring indicators to be identified as part of the PFM results framework.

The specific objectives of this assessment (reproduced from the TOR) are to:

- Conduct a repeat PEFA assessment using the same methodology (indicator set) used in the 2014 PEFA assessment;
- Conduct a PEFA assessment using the ‘Framework for assessing public financial management’ issued by the PEFA Secretariat in February 2016. This means that both the old and the new indicators must all be measured in order to:
  - Establish and explain the level of change in performance based on the PEFA indicator scores by comparing the results of the previous assessment to provide a clear picture of specific changes in performance since the 2014 assessment.
  - Provide a baseline for future assessment of PFM performance.
- The assessment and report will use the PEFA 2016 framework and a supplementary annex will be prepared that will summarize findings using the PEFA 2011 framework, in line with revised PEFA guidance which explains how to measure both sets of indicators in one assessment. The two frameworks use largely similar datasets and can be carried out concurrently.
- Make an assessment of the causes of the standards of performance; the standard PEFA report will be modified to capture this additional element. This should capture reasons for good/poor performance, such as capacity, legislation, or political will to implement change. This will help build an understanding of why low scores persist and where there is scope for reform.<sup>4</sup>
- Provide a preliminary matrix of recommended priority areas for reform. This should be based on the assessment of underlying causes and reflect on the Sierra Leone context.<sup>5</sup>

---

<sup>4</sup> Reasons for poor performance, where these are due to capacity or legislation, are mentioned in the text as far as possible. The political context has been separately assessed and reported.

<sup>5</sup> This is partly covered by an analysis of GoSL performance in core PFM areas and findings included in the Executive Summary. In accordance with PEFA Good Practice, the team has not made specific recommendations on future reforms in the text, but in response to the TOR has reported these separately.

## 1.2 Assessment management and quality assurance

The assessment was requested by the Financial Secretary, MoFED. UK Government and EU agreed to fund external assistance, viz. a Team Leader (UK Government) and three consultants (EU), all experienced in the use of the PEFA 2016 Framework.

The Concept Note was agreed by the development partners and GoSL on 2 October 2017 and DFID and EU contracted the consultants. The TL and two consultants arrived 9 October and the fourth member of the team on 23 October. A meeting was held on 12 October to explain the purpose of the assessment and how it was proposed to carry it out. About 30 participants from MoFED, BUs, ASSL and the development partners attended. A second mission of the TL and first two consultants took place, together with the fourth member, 13-24 November to complete the fact-finding and produce a draft report. This was submitted on 30 November. Comments from DFID and GoSL were received by 5 January 2018 and were addressed by the team and a second draft submitted 20 January. Comments from the PEFA Secretariat and Donor Reference Group on the second draft were received 23 February and further comments from GoSL on 9 March. These were addressed in a third draft at 30 March. Follow-up comments have been addressed in this final report.

The assessment coincided with a cash crisis, negotiations with the IMF and the finalization of the budget for FY 2018. MoFED was able to release two officers to participate in meetings only in the last week of fact-finding. MoFED PFMRU called the launch meeting and arranged several meetings with GoSL agencies. The Assessment Team liaised almost daily with PFMRU. A de-briefing was held with several senior MoFED officers on 23 November 2017 and with DFID and EC on 24 November.

### Box 1: Assessment management and quality assurance, per PEFA CHECK requirements

#### PEFA Assessment Management Organization

##### Oversight Team

| GoSL representatives         | Team member details                                  |
|------------------------------|--|
| 1. Chair                     | Ansu S. Tucker, Principal Deputy Financial Secretary |
| 2. Member                    | Alimamy Bangura, Dir EPRU                            |
| 3. Member                    | Richard Williams, Accountant General                 |
| 4. Member                    | Matthew Dingie, Budget Director                      |
| 5. Member                    | Sheka Bangura (Dr), Dir CPM&E                        |
| 6. Member                    | Sahr Jusu, Dir. Public Debt Management Department    |
| 7. Member                    | Idrissa Kanu, Dir. Revenue and Tax Policy Department |
| 8. Member                    | Fudie Konneh, Ag.Dir. Procurement Directorate        |
| 9. Member (Secretary)        | Princess Johnson (Ms), Ag Dir. PFMRU                 |
| <b>Donor Reference Group</b> |  |
| EU Delegation                | Daniel Grotino                                       |
| DFID                         | Sarah Somoudi (Ms)                                   |
| IMF                          | Mathew Sandy   |
| World Bank                   | Victor Boakye-Bonsu                                  |
| African Development Bank     | Jamal Zayid  |



### Assessment Manager

The assessment will be jointly led by GoSL, the EU and DFID in close collaboration with other development partners including the AfDB and the World Bank

### Assessment Team:

Tony Bennett, Team Leader

Elena Morachiello, Expert

Charles Hegbor, Expert

James Botha, Expert

### **Review of Concept Note and/or Terms of Reference**

1. Date of reviewed draft concept note and/or terms of reference:  
5 September 2017 (deadline)
2. Invited reviewing institutions who provided comments:

DFID

MoFED

AfDB

World Bank

PEFA Secretariat

EU

1. Date of final concept note and terms of reference:  
2 October 2017

### **Review of the Assessment Report**

1. Date of reviewed draft report:  
first draft 30 November 2017, second draft 20 January 2018, third draft 30 March 2018

2. Invited reviewers:

IMF

DFID

MOFED

AfDB

World Bank

PEFA Secretariat

EU

## 1.3 Assessment methodology

### 1. Coverage of the assessment:

This assessment is based on the 2016 PEFA framework using all the 31 performance indicators and the scope of the assessment covers the operations of the central government in Sierra Leone. This covers all the budgetary units of the central government, including ministries, departments, and agencies (BUs). Section 1 of the PFM Act 2016 defines Central Government to include “*any entity which satisfies the following conditions: (a) most of the entity’s output is provided free or at not economically significant prices; (b) the entity’s output is intended for individual and collective consumption; (c) the entity is mainly financed by taxes or other compulsory transfers or payments or controlled and mainly financed by another entity included in the central government; and (d) the entity is not a social security fund or included in the local government*”. In that regard, the assessment does not cover the social security fund (NASSIT), local government and public corporations<sup>6</sup> but does include extra-budgetary units that meet the definition of central government provided for in the Act.

To assess the application of the PFM systems at the BU level, the following five ministries were selected on the grounds of their size and developmental significance: Education, Science and Technology; Health and Sanitation; Works, Housing and Infrastructure; Mining and Mineral Resources; Agriculture, Forestry and Food Security. These five accounted for 35% of the budget for 2016.

**Being a repeat assessment, progress over time was also measured since the last PEFA assessment in 2014 on the basis of the 2011 PEFA framework used then.** As it is not possible to track changes in performance by comparing an assessment based on PEFA 2011 with a subsequent (repeat) assessment using PEFA 2016, a proper comparison requires that assessments be based on the same PEFA version. Therefore, the progress over time used the same indicator set of PEFA 2011 as used in the 2014 assessment in Sierra Leone, in accordance with guidance from the PEFA Secretariat. The results are summarized in section 4.4 and Annex 4.

### 2. When performance is assessed

**The assessment was carried out using the most recently available data based on the guidance in PEFA 2016.** Data for the financial years 2014, 2015 and 2016 were used where three years’ data were required and for financial year 2016 where data for the last completed fiscal year were needed. Some indicators (PI-5, 16 and 17) required the data in the last budget presented in Parliament at the start of assessment (October 2017), which was for FY 2017. Reference is also made to the budget for 2018, which was presented to Parliament in November 2017. The cut-off date for data collection was end-November 2017. Information made available after cut-off may be included in the final report but would not affect the scoring.

### 3. Sources of information

**The assessment used a range of government documents from various ministries and other budgetary agencies specific for each indicator and also evaluations/assessments or studies made by other development partners.** The choice of the information was based on the guidance provided in the PEFA 2016 Framework. These included the core PFM legal documents, five year and annual

---

<sup>6</sup> Public corporations (called state-owned enterprises in Sierra Leone) are not covered by the assessment except to the extent they present a fiscal risk to central government as assessed under PI-10.

plans, budget reports, annual financial statements, and audit reports. Information was also obtained or supplemented or validated through interviews or specific queries raised with the stakeholders. A list of documents referenced for the assessment and list of persons met is provided in Annex 3.

A **first mission** from 9-27 October 2017 included a launch meeting, attended by 30 participants to disseminate the new PEFA framework, the methodology and the expectations from the assessment. The objective of the meeting was to: (i) familiarize the GoSL team with the updated PEFA framework; (ii) understand the information needs; (iii) identify the possible sources of information; and (iv) agree on responsibilities and work schedules. A **follow-up PEFA mission** was carried out from 13-24 November 2017. A list of persons seen (both missions) is included in Annex 3.

#### 4. Other methodological issues for the preparation of report

The assessment of budget credibility requires a comparison of original budget data with actual out-turns. This was a challenge as the Public Accounts are not entirely consonant with the budget structure and classification.

Actual fiscal out-turns are shown in the annual Budget Book (budget year minus 2) and should be compiled on the same basis as the budget, ensuring that like is compared with like. However, Budget Book data do not agree with the audited Annual Accounts, as shown in the table below.

**Table 2 Comparison of data from Budget and Public Accounts**

|                                     | Budget Book<br>2016 (2014<br>Actual<br>column)<br>Le.mn | Public<br>Accounts<br>2014<br>Le.mn | Difference % |
|-------------------------------------|---|-------------------------------------|--------------|
| Domestic revenue                    | 2,226,200   | 2,454,227                           | 10.2%        |
| Grants                              | 959,476   | 934,798                             | -2.6%        |
| Total revenue                       | 3,188,676   | 3,389,025                           | 6.3%         |
| Wages and salaries                  | 1,445,695   | 1,511,343                           | 4.5%         |
| Goods and services                  | 680,513   | 1,541,700                           | 126.5%       |
| Transfers                           | 370,900   | 220,447                             | -40.6%       |
| Interest                            | 221,359   | 222,215                             | 0.4%         |
| Total recurrent expenditure         | 2,718,467   | 3,495,705                           | 28.6%        |
| Capital expenditure and net lending | 1,216,936   | 820,482                             | -32.6%       |
| Total expenditure                   | 3,935,403   | 4,316,187                           | 9.7%         |
| Deficit on commitment basis*        | 746,727   | 927,162                             | 24.2%        |

\*Commitment basis here means cheques printed. It should not be confused with expenditure commitments, which are made when goods or services are ordered.

A comparison was made with the data provided by the DataMart database, prepared by the BCS project from the IFMIS database, but this does not explain the differences. IFMIS does not include budgeted development expenditure by donor partners on behalf of GoSL, nor their actual expenditure,

as it covers only the receipts and payments of the Consolidated Fund. As donor project expenditure is not included in the Consolidated Fund accounts, for the purpose of this assessment it is excluded from the budget in the calculation of variances (see PI-1 and 2 and Annex 5 of this report), though the relevant dimensions had to be scored D\*, signifying insufficient information. The team was informed that a new chart of accounts will address this issue.

## 2. COUNTRY BACKGROUND INFORMATION

### 2.1 Country economic situation

Sierra Leone was making good economic and social progress before 2014. Real growth averaged 8% a year between 2003 and 2014, while the country was also making social progress, with the poverty head count reduced nearly 25% over the last decade.

In 2014, however, the economy was hit by two entirely exogenous shocks – the Ebola virus epidemic, and the collapse of iron ore prices. In Sierra Leone almost 4,000 died out of 14,000 cases of Ebola. Many survivors continue to need treatment after the epidemic was officially declared over in March 2016.

Concurrently, the selling price of iron ore fell from \$135.40/ton in 2013 to \$56.10/ton in 2015 before stabilising and resumption of mining in February 2016. Exports and government revenue fell sharply. GDP fell more than 20%.

Despite the restart of iron ore mining, the economic structure is largely unchanged. Agriculture remains the mainstay of the economy (46% of GDP) and provides employment for about 75% of the rapidly growing population.

There are significant inequalities in life expectancy, gender, education and income. Life expectancy has improved from 50.9 years in 2014 to 56.1 years. The youth population, aged 15-35, comprises one third of the population and their unemployment was a major root cause of the civil conflict in Sierra Leone (1992-2002). Approximately 70% of youth are underemployed or unemployed and an estimated 800,000 youth are actively searching for employment. Furthermore, illiteracy (52.3% of the adult population) remains a persistent challenge. The poverty headcount (those with income less than \$1.25/day) is estimated by UNDP to be over 60%.

Sierra Leone has high gender inequality and ranked 137<sup>th</sup> out of 146 countries in 2011, reflecting significant gender-based inequalities in reproductive health, empowerment and economic activity. Only 13.2% of parliamentary seats are held by women and 9.5% of adult women have reached a secondary or higher level of education compared to 20% of their male counterparts. For every 100,000 live births, 970 women die from pregnancy related causes.

Free, fair and peaceful elections were held in 2002, 2007, 2012 and March 2018. Sierra Leone has made important gains in the strengthening of its post-conflict democracy. The high voter turnout (87% in 2012) was a clear sign of the country's commitment to continued peace, good governance and development.

In the wake of the crisis, the authorities began implementing an Ebola Recovery Strategy (ERS), supported by development partners. With the resumption of mining, growth has recovered to over 6% in 2016. However, revenue has not reached its pre-crisis levels despite significant measures such as reductions in duty exemptions and a 60% increase in the price of fuel and consequent excise duty collections.

PFM reform continued slowly during the shocks. The Public Financial Management (PFM) Act was passed in 2016 and revised PFM regulations are near approval. A new Public Procurement Act was also passed in 2016.

Significant spending overruns led to a sharp widening of the fiscal deficit, which was financed in part by an accumulation of domestic arrears. Inflation had been in single digits, but the expansion of demand, the deterioration in the exchange rate, and the hike in fuel prices in November 2016 contributed to a 17.4% rise in the consumer price index during 2016.

Given limited borrowing space from the domestic bond market and dwindling budget support from

donors, revenue mobilization is the key to fiscal recovery. Though there are high hopes for an expansion of revenue from the mining sector, in particular from iron ore and in the future from oil, GoSL is aiming to reduce its dependence on the exploitation of its mineral resources, and to diversify the economy into agriculture, fishery and tourism.

**Table 3 Selected economic indicators**

|  | <b>2014</b> | <b>2015</b> | <b>2016</b> |
|--|-------------|-------------|-------------|
| . Population (household population, millions)              | . 6.842     | . 7.076     | . 7.310     |
| . Unemployed (% of age group 15-64)                        | . 9.1       | . na        | . na        |
| . GDP (Le. bn)   | . 22,689    | . 21,582    | . 23,848    |
| . GNI per capita (Atlas method, USD)                       | . 690       | . 550       | . 490       |
| . Non-iron ore GDP   | . 20,541    | . 21,549    | . 23,605    |
| . Real GDP growth (%)                                      | . 4.6       | . -20.5     | . 6.1       |
| . Consumer price index (annual average % increase)         | . 8.3       | 9.0         | . 11.5      |
| . Gross government debt (present value % to GDP)           | . 35.7      | . na        | . 20        |
| . Current account balance (% of GDP)                       | . na        | . 17.5      | . 19.9      |
| . Total external debt (% of GDP)                           | . 21.3      | . na        | . 41.3      |
| . Exchange rate to USD                                     | . na        | . 5,639     | . 7,239     |
| . Gross official reserves (end of year, months of imports) | . 4.1       | . 3.8       | . 3.3       |

Sources: IMF staff reports up to June 2017, SSL Labour Force Survey Report 2015, SSL Population and Housing Census 2015

## **2.2 Fiscal and budgetary trends**

### **2.2.1 Fiscal performance**

**Table 4 Aggregate fiscal data**

| <b>Fiscal headings</b> | <b>Central government actual outturns (Le. billions)</b> |             |             |
|------------------------|--|-------------|-------------|
|                        | <b>2014</b>  | <b>2015</b> | <b>2016</b> |
| Total revenue          | 3,185.7  | 3,494.7     | 3,382.3     |
| Own revenue            | 2,226.2  | 2,330.2     | 2,967.0     |
| Grants                 | 959.5  | 1,164.6     | 415.3       |

| Fiscal headings                  | Central government actual outturns<br>(Le. billions) |         |         |
|----------------------------------|--|---------|---------|
|                                  |  |         |         |
| Total expenditure                | 3,935.4  | 4,419.1 | 4,009.7 |
| Non-interest expenditure         | 2,718.5  | 4,244.5 | 3,805.6 |
| Interest expenditure             | 221.4  | 174.6   | 204.1   |
| Aggregate deficit (incl. grants) | 749.7  | 924.4   | 627.4   |
| Primary deficit                  | 528.3  | 749.8   | 423.3   |
| Net financing                    | 749.7  | 924.4   | 627.4   |
| External                         | 265.7  | 337.8   | 165.6   |
| Domestic                         | 470.6  | 586.6   | 461.8   |
| Proceeds of privatization        | 13.4   | 0.0     | 0.0     |
| GDP (nominal)                    | 22,689   | 21,582  | 23,848  |

Sources: 2014 actuals from 2016 Budget Book, 2015 actuals from 2017 Budget Book, 2016 actuals from 2016 Final Consolidated Fund Public Accounts. These figures differ from those provided by the Accountant General for calculation of variances (see Annexes 5 and 5A) and are not reconciled.

Table 5 Aggregate fiscal data as % of GDP

| Fiscal headings                  | Central government actual outturns (% of GDP) |       |       |
|----------------------------------|---|-------|-------|
|                                  | 2014  | 2015  | 2016  |
| Total revenue                    | 14.0%   | 16.2% | 14.2% |
| Own revenue                      | 9.8%  | 10.8% | 12.4% |
| Grants                           | 4.2%  | 5.4%  | 1.7%  |
| Total expenditure                | 17.3%   | 20.5% | 16.8% |
| Non-interest expenditure         | 12.0%   | 19.7% | 16.0% |
| Interest expenditure             | 1.0%  | 0.8%  | 0.9%  |
| Aggregate deficit (incl. grants) | 3.3%  | 4.3%  | 2.6%  |
| Primary deficit                  | 2.3%  | 3.5%  | 1.8%  |
| Net financing                    | 3.3%  | 4.3%  | 2.6%  |
| External                         | 1.2%  | 1.6%  | 0.7%  |
| Domestic                         | 2.1%  | 2.7%  | 1.9%  |
| Proceeds of privatization        | 0.1%  | 0.0%  | 0.0%  |

Source: Calculation from Table 4

From Table 5, it can be seen that domestic revenue and grants continued to grow in nominal terms in 2015, despite a drop in GDP. This caused a temporary jump in the revenue/GDP percentage. Domestic revenue growth in 2016 was enhanced by a one-off receipt of capital gains tax on sale of Airtel. Expenditure grew significantly in 2015, but in 2016 was cut back. The overall deficit was reduced to 2.6% of GDP and was financed mainly from domestic borrowings.

## 2.2.2 Allocation of resources

Table 6 Budget allocations by functions

| Functions of government     | Central government actual expenditure by sector (% of total expenditure) |       |       |
|-----------------------------|--|-------|-------|
|                             | 2014   | 2015  | 2016  |
| Education                   | 16.3%  | 14.6% | 11.4% |
| Health                      | 10.6%  | 10.7% | 9.2%  |
| Social security and welfare | 0.6%   | 0.5%  | 0.4%  |
| Defence                     | 7.0%   | 4.3%  | 7.0%  |

| Functions of government         | Central government actual expenditure by sector (% of total expenditure) |        |        |
|---------------------------------|--|--------|--------|
|                                 | Public order and safety  | 9.1%   | 7.4%   |
| Housing and community amenities | 1.8%   | 2.5%   | 9.6%   |
| Recreation, culture and safety  | 0.3%   | 0.1%   | 0.3%   |
| Economic services               | 19.1%  | 21.0%  | 11.4%  |
| General public services         | 35.1%  | 38.9%  | 43.9%  |
| Total                           | 100.0%   | 100.0% | 100.0% |

Source: Consolidated Fund Accounts

**Table 7 Budget allocations by economic classification**

| Economic classification | 2014   | 2015   | 2016   |
|-------------------------|--------|--------|--------|
| Current expenditure     | 83.4%  | 77.8%  | 82.2%  |
| Wages and salaries      | 42.0%  | 43.3%  | 44.5%  |
| Goods and services      | 28.2%  | 20.6%  | 22.6%  |
| Interest                | 5.3%   | 4.8%   | 5.1%   |
| Transfers               | 6.4%   | 9.7%   | 9.5%   |
| Other                   | 1.4%   | -0.6%  | 0.5%   |
| Capital expenditure     | 16.6%  | 22.2%  | 17.8%  |
| Total expenditure       | 100.0% | 100.0% | 100.0% |

Sources: Consolidated Fund Public Accounts for 2016 (for 2016 and 2015 data) and 2014 Accounts for 2014 data.

Table 7 shows that wages and salaries have continued to grow, constituting 44.5% of all expenditure in 2016. However, this was more than offset by a reduction in expenditure on goods and services, which may reflect less operating and maintenance activities during the Ebola epidemic. Capital expenditure grew from 16.6% to 17.8% of total expenditure.

### **2.2.3 Fiscal Policy Targets 2016-2018**

Fiscal policy targets are set out in the annual Fiscal Strategy Statement (FSS), which was first produced for the 2017 Budget. According to the 2018 FSS, the policy objectives are as follows:

1. The key objective of fiscal policy in the medium term is to maintain macroeconomic stability by focusing on the consolidation of public finances through enhanced domestic revenue collection and rationalization of expenditures. Higher domestic revenue collection will allow Government to continue to address infrastructure bottlenecks, promote economic diversification, and expand existing social protection programs to achieve inclusive growth and poverty reduction. This is consistent with the principles of Responsible Financial Management as articulated in Section 20(2) of the Public Financial Management (PFM), Act 2016.



2. In this regard, Government will seek to reduce the overall budget deficit, including grants, from 6.1 percent of GDP in 2017 to 5.5 percent of GDP in 2018 and further down to 4.8 percent of GDP in 2020. To achieve this objective, domestic revenue collection will improve from 13.1 percent of GDP in 2017 to 14.1 percent of GDP in 2018, to 15.1 percent of GDP in 2019 and further up to 15.8 percent of GDP in 2020. Consequently, the actions and measures to achieve these are articulated in the domestic revenue mobilization strategy.
3. Total expenditure and net lending will be kept at an average of 22 percent of GDP. A key feature of public expenditure management is to clean the Government payroll. The aim is to keep the wage bill at the sustainable level of 6 percent of GDP from 2018 onwards from 6.4 percent of GDP in 2017. Thus, in nominal terms, the Government wage bill will increase from Le 1.83 trillion in 2017 to Le 2.63 trillion in line with the increase in nominal GDP. The domestic primary deficit will be reduced from 4.0 percent of GDP in 2017 to 3.3 percent of GDP in 2018 and further down to 2.1 percent of GDP in 2020.
4. To maintain debt sustainability consistent with GoSL obligations under the ECOWAS macroeconomic convergence criteria for the monetary union, public debt will not exceed the debt sustainability threshold of 40 percent of GDP in present value terms and 70 percent of GDP in nominal terms.

### **2.3 Legal and regulatory arrangements for PFM of central government**

**The Constitution** sets out the legal and institutional framework for PFM in Part VI, articles 110 to 119. These establish the supremacy of Parliament with respect to taxation and expenditure and the role of the Auditor General. Taxation (and waivers) must be approved by Parliament (Article 110) as well as borrowing (Article 118). All revenue flows into the Consolidated Fund and all withdrawals must be authorised by an Act of Parliament. Article 112 provides for annual and supplementary budgets which are approved through Appropriation Acts and Supplementary Appropriation Acts. Article 114 provides for the authorisation of expenditure warrants by the President within approved budgets. Article 114 (2)(c) allows the President to authorize warrants under his signature for extra-budgetary expenditure when he considers that there is such an urgent need to incur the expenditure that it would not be in the public interest to delay. In practice, urgent unbudgeted expenditure is authorised quite frequently by Executive Order of the President, or Financial Secretary (FS) Letter, without consultation with Parliament or its prior approval. Budget provisions for several heads of expenditure are exceeded, but Supplementary Estimates have not been submitted to Parliament since

2014.<sup>7</sup>

The 1991 Constitution has been extensively reviewed and the Constitutional Review Committee has reported. It is expected that there will be a referendum on the proposed amendment after the 2018 elections.

There is a comprehensive and strong regulatory framework in place to guide ethical conduct and oversight. Section 62 of the Constitution provides for a minister to give general direction and control over each department and, subject to such direction and control, the department shall be under the supervision of a Permanent Secretary. The Financial Management Regulations 2007 is the most appropriate direct PFM reference source as there is no other formal guideline on the implementation and maintenance of internal controls. The framework further strengthens the internal control environment by providing for internal audit functions.

The Government Budgeting and Accountability Act, (GBAA) 2005, was repealed by the **Public Financial Management Act (PFMA) 2016**. This is now the organic budget law of Sierra Leone, effective 1 January 2017. Financial Regulations for implementation of the PFMA were approved in December 2017. The PFMA differs from the GBAA in a number of ways, mainly as follows:

- The Accountant General is required to prepare and publish annual financial statements of central government (defined as per IMF-GFS, excluding local government and NASSIT) as well as annual financial statements of the Consolidated Fund. Sub-vented and other extra-budgetary agencies are required to submit their annual financial statements to the Accountant General for consolidation. This should be implemented from the Public Accounts for 2017
- A Treasury Single Account (TSA) is established by agreement with BoSL and other banks holding public money to enable the Accountant General to treat all central government bank accounts as a single account. An inter-agency Cash Management Committee is also established by the PFMA. The TSA will apply to all BUs, sub-vented agencies, semi-autonomous agencies, and donor-funded project accounts (Budget Speech 2017)
- The internal audit mandate is renewed, with an additional requirement for an Audit Committee in each agency. The Internal Audit Unit in each agency reports to the Audit Committee (which reports to the Minister for that agency), and to the MOFED Internal Audit Department

---

<sup>7</sup> Section 37 of the PFM Act 2016 allows the Minister of Finance to withdraw from the Contingencies Fund up to 2 percent of budgeted non-EIR to meet expenditure which would otherwise be excess, but this is not applicable until a Contingencies Fund has been established. Section 38 allows the President to issue warrants for excess expenditure up to a limit of 1% of budgeted non-EIR revenue. See also under PI-2.3. The 2018 budget includes provisions of Le 45 bn for Special Presidential Warrants and Le 90 bn for a Contingencies Fund.

- Internationally accepted standards are prescribed for internal audit and financial reporting, and internationally accepted definitions of terms such as ‘public money’ and ‘expenditure arrears’
- Separate rules apply for management of extractive industries revenue (EIR, such as revenues from gold, diamonds, bauxite, rutile and iron ore). All EIR from 1 January 2017 should flow into a Transformational Development Fund account, from which transfers can be made to the Consolidated Fund for funding development projects and any excess transferred to a Stabilization Fund or, above a prescribed balance, to an Intergenerational Savings Fund.<sup>8</sup> An **Extractive Industry Revenue Bill** has been stuck in Parliament since December 2014.
- A Fiscal Strategy Statement, including a Fiscal Risk Statement, is required to be submitted to Parliament by 31 July each year and published. This prescribes, amongst other things, BU expenditure limits for the next three years, and is the basis for the budget call circular.<sup>9</sup>

**The National Commission for Privatisation Act, 2002**, established the NCP as a statutory body to manage the privatisation and reform of public enterprises, thus removing public enterprises from interference by line ministries (section 10). All proceeds of divestment are payable into the Consolidated Fund. Out of 24 scheduled public enterprises, 14 remain under NCP management.

**Revenues are collected under the Income Tax Act, 2000, Goods and Services Tax Act, 2010, Excise Act, 1982, Customs Act 2011, Customs Tariff Act 1978, Payroll Tax Act 1972, Control of Gaming and Lottery Act 1969.** A **Revenue Administration Bill** that harmonises the penalties in all the revenue legislation is at an advanced stage. On enactment, it is expected that the Goods and Services Tax Act, Customs Act and NRA Act will be amended accordingly.

**The National Revenue Authority (NRA) Act, 2002**, established the NRA to be responsible for the collection of all revenues, both tax and non-tax revenues. The **Fiscal Management and Control Act, 2017**, transferred all revenue bank balances held by BUs at 1 July 2017 into the Consolidated Fund, and directed that any revenues received by BUs (previously retained by BUs for their own expenditure) should in future be paid straight into the Consolidated Fund. The **Revenue Administration Act** was passed in October 2017 to consolidate and harmonize the administration of revenue laws by the NRA.

**Amendments to revenue laws are made annually through a Finance Bill.** Finance Bills are not approved until well into the budget year: the latest is the Finance Act of 2017, passed on 26 May 2017. It is intended to present future Appropriation Bills and Finance Bills to Parliament at the same

---

<sup>8</sup> Though these EIR funds are legally established by the PFM Act 2016, bank accounts have not yet been opened and EIR is not yet routed into them, on the ground that the amounts are still relatively small.

<sup>9</sup> An FSS was prepared in 2016 for FY 2017 and in 2017 for FY 2018.

time to avoid any mismatch of revenue and expenditure projections. The 2018 Finance Act was passed in December 2017.

**Public Procurement Act, 2016**, replaced the Act of 2004. Procurement Regulations and standard bidding documents are being revised. The new Act strengthens sanctions on offences and broadens the scope of the Independent Procurement Review Panel to investigate and adjudicate on breaches of the Act.

**The Audit Service Act, 2014**, replaced the Act of 1998. It set up the Audit Service Sierra Leone as a body corporate (sub-vented agency), prescribed the powers and functions of the agency including performance audit of efficiency and effectiveness, and adopted the audit standards of the INTOSAI.

## **2.4 Institutional arrangements for PFM**

The Ministry of Finance and Economic Development (MoFED) formulates and implements economic policies and public financial management, and the allocation of public resources to promote economic growth and development in the context of a stable macroeconomic environment. The Minister of Finance has overall responsibility with the Financial Secretary as his principal agent.

In each ministry the Permanent Secretary, and in any other public body the chief executive officer, is nominated in the annual budget as Vote Controller (Accounting Officer). The Vote Controller delegates its financial management functions to the Chief Financial Officer/Principal Accountant in its agency but remains personally accountable. There is an Internal Audit Unit in each BU, which reports to the Vote Controller and is functionally supported by the MoFED Internal Audit Department.

MoFED has departments covering Economic Policy and Research, Budget Bureau, Multilateral Projects Division, Procurement Directorate, Local Government Finance Department, Public Investment Management Unit, Information Communication and Technology, Central Planning Monitoring & Evaluation, Development Assistance Coordination, Regional Integration and South-South Cooperation, Debt Management, Revenue and Tax Policy, Public Financial Management Reform, and the Treasury (Accountant General's Department). The organogram at Annex 7 shows the present organisation of the Accountant General's Department.

The Accountant General has an Integrated Financial Management Information System (IFMIS), operating on a FreeBalance platform, which enables all commitments and payments to be made centrally on certified requests from Vote Controllers, and is the basis of budgetary control. At the end of 2016, IFMIS had been rolled out to 30 (out of 54) BUs, but seven of these were not operational due, eg. to lightning and fire hazard. It was planned to have IFMIS operational in 54 BUs by the end

of 2016.<sup>10</sup> BUs that are not IFMIS-enabled have to bring their commitment and payment vouchers to AGD where they are entered manually. Vote Controllers remain responsible for the correctness of their revenue and expenditure data in the IFMIS database. It was planned to have IFMIS upgraded to a web-enabled Government Resource Planning system (GRP version 7), but this is now on hold. It is planned that the remaining BUs will be IFMIS-enabled in 2019/20 and also the sub-vented agencies (SVAs) and semi-autonomous agencies (SAAs)<sup>11</sup>. Local councils, donor-funded projects and overseas embassies/missions will be IFMIS-enabled at a later stage, with multi-currency functionality. At present, donor-funded development expenditure is not captured in IFMIS nor the Public Accounts, though it is detailed in the budget. It is also planned to introduce electronic funds transfer.

Most BUs operate on imprests from the Treasury: the Public Accounts do not properly integrate the expenditure of these agencies into the Consolidated Fund accounts.<sup>12</sup> The Accountant General prepares the annual financial statements for the Consolidated Fund by 31 March each year, and is now required also to prepare consolidated accounts for the whole of central government by 31 October.

A Treasury Single Account has been started and is presently extending its coverage, in accordance with the PFMA 2016. The number of bank accounts has been reduced from some 1,600 to 1,004. So far, only the 51 Treasury accounts are linked and constitute the TSA. The rest are departmental accounts, mainly for sub-vented agencies and donor-assisted projects.

The PFMA allows for the establishment of a Contingencies Fund. This has not been done, but there is a provision to set up a Contingencies Fund in the budget for 2018. In its place, GoSL relies on a budgeted contingency reserve (head 601) and a budgeted provision for Miscellaneous Services (head 501).

The National Revenue Authority (NRA) is mandated to administer all domestic revenue laws as well as assess and collect domestic revenues (tax and nontax) due to the State. Its main functions include revenue collection, trade facilitation, border management and control in relation to customs duties and levies, and product standardisation.

Procurement is decentralised, under the supervision of a Procurement Policy Unit in MOFED and the National Public Procurement Agency (NPPA). The Accountant General pays salaries of civil servants

---

<sup>10</sup> PFMICP-PAD November 2013, Results Framework, and PFMICP-Mid Term Review December 2016, p.8.

<sup>11</sup> SAAs are extra-budgetary bodies within the definition of central government that have their own revenue and do not receive subventions from the Consolidated Fund.

<sup>12</sup> Imprest advances are charged as expenditure (coded to “Transfers to general government bodies” or “Office and General”). Though monthly transfers to BUs are conditional on submission of the previous month’s expenditure statements and reconciliations, AGD does not ‘retire’ the advances or get unexpended balances brought back to the Consolidated Fund at the end of the year. This omission is being addressed with TA from the SBC project.

as authorised by the Public Service Commission/Human Resource Management Office, MEST and other controlling agencies. He also pays officers whose emoluments are Constitutional charges. The Ministry of Education authorises changes to the teachers’ payroll, which is paid by the Accountant General directly into teachers’ bank accounts. The Ministry of Defence manages the armed forces, while the Sierra Leone Police manage the police force. Prisons Service and the Judiciary are other smaller self-managed payrolls. The Accountant General pays all salaries on pay sheets provided by the managing agencies.

External audit is carried out by the Audit Service Sierra Leone (ASSL). The Constitution and the Audit Service Act of 2014 are the legal basis for external audit. The PFMA 2016 also outlines the role and responsibilities of ASSL. The Auditor General reports to Parliament within twelve months of the end of the year (no change from the GBAA to the PFMA). Her report is referred to the Public Accounts Committee which reviews the report, holds hearings with accountable officers, and publishes its own report. The Monitoring and Evaluation Unit of the Accountant General’s Department maintains a register of audit queries and the Directorate of Internal Audit also follows up on implementation and corrections.

Oversight is complemented by a Non-State Actors Secretariat in MoFED which coordinates over 100 civil society organisations having PFM-related goals (out of 245 identified), supports them with grants from the IPFMRP/PFMICP, and provides PFM training, with the objective of bringing citizen pressure on Parliamentarians and the Government for better PFM. Citizen Budgets were prepared for 2014 and 2015, but the Citizen Budget for 2016 was aborted for lack of timely WB funding.

Oversight is also provided by the IMF (through annual Article 4 consultations and an Extended Credit Facility) and donor partners through a PFM Working Group.

### **Structure of the public sector**

The structure of the public sector is complex. A recent inventory of central government<sup>13</sup> identified 169 public bodies as follows:

**Table 8 Structure of the public sector**

|  |    |
|--|----|
| Ministries                               | 26 |
| Budgetary agencies on IFMIS database     | 5  |
| Budgetary agencies (not self-accounting) | 63 |
| Semi-autonomous agencies                 | 6  |
| Sub-vented agencies                      | 34 |
| Nonfinancial public corporations         | 16 |

<sup>13</sup> SVA Assessment Analysis (2) by MoFED, 22 September 2016

|                               |     |
|-------------------------------|-----|
| Financial public corporations | 5   |
| Unclassified                  | 14  |
| Total                         | 169 |

To this can be added 19 local councils at present (1<sup>st</sup> tier of sub-national government) and 190 chiefdoms. The sole social security fund (National Social Security Insurance Trust) is included above as a semi-autonomous agency.

The table below shows available data on budgeted expenditure for 2016 on central and 1<sup>st</sup> tier sub-national government. Almost all the general government bodies keep accounts on a cash basis and have no balance sheets, so data on assets and liabilities is partial and limited to the notes to the accounts of the Consolidated Fund. All public corporations have complete accrual accounts, but there are no summary data available. Local council summary budget for 2016 is also not available.

**Table 9 Structure of the public sector (number of entities and budgeted expenditure)**

| Year: 2016 (numbers)                        | Public sector (Le. bn) |                      |                      |                                  |                               |
|---|------------------------|----------------------|----------------------|----------------------------------|-------------------------------|
|   | Government Subsector   |                      | Social security fund | Public corporation subsector     |                               |
|   | Budgetary unit         | Extra-budgetary unit |                      | Nonfinancial public corporations | Financial public corporations |
| BUs* (94)                                   | 3,725.5                |                      |                      |                                  |                               |
| Autonomous bodies (54)                      | 685.3                  | ?                    |                      |                                  |                               |
| Social security (NASSIT) (1)                | -                      | 131.2                | 228.4                |                                  |                               |
| Sub-national government (19 Local Councils) | 96.8                   | ?                    |                      |                                  |                               |
| Public corporations - non-financial (16)    | -                      |                      |                      | ?                                |                               |
| Public corporations – financial (5)         | -                      |                      |                      |                                  | ?                             |

\* Ministries, departments and agencies' budget for 2016 consists of Le 4,638.8 bn Total Expenditure and Net Lending per Budget Book, less transfers to NASSIT 131.2, less transfers to LCs 96.8, less transfers to 34 sub-vented bodies 685.3. Cells that are empty or containing a question mark could not be filled.

Table 9 on *actual* government expenditure could not be completed for lack of data.

## 2.5 Other important features of PFM and its operating environment

There are no other important features of PFM.

### 3. ASSESSMENT OF PFM PERFORMANCE

#### 3.1 Pillar I - Budget reliability

##### PI-1 Aggregate expenditure out-turn

**Dimension to be assessed:**

##### **The difference between actual expenditure and the originally budgeted expenditure**

This indicator is intended to assess the accuracy of budgeting and the degree of enforcement of the budget. It normally covers total expenditure, including contingency and interest. It should also include external project expenditure. However, in Sierra Leone, foreign funded project expenditure is not (yet) included in the accounts, so it has been excluded from both budget and actual data. Calculations are shown in Annex 5. These are useful for assessing changes in budget credibility from year to year and for determining the sources of variance. However, the omission of significant donor expenditure means that data is not available to score this indicator in accordance with PEFA 2016 requirements (unlike the PEFA 2011 requirements), so the score is D\*.

Aggregate budget credibility is slightly better than in 2010-2012. The following table shows the performance.

**Table 10 Actual and budgeted expenditure for last three years (Le billions)**

|  | 2014            |                    | 2015            |                    | 2016            |                    |
|--|-----------------|--------------------|-----------------|--------------------|-----------------|--------------------|
|  | Original budget | Actual expenditure | Original budget | Actual expenditure | Original budget | Actual expenditure |
| <b>Total expenditure, excl. foreign-funded development</b> | <b>3,153.9</b>  | <b>3,488.7</b>     | <b>3,317.1</b>  | <b>3,696.1</b>     | <b>3,759.8</b>  | <b>4,009.7</b>     |
| <b>Actual/budget %</b>                                     | <b>110.6%</b>   |                    | <b>111.4%</b>   |                    | <b>106.6%</b>   |                    |

Source: Budget Books and Annual Public Accounts

| Score                                     | Minimum requirements for scores  |
|---|--|
| <b>1.1. Aggregate expenditure outturn</b> |  |
| <b>A</b>                                  | Aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the last three years. |
| <b>B</b>                                  | Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in at least two of the last three years. |



|          |  |
|----------|--|
| <b>C</b> | Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years. |
| <b>D</b> | Performance is less than required for a C score.   |

| <b>Indicator/Dimension</b>   | <b>Score</b> | <b>Brief Justification for Score (with cardinal data used)</b>   |
|--|--------------|--|
| PI-1 Aggregate expenditure out-turn compared to original approved budget | D*           | Actual expenditure was between 85% and 115% of budget in two of the last three years and would have been scored C except that no data was available on total expenditure including donor projects. |

Expenditure has exceeded budget in each year, with a declining trend. Variance may be due to a number of factors: (1) poor planning (foreseeables), (2) uncontrollable or exogenous factors (such as unforeseeable price changes), (3) policy changes, eg. on a change of government, (4) politically directed re-allocations,<sup>14</sup> and (5) administrative indiscipline (both fraudulent and non-fraudulent error). Variance has not been analysed and it is not within the scope of a PEFA assessment to drill down and separate out the various causes of variance. It might be possible, however, to separate out all expenditure for which a Presidential warrant was attached to the voucher, but this might not capture all politically directed re-allocations and, in any case, it is not practically possible to separate the effects of the other factors.

### **Ongoing and planned reforms**

The PFM Act 2016, sections 38 and 39, impose a ceiling and conditions for excess expenditure.

### **PI-2: Expenditure composition out-turn**

This indicator is intended to measure the extent to which reallocations between budget lines have contributed to variance in expenditure composition beyond the variance resulting from changes in the overall level of expenditure. It is an indicator of adherence to budget policy.

#### **Dimension to be assessed (Scoring Method M1):**

##### **2.1 Expenditure composition out-turn by function**

This measures the difference between the original approved budget and actual outturns. As a full functional analysis of expenditure is not provided, the classification by administrative head (vote or BU) is used. Expenditure is taken excluding contingency items and interest on debt. As donor-funded project expenditure is not brought into IFMIS in Sierra Leone, though it is included in the budget, it is

---

<sup>14</sup> A BU wishing (or politically directed) to spend over budget, or over MoFED allocation from the budget, can apply for State House clearance. An Executive Direction and/or a Financial Secretary letter are included in the documentation supporting a payment voucher. This allows the AGD to issue a letter of instruction to BoSL to make payment. These payments are later recorded in the IFMIS and should be approved ex post in a Supplementary Appropriation Act by Parliament.

here omitted from both budget and actual expenditure, and the same reservation applies as in PI-1 above.

There are 78 heads. The 20 largest spenders in 2016 accounted for 84% of all allocated expenditure. The analysis at Annex 5, based on the standard PEFA methodology, shows that composition variance was 12.6%, 27.0% and 27.6% in the last three years. This would be rated D, as in 2014, as a higher rating would require variance to have been less than 15% in at least two of the last three years, but lack of information on donor expenditure changes this to D\*.

Variance is not analysed by AGD and has not been attempted by the Assessment Team. The very high variance appears to be due to a number of factors, eg.

- Politically directed expenditure on unplanned projects and contracts
- Budgets, particularly procurement budgets, are not well prepared. BUs put up estimates based on their medium-term strategies which are effectively bids for resources, eg. MHS requested Le 450.5 bn for 2016 against an indicative ceiling of 109.5 bn. Approved budget was Le 328.2 bn.

## 2.2 Expenditure composition out-turn by economic type

Variance in expenditure according to economic type is calculated at Annex 5 in accordance with PEFA methodology. It is based on total expenditure excluding contingency and donor-funded project expenditure as before but including interest. Variance in the last three years has been 15.0%, 18.7% and 6.6%. Wages and salaries show the least variance, while interest is over-budgeted in each year. This is rated C.

## 2.3 Expenditure from contingency reserves

There is no separate Contingency Fund. In its place, budget allocations are made from the Consolidated Fund to heads 501 and 601. Head 501 is called Miscellaneous Services and is regularly overspent without any detail. Head 601 (or 610) is called Contingency. Within BU allocations, there is ‘padding’, but this cannot be identified so, according to PEFA guidelines, it is omitted in the assessment of unallocated expenditure.

Most expenditure against contingency is vired (transferred) to the benefitting BUs, so the actual charge against this vote is small. The percentage of total expenditure in the last three years has been 6.2%, 1.5% and 1.4%, an average of just over 3.0% of total original budget. This would be rated B. As this total expenditure omits donor expenditure on projects, the percentage is not known and the score becomes D\*.

The overall rating for this indicator, using the M1 method of combining the dimensional scores, is D.

| Score   | Minimum requirements for scores  |
|---|--|
| <b>2.1. Expenditure composition outturn by function</b> |  |
| <b>A</b>  | Variance in expenditure composition by program, administrative or functional classification was less than 5% in at least two of the last three years.  |
| <b>B</b>  | Variance in expenditure composition by program, administrative or functional classification was less than 10% in at least two of the last three years. |
| <b>C</b>  | Variance in expenditure composition by program, administrative or functional classification was less than 15% in at least two of the last three years. |

|  |   |
|--|---|
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>2.2. Expenditure composition outturn by economic type</b> |   |
| <b>A</b>   | Variance in expenditure composition by economic classification was less than 5% in at least two of the last three years.  |
| <b>B</b>   | Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years. |
| <b>C</b>   | Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>2.3. Expenditure from contingency reserves</b>            |   |
| <b>A</b>   | Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.                      |
| <b>B</b>   | Actual expenditure charged to a contingency vote was on average more than 3% but less than 6% of the original budget.     |
| <b>C</b>   | Actual expenditure charged to a contingency vote was on average more than 6% but less than 10% of the original budget.    |
| <b>D</b>   | Performance is less than required for a C score.  |

| <b>Indicator/Dimension</b>                            |          | <b>Brief Justification for Score</b>  |
|---|----------|---|
| <b>PI-2 Expenditure composition out-turn</b>          | <b>D</b> | <b>M1 method of combining dimension scores</b>  |
| 2.1 Expenditure composition out-turn by function      | D*       | Variance was below 15% in only one of the last three years                            |
| 2.2 Expenditure composition out-turn by economic type | D*       | Variance was at or below 15% in two of the last three years                           |
| 2.3 Expenditure from contingency reserves             | D*       | Average spending from the contingency vote was slightly over 3% over the last 3 years |

### Ongoing and planned reforms

The PFM Act 2016 prescribes a more formal arrangement for a Contingencies Fund. It sets criteria for withdrawals from the Fund and limits its size to not more than 2% of non-extractive revenue each year.

### PI-3 Revenue out-turn

This indicator is intended to assess the quality of revenue forecasting by comparing revenue estimates in the original approved budget to actual domestic revenue collection based on tax and non-tax recurrent revenues and grants. In 2014, the calculation excluded grants.

Forecasting methodology and assumptions and institutional arrangements for revenue forecasting are detailed under PI-14.

### 3.1 Aggregate revenue out-turn

Aggregate revenue was 105.2% of budget in 2014, 93.5% in 2015 and 100.6% in 2016 (see Annex 5A). Aggregate revenue includes donor grants so the variance calculation is consistent with the 2016 Framework. This earns an A rating as variance was between 97% and 106% of budget in two out of three years. The variance appears to be due to forecasting errors, and possibly political overrides to NRA estimates. Grants greatly exceeded estimates in 2014 and 2015 but collapsed in 2016. Mineral royalties were highly unpredictable.

### 3.2 Revenue composition out-turn

This dimension is new to the 2016 Framework. Properly, it is based on a GFS categorization of revenue at level 3. This is not available in Sierra Leone, so the score is D\*. The NRA classification over eight revenue sources, plus grants, is used here. Revenue composition variance is calculated at 25.3%, 22.0% and 32.6%. This is high.

Comparing actual collections with original budgets, most revenue sources show high variance in both directions, especially mineral revenues and grants. Sales of goods and services, on the other hand, have been grossly under-budgeted, and road user charges were over-budgeted in each year.

| Score                                   | Minimum requirements for scores  |
|---|--|
| <b>3.1. Aggregate revenue outturn</b>   |  |
| <b>A</b>                                | Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years. |
| <b>B</b>                                | Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years. |
| <b>C</b>                                | Actual revenue was between 92% and 116% of budgeted revenue in at least two of the last three years. |
| <b>D</b>                                | Performance is less than required for a C score.   |
| <b>3.2. Revenue composition outturn</b> |  |
| <b>A</b>                                | Variance in revenue composition was less than 5% in two of the last three years.                     |
| <b>B</b>                                | Variance in revenue composition was less than 10% in two of the last three years.                    |
| <b>C</b>                                | Variance in revenue composition was less than 15% in two of the last three years.                    |
| <b>D</b>                                | Performance is less than required for a C score.   |

| Indicator/Dimension              | Score     | Brief Justification for Score  |
|----------------------------------|-----------|--|
| <b>PI-3 Revenue out-turn</b>     | <b>C+</b> | <b>M2 method of combining dimension scores</b>   |
| 3.1 Aggregate revenue out-turn   | A         | Revenue was between 97% and 106% of budget in 2014 and 2016                              |
| 3.2 Revenue composition out-turn | D*        | Variance was more than 15% in all years, but was not calculated on a GFS classification. |

## 3.2 Pillar II – Transparency of public finances

### PI-4 Budget classification

A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional and program. Where standard international classification practices are applied, governments can report expenditure in GFS format and track poverty-reducing and other selected groups of expenditure. The budget will be presented in a format that reflects the most important classifications (usually administrative combined with economic, functional and/or programmatic) and the classification will be embedded in the chart of accounts to ensure that all transactions can be reported in accordance with any of the classifications used.

In countries where a poverty reduction strategy is a core element in the government's overall policy framework, the definition of poverty-reducing expenditure is normally linked directly to the classification of the budget.

The international standard for classification systems is the Government Finance Statistics (GFS) - [www.imf.org/external/pubs/ft/gfs/manual/index.htm](http://www.imf.org/external/pubs/ft/gfs/manual/index.htm) - which provides the framework for economic and functional classification of transactions. Under the UN-supported Classification of Functions of Government (COFOG) - <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4&Lg=1> - which is the functional classification applied in GFS, there are ten main functions at the highest level and 69 functions at the second (sub-functional) level.

No international standard for programmatic classification exists, and this type of classification is used in widely varying ways across countries.

This assessment is based on the budget for the last completed year, 2016.

#### Dimension 4.1: Budget classification

The IFMIS uses a chart of accounts with a 27-digit code covering organization, fund source, PRSP activity/project, location and object. The system was last revised in 2006, based on the IMF-GFS Manual 2001, as applied to cash-based accounts. The IFMIS uses the same codes for budgeting, execution and reporting. The organization code covers 79 heads of expenditure (BUs and a few cross-cutting heads such as charged emoluments). The object classification matches the IMF-GFS (group 3) closely, though there are still some anomalies.

Since 2014 there has been an improvement in the functional classification by the development of programmes within the pillars of the Agenda for Prosperity. For external reporting and international comparisons, the programme classification is bridged to the COFOG sub-functional classification.

**Score = A**

| Score                             | Minimum requirements for scores  |
|-----------------------------------|--|
| <b>4.1. Budget classification</b> |  |
| A                                 | Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards or a classification that can produce consistent documentation comparable with those standards. Program classification may substitute for sub-functional classification if it is applied with a level of detail at least corresponding to sub-functional classification. |

| Score    | Minimum requirements for scores   |
|----------|---|
| <b>B</b> | Budget formulation, execution, and reporting are based on administrative, economic (at least “Group” level of the GFS standard—3 digits), and functional/sub-functional classification, using GFS/COFOG standards or a classification that can produce consistent documentation |
| <b>C</b> | Budget formulation, execution, and reporting are based on administrative and economic classification using GFS standards (at least level 2 of the GFS standard—2 digits) or a classification that can produce consistent documentation comparable with those standards.         |
| <b>D</b> | Performance is less than required for a C score.  |

| Indicator/Dimension               | Score    | Brief Justification for Score  |
|-----------------------------------|----------|--|
| <b>PI-4 Budget classification</b> | <b>A</b> | Budget formulation, execution and reporting are based on administrative, economic and functional/sub-functional classification based on the GFS 2001 standard. |

### Ongoing and planned reforms

It is planned to revise the chart of accounts to align it with GFSM 2014, and to support the transition to performance budgeting within a Treasury single account.

### PI-5 Budget documentation

Annual budget documentation (the executive’s budget proposals for the next fiscal year with supporting documents), as submitted to the legislature for scrutiny and approval, should allow a complete picture of central government fiscal forecasts, budget proposals and out-turn of the current and previous years.<sup>15</sup>

At the time of the assessment (October 2017) the last budget submitted to Parliament was the 2017 budget, which was prepared and approved late in 2016. The following documents were submitted for the 2017 budget:

- the *Revenue and Development Expenditure Estimates Financial Years 2016-2018*,
- the Budget Speech for 2017,
- the Budget Book for 2015-2019,
- the draft appropriation Bill,
- the Finance Bill, and
- the Fiscal Strategy Statement for 2017, issued in November 2016.

---

<sup>15</sup> The following terminology is used: Current year (T) is the fiscal year in which the budget proposals are being prepared and usually presented. Next year (T+1) is the budget year or fiscal year for which the annual budget proposals are made. Previous year (T-1) is the last fiscal year completed. Outer years (T+2, T+3 etc.) are the fiscal years beyond the year for which the annual budget proposals are made. Outer years are relevant for the medium-term budget perspective in PI-14, PI-15 and PI-16.

The table below describes to what extent the budget documentation sent to Parliament meets the basic and additional information benchmarks. It can be seen that eight elements are made available (B score).

| <b>Basic elements:</b>  | <b>Provided (Yes/No)</b>                                     |
|---|--|
| 1. Forecast of the fiscal deficit or surplus (or accrual operating result)  | Yes, in the recurrent and development expenditure estimates. |
| 2. Previous year's budget outturn, presented in the same format as the budget proposal.   | Yes, in the recurrent and development expenditure estimates. |
| 3. Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.   | Yes, in the recurrent and development expenditure estimates. |
| 4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-4), including data for the current and previous year, in addition to the detailed breakdown of revenue and expenditure estimates. | Yes, in the recurrent and development expenditure estimates. |

| <b>Additional elements:</b>   | <b>Provided (Yes/No)</b>  |
|---|---|
| 5. Deficit financing, describing its anticipated composition.   | Yes, in the Budget Book   |
| 6. Macro-economic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.  | No, most assumptions are stated, but on interest rates, such as the Treasury Bill rate, only the direction of movement is mentioned, not actual rates.      |
| 7. Debt stock, including details at least for the beginning of the current year (presented in accordance with GFS or other internationally recognized standard).  | Yes, in the recurrent and development expenditure estimates and Fiscal Strategy Statement.  |
| 8. Financial assets, including details at least for the beginning of the current year (presented in accordance with GFS or other internationally recognized standard).  | Not provided.   |
| 9. Summary information on fiscal risks (including contingent liabilities such as guarantees, and contingent obligations embedded in public-private partnership (PPP) contracts, etc.)                                       | Yes. Available in the Fiscal Strategy Statement, excluding liabilities from PPP. The level of risk associated with each PPP is outlined in the Budget Book. |
| 10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs. | No. Fiscal Strategy Statement does not give estimates of the budgetary impact of major changes  |
| 11. Documentation on the medium-term framework.   | Yes, in the Fiscal Strategy Statement   |
| 12. Quantification of tax expenditures  | No, only duty waivers in the current year   |

| Score                            | Minimum Requirements  |
|----------------------------------|---|
| <b>5.1: Budget documentation</b> |   |
| <b>A</b>                         | Budget documentation fulfils 10 elements, including every basic element (1-4).      |
| <b>B</b>                         | Budget documentation fulfils 7 elements, including at least 3 basic elements (1-4). |
| <b>C</b>                         | Budget documentation fulfils at least 3 basic elements (1-4).                       |
| <b>D</b>                         | Performance is less than required for a C score.                                    |

| Indicator/Dimension              | Score    | Brief Justification for Score   |
|----------------------------------|----------|---|
| <b>PI-5 Budget documentation</b> | <b>B</b> | Budget documentation fulfils 8 elements, including all 4 basic elements |

### Ongoing and planned reforms

Since 2014, the Budget Book has been expanded by new annexes covering transfers to local councils, public debt, external debt service, guarantees issued, the medium-term macroeconomic framework and underlying assumptions, revenue lost by duty waivers, and a statement of diversification policy.

### PI-6 Central government operations outside financial reports

Ex-ante and ex-post fiscal reports to the legislature should cover all budgetary and extra-budgetary activities of central government to allow a complete picture of revenue and expenditures across all categories, as well as financing. This will be the case if extra-budgetary operations (central government activities which are not included in the annual budget law, such as those funded through trust funds, extra-budgetary funds and externally financed projects) are insignificant or if any significant expenditures on extra-budgetary activities are included in ex-ante and ex-post fiscal reports and reported to the legislature.

While having a large number of extra-budgetary or off-budget funds should be discouraged, there can be a case for the selective use of these funds, depending on the institutional and governance arrangements in the country. The use of off-budget funds should be accompanied by mechanisms that promote accountability and efficiency, i.e. be included in regular reports to the legislature. Without such controls, extra-budgetary funds can end up serving corrupt interests, weaken good governance and macro-fiscal stability.

### Dimension 6.1 Expenditure outside financial reports

Tables 8 and 9 above show the structure of the public sector. This indicator covers only central government as defined by IMF/GFS, i.e. BUs, sub-vented agencies (SVAs), and semi-autonomous agencies (SAAs). Examples of SVAs are the Audit Service Sierra Leone, National Commission for Social Action and the National Revenue Authority. Examples of SAAs are the National Social Security Investment Trust and the Road Maintenance Fund Administration.



Extra-budgetary activities comprise (1) the projects of budgetary CG that are funded by donors, and (2) the activities of agencies that are part of central government as defined by IMF/GFS whose revenues and expenditures do not go through the IFMIS. If their expenditure is more than any subvention from the Consolidated Fund, the additional expenditure is outside the main financial reports (budget and annual accounts). There are eight SAAs and 34 SVAs. The PFM Act 2016 (section 112) requires that the actual expenditure and income of SVAs be reported on a quarterly basis to MoFED. The SVAs receive transfers from the CG budget. These transfers are included in the budget and the notes to the annual accounts: their overall revenues and expenditures are not.

The SAAs do not receive transfers from the budget and their income and expenditure is wholly outside the main financial reports. AGD has little authority over SAA reporting and data is available for only three SAAs from the agencies' accounts. These are: NASSIT, RMFA and SLMA. The expenditure of donor-funded projects is included in the budget and in Appendix 12 to the 2016 accounts. The table below shows that over 10% of total BCG expenditure is extra-budgetary. Even though data on the other SAAs is not available, it is clear that expenditure that is outside government financial reports is more than 10% of total BCG expenditure in 2016.

**Table 11 Expenditure of extra-budgetary activities in 2016 (Le million)**

|   |                |
|---|----------------|
| 1.Sub-vented agencies   | 809,208        |
| 2.Less: transfers from Consolidated Fund & earmarked revenue  | <u>725,380</u> |
| 3.Net unreported expenditure (row 1-2)                        | 83,828         |
| Semi-autonomous agencies:                                     |                |
| 4.NASSIT  | 178,559        |
| 5.RMFA  | 127,272        |
| 6.SLMA (2015)   | <u>22,559</u>  |
| 7.Total SVAs and known SAAs (rows 3+4+5+6)                    | 412,218        |
| 8.Donor-funded projects                                       | <u>213,004</u> |
| 9.Total extra-budgetary expenditure (rows 7+8)                | 625,222        |
| 10.Total BCG expenditure                                      | 3,588,458      |
| 11. % of extra-budgetary expenditure to total BCG exp. (9/11) | 17.4%          |

Source: AGD summary of extra-budgetary revenue and expenditure in 2016

**Score = D**

#### **Dimension 6.2 Revenue outside financial reports**

The table below shows that over 10% of total BCG revenue is extra-budgetary. Even though data on the other SAAs is not available, revenue that is outside central government financial reports is more than 10% of total BCG revenue in 2016.

**Table 12 Revenue of extra-budgetary activities in 2016 (Le million)**

|   |                |
|---|----------------|
| 1.Sub-vented agencies revenue                                 | 816,962        |
| 2.Less: transfers from Cons Fund and earmarked revenue        | <u>725,380</u> |
| 3.Net SVA unreported revenue (row 1-2)                        | 91,582         |
| Semi-autonomous agencies                                      |                |
| 4. NASSIT revenue   | 402,794        |
| 5. Less: revenue from Consolidated Fund (head 342)            | <u>130,331</u> |
| 6. Net (row 4-5)  | <u>272,463</u> |
| 7. RMFA   | 91,783         |
| 8. Less: earmarked revenue (fuel levy)                        | <u>88,091</u>  |
| 9. Net revenue (row 7-8)                                      | <u>3,692</u>   |
| 10. SLMA (2015)   | <u>18,544</u>  |
| 11. Donor-funded projects                                     | <u>222,711</u> |
| 12. Total extra-budgetary revenue (rows 3+6+9+10+11)          | <u>608,992</u> |
| 13. Total revenue   | 3,377,418      |
| 14. % of revenue outside Cons. Fund accounts to total revenue | 18.0%          |

Source: AGD summary of extra-budgetary revenue and expenditure in 2016.

**Score: D**

**Dimension 6.3 Financial reports of extra-budgetary units**

The PFM Act 2016 requires SAAs and SVAs to submit their accounts for audit to the Auditor General by the end of March of the following year and their audited accounts to the AGD by September. Data from the ASSL on the dates of submission of the 2016 (or latest FY) accounts show that 21 out of 48 SAAs and SVAs (44%) submitted their accounts for audit (and to MoFED) within six months of the end of the FY and 39 out of 48 (81%) within nine months. The calculation is based on the number of EBAs, not their weighted expenditure, for lack of expenditure data. It is assumed that delay on the 2016 accounts was the same as on the latest FY submitted (where this was for an earlier FY). The score would be C, but information is insufficient, so the score is D\*.

**Score = C**

| SCORE   | Scoring Method M2 (AV). Minimum Requirements:  |
|---|--|
| <b>6.1: Expenditure outside financial reports</b> |  |
| <b>A</b>  | Expenditure outside government financial reports is less than 1% of total BCG expenditure. |
| <b>B</b>  | Expenditure outside government financial reports is less than 5% of total BCG expenditure. |

|  |   |
|--|---|
| <b>C</b>   | Expenditure outside government financial reports is less than 10% of total BCG expenditure.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>6.2: Revenue outside financial reports</b>          |   |
| <b>A</b>   | Revenue outside government financial reports is less than 1% of total BCG revenue.  |
| <b>B</b>   | Revenue outside government financial reports is less than 5% of total BCG revenue.  |
| <b>C</b>   | Revenue outside government financial reports is less than 10% of total BCG revenue.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>6.3: Financial reports of extra-budgetary units</b> |   |
| <b>A</b>   | Detailed financial reports of <i>all</i> extra-budgetary units are submitted to government annually within three months of the end of the fiscal year.            |
| <b>B</b>   | Detailed financial reports of <i>most</i> extra-budgetary units are submitted to government annually within six months of the end of the fiscal year.             |
| <b>C</b>   | Detailed financial reports of the <i>majority</i> of extra-budgetary units are submitted to government annually within nine months of the end of the fiscal year. |
| <b>D</b>   | Performance is less than required for a C score.  |

| <b>Indicator/Dimension</b>                                   | <b>Score</b> | <b>Brief Justification for Score</b>   |
|--|--------------|--|
| PI-6 Central government operations outside financial reports | D            | M2 method of combining dimension scores  |
| 6.1 Expenditure outside financial reports                    | D            | Expenditure that is outside government financial reports is more than 10% of total BCG expenditure |
| 6.2 Revenue outside financial reports                        | D            | Revenue that is outside government financial reports is more than 10% of total BCG revenue         |
| 6.3 Financial reports of extra-budgetary units               | D*           | Over 75% of EBAs submitted their accounts for audit within 9 months                                |

### Ongoing and planned reforms

The AGD is planning to bring SVAs, SAAs and donor-funded projects into a set of central government financial statements in compliance with the PFM Act 2016. A template was designed to collect quarterly data on receipts and payments from SVAs and donor project implementation units, but in a limited economic classification only, and data has been collected as from January 2016. SVAs and SAAs have been identified and the boundary of central government established by AGD. The annual Consolidated Accounts for 2016 included an annex on the receipts and payments of all donor funded projects.

### PI-7 Transfers to sub-national governments

While this assessment is focused on financial management by central government, sub-national government in Sierra Leone has wide-ranging devolved functions and expenditure responsibilities

(Local Government Act 2004). Decentralized governance arrangements give rise to a set of intergovernmental financial relations between levels of government including key issues related to the transfer and distribution of funds from central government to local government, the timeliness and accuracy of information on funds to be transferred, the requirements for reporting from local government to central government and the risk exposure of central government to local government operations. By contrast, funding provided to *deconcentrated* units of central government is not within the scope of this indicator. This indicator applies to the first level of government below the central government. This consists of 19 local councils (city, urban and rural). It does not cover the second level, that is chiefdoms.

**Dimension (i) System for allocating transfers**

At present, there are 19 local councils (LCs) in Sierra Leone. The total transfer allocations to LCs budgeted in 2016 amounted to Le.96,840.4 million (the actual figure for 2016 is not available). Of this amount, Le.16,822.5 million were in-kind transfers and Le.80,017.9 million were cash transfers. The in-kind transfers consist of distributions of textbooks and school supplies by MEST (Le 6,630 mn) and payment of examination fees (Le 10,193 mn) to the West African Examinations Council (WAEC). The distribution of books, etc by MEST does not follow a clear and transparent formula. WAEC fees are allocated on the basis of the number of examination entrants in each LC area, and is clear and transparent. The cash horizontal transfers are allocated according to a formula for each sector. The Local Government Act 2004 provides for the transfer of funds to LGs and for the transfers to be equitable and fair. Each year, the formulae for the horizontal distribution of each sectoral block grant are approved by the Local Government Finance Committee and published by the Local Government Finance Department<sup>16</sup>. The allocations for 2016 have followed the formulae. The cash horizontal allocations to LGs are thus determined by transparent, rule-based systems. As the cash transfers and WAEC fees represented 97% of total transfers in 2016, the horizontal allocation of *more than 90%* of transfers to sub-national governments from central government is determined by transparent, rule-based systems.

**Score = A**

**Dimension (ii) Timeliness of information on transfers**

The process by which LCs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides clear and sufficiently detailed information for LCs to prepare their budget submissions. The budget call circular for the preparation of the 2017 budget gives clear guidelines to local councils to prepare their budgets. The budget calendar outlined in the local council budget call circular for the preparation of the 2017 budget gave LCs from 19 September to the third week in November 2016 to submit their proposals which is over six weeks. The transfer of quarterly allocations is notoriously late in Sierra Leone but is not covered in a central government assessment: it is part of a sub-national government assessment so is ignored here.

**Score = A**

|              |  |
|--------------|--|
| <b>SCORE</b> | <b>Scoring Method M2 (AV). Minimum Requirements:</b> |
|--------------|--|

<sup>16</sup> Local Government Equitable Grants Distribution Formulae and Annual Allocations 2016. This does not appear on any government website.

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:  |  |
|--|--|--|
| <b>7.1: System for allocating transfers</b>        |  |  |
| <b>A</b>   | The horizontal allocation of <b>all</b> transfers from central government is determined by transparent and rules based systems.  |  |
| <b>B</b>   | The horizontal allocation of <b>most</b> transfers from central government is determined by transparent and rules based systems.   |  |
| <b>C</b>   | The horizontal allocation of <b>some</b> transfers from central government is determined by transparent and rules based systems.   |  |
| <b>D</b>   | Performance is less than required for a C score.   |  |
| <b>7.2: Timeliness of information on transfers</b> |  |  |
| <b>A</b>   | The process by which SNGs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides clear and sufficiently detailed information for SNGs to allow at least six weeks to complete their budget planning on time. |  |
| <b>B</b>   | The process by which SNGs receive information on their annual transfers is managed through the regular budget calendar, which provides clear and sufficiently detailed information for SNGs to allow at least four weeks to complete their budget planning on time.                            |  |
| <b>C</b>   | Substantial delays may be experienced in implementation of the budget procedures. Information on annual transfers to SNGs is issued before the start of the SNG fiscal year which could be after budget plans are decided.   |  |
| <b>D</b>   | Performance is less than required for a C score.   |  |
| Indicator/Dimension                                | Score  | Brief Justification for Score  |
| <b>PI-7 Transfers to sub-national governments</b>  | <b>A</b>   | Aggregation of dimension scores is by M2 method  |
| <b>7.1 System for allocating transfers</b>         | <b>A</b>   | The horizontal allocation of <b>all</b> transfers to sub-national governments from central government is determined by transparent, rule-based systems.  |
| <b>7.2 Timeliness of information on transfers</b>  | <b>A</b>   | The process by which sub-national governments receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides clear and sufficiently detailed information for sub-national governments to allow at least six weeks to complete their budget planning on time. |

### Ongoing and planned reforms

The Local Government Finance Department is engaging the ICT department of MoFED to see how to upload the *Local Government Equitable Grants Distribution Formulae and Annual Allocations* booklet to the MoFED website.

### PI-8: Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation, in year-end reports, and in audit reports or performance evaluation reports. It also measures the extent to which service delivery units receive and spend

resources allocated in the budget. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

**Dimension 8.1 – Performance plans for service delivery**

Systems to track performance are in place. The Office of the President, Performance Management and Service Delivery Unit, coordinates a system by which the President signs annual performance contracts with each of his Ministers. These contracts are then sub-divided and escalated down into performance contracts for Permanent Secretaries, Directors, staff and local councils. Like budgets they are based on the Agenda for Prosperity. To ensure alignment with budgets, they are prepared at the same time by October each year, and contracts are signed in January. They cover most BUs (over 75% of expenditure), and include goals, performance indicators, outputs and outcomes. In MoFED they are coordinated by the Central Planning Monitoring and Evaluation Division of MoFED. They are not published, so they do not meet PEFA requirements for a score above D. If they were published, the score would be B.

**Score = D**

**Dimension 8.2 – Performance achieved for service delivery**

Quarterly reports are prepared (except the first quarter) and annual AfD progress reports. These are also not published.

**Score = D**

**Dimension 8.3 – Resources received by service delivery units**

No systems to track resources to schools were identified in MEST, nor to track resources to primary health centres under MHS. Public Expenditure Tracking Surveys were formerly used to identify discrepancies between shipments of drugs, school books and learning materials, fertilizer, etc from the centre to service delivery units. However, there has not been a PETS since 2011.

**Score = D**

**Dimension 8.4 – Performance evaluation for service delivery**

There is not yet any systematic evaluation of service delivery programs. The Auditor General has recently started performance audit. The requirement for a score of C would be that evaluations of the efficiency or effectiveness have been carried out by at least 25% of ministries within the last three years.

**Score = D**

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:  |
|--|--|
| <b>8.1: Performance plans for service delivery</b> |  |
| <b>A</b>   | Information is published annually on policy or program objectives, key performance indicators, outputs to be produced and the outcomes planned for <i>most</i> ministries, disaggregated by program or function. |
| <b>B</b>   | Information is published annually on policy or program objectives, key performance indicators, outputs to be produced or the outcomes planned for <i>most</i> ministries.  |

| <b>SCORE</b>   | <b>Scoring Method M2 (AV). Minimum Requirements:</b>  |
|--|---|
| <b>C</b>   | Information is published annually on the activities to be performed under the policies or programs for the <i>majority</i> of ministries OR a framework of performance indicators relating to the outputs or outcomes of the <i>majority</i> of ministries is in place. |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>8.2: Performance achieved for service delivery</b>              |   |
| <b>A</b>   | Information is published annually on the quantity of outputs produced and outcomes achieved for <i>most</i> ministries disaggregated by program or function.  |
| <b>B</b>   | Information is published annually on the quantity of outputs produced or outcomes achieved for <i>most</i> ministries.  |
| <b>C</b>   | Information is published annually on performance achieved in terms of activities performed for the <i>majority</i> of ministries.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>Dimension 8.3: Resources received by service delivery units</b> |   |
| <b>A</b>   | Information on resources received by front-line service delivery units is collected and recorded for at least two large ministries, disaggregated by source of funds. A report which compiles the information is prepared at least annually.                            |
| <b>B</b>   | Information on resources received by front-line service delivery units is collected and recorded for at least one large ministry. A report which compiles the information is prepared at least annually.  |
| <b>C</b>   | A survey carried out in one of the last three years provides estimates of the resources received by service delivery units for at least one large ministry.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>8.4: Performance evaluation for service delivery</b>            |   |
| <b>A</b>   | Independent evaluations of the efficiency and effectiveness of service delivery have been carried out and published for <i>most</i> ministries at least once within the last three years.   |
| <b>B</b>   | Evaluations of the efficiency and effectiveness of service delivery have been carried out and published for the <i>majority</i> of ministries at least once within the last three years.  |
| <b>C</b>   | Evaluations of the efficiency or effectiveness of service delivery have been carried out for <i>some</i> ministries at least once within the last three years.  |
| <b>D</b>   | Performance is less than required for a C score.  |

| <b>Indicator/dimension</b>                               | <b>Score</b> | <b>Brief Justification for Score</b>  |
|--|--------------|---|
| <b>PI-8 Performance information for service delivery</b> | <b>D</b>     | <b>M2 method of combining dimension scores</b>  |
| 8.1 Performance plans for service delivery               | D            | Performance plans are made, but do not appear to be published                           |
| 8.2 Performance achieved for service delivery            | D            | Progress reports are prepared quarterly and annually, but do not appear to be published |

|  |   |  |
|--|---|--|
| 8.3 Resources received by service delivery units | D | There is no systematic tracking of resources received by service delivery units    |
| 8.4 Performance evaluation of service delivery   | D | There is very little evaluation of efficiency or effectiveness of service delivery |

### Ongoing and planned reforms

World Bank is assisting in setting up an Evaluation Unit.

### PI-9 Public access to key fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public. There is one dimension for this indicator, divided into 11 elements of information. Scoring is based on the last completed year, FY2016, in accordance with the 2016 Framework.

| <u>Basic elements</u>  | <u>Public access (Yes/No)</u>   |
|--|---|
| 1. <b>Annual executive budget proposal documentation:</b> A complete set of executive budget proposal documents (as presented by the country in PI-5) should be available to the public within one week of the executive submitting them to the legislature. | Yes. The budget proposal is published on the MoFED website within one week of its presentation to Parliament by the Minister of Finance   |
| 2. <b>Enacted budget:</b> The annual budget law approved by the legislature should be publicized within two weeks of passage of the law.   | Yes. The enacted budget is the same as the budget proposal.   |
| 3. <b>In-year budget execution reports:</b> The reports should be routinely made available to the public within one month of their issuance, as assessed in PI-27.   | No. Monthly budget execution reports are made public on the MoFED website, but not within one month ( <a href="http://www.mofed.gov.sl">www.mofed.gov.sl</a> ). Publication is also made by Gazette notice, but not published within one month. |
| 4. <b>Annual budget execution report:</b> The report should be made available to the public within six months of the year end.   | No. The annual accounts for 2016 are not accessible on the MoFED website.   |
| 5. <b>Audited annual financial report, incorporating or accompanied by the external auditor's report:</b> The report(s) should be made available to the public within twelve months of the year end.   | Yes. The audit report on the 2015 accounts was posted on the Auditor General's website ( <a href="http://ww.auditservice.gov.sl">ww.auditservice.gov.sl</a> ) within 12 months of the fiscal year end.  |
| <u>Additional elements</u>   | <u>Additional elements</u>  |
| 6. <b>Pre-budget statement:</b> The broad parameters for the executive budget proposal regarding expenditure, planned revenue and debt should be made available to the public at least four months before the start of the fiscal year.                      | No. Before the Fiscal Strategy Statement was started for the 2017 budget, a Budget Framework Paper was prepared before the Budget Call Circular. However this was not published.  |
| 7. <b>Other external audit reports:</b> <i>All</i> non-confidential reports on central government consolidated operations should be made available to the public within six months of submission.  | Yes. Performance audit reports and other audit reports are posted on the Auditor General's website within six months of   |



|  |  |
|--|--|
|  | submission to Parliament   |
| 8. <b>Summary of the budget proposal:</b> A clear, simple summary of the Executive’s Budget Proposal or the Enacted Budget accessible to the non-budget experts, often referred to as a ‘citizens’ budget’, and where appropriate translated into the most commonly spoken local language, should be publicly available within two weeks of the Executive Budget Proposal being submitted to the legislature and within one month of the budget’s approval respectively. | No. The Citizen Budget is issued but is not made available in a timely manner. There was no Citizen Budget for 2016. The Citizen's Budget for 2017 has not yet been made public. |
| 9. <b>Macroeconomic forecasts:</b> As assessed in PI-14.1, should be available within one week of their endorsement.   | No. Macroeconomic forecasts and underlying assumptions are included in the Budget Book, but only from FY2017.  |

**Score = D**

| SCORE   | Minimum Requirements:  |
|---|--|
| <b>9.1: Public access to fiscal information</b> |  |
| <b>A</b>  | The government makes available to the public in accordance with the specified time frames 8 elements, including every basic element.       |
| <b>B</b>  | The government makes available to the public in accordance with the specified time frames 6 elements, including at least 4 basic elements. |
| <b>C</b>  | The government makes available to the public 4 basic elements.   |
| <b>D</b>  | Performance is less than required for a C score.   |

| Indicator/dimension                      | Score | Brief Justification for Score  |
|--|-------|--|
| PI-9 Public access to fiscal information | D     | Three of the basic elements (no. 1,2,5) are made available to the public and 1 of the additional elements (no.7) |

### Ongoing and planned reforms

The 2017 Budget Book included macroeconomic projections and underlying assumptions, and various other new disclosures. From the 2018 budget onwards the recurrent and development expenditure estimates and the appropriation bill will be posted on the MoFED website.

## 3.3 Pillar III – Management of assets and liabilities

### PI-10 Fiscal risk management

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of local councils or public corporations (state-owned enterprises), sub-vented agencies and contingent liabilities arising out of PPPs, including extra-budgetary units. They can also arise from other implicit and external risks such

as market failure and natural disasters. The indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

### **Dimension 10.1 Monitoring of public corporations**

The 2016 consolidated audited financial statements provide a list of 23 public corporations (as against 24 under schedule 1 of the National Commission for Privatisation Act 2002)<sup>17</sup>. The consolidated audited accounts do not summarize the state of affairs of these 23 public corporations. Out of the 24 public corporations listed under schedule 1 of the NCP Act, 14 (58%) are under the control and supervision of the Commission. The Commission receives annual audited accounts of these corporations within six months after the end of the financial year. The remaining ten (42%) report to their parent line ministries within nine months after the end of the financial year. The weighted average (by amount of expenditure) of public corporations that submit annual financial statements to government and ASSL within nine months after the end of the previous financial years is 77% (see Table 13 below).

The rating of this dimension did not take into account sub-vented agencies since none of them meet the GFS 2014 definition of public corporation (see PI-6).

---

<sup>17</sup> It should be noted that the list of public corporations has changed since 2002. As at November 2017, 14 public corporations are under the control of NCP as against 24 outlined under Schedule 1 of the NCP Act 2002

**Table 13 Financial reports of public corporations**

| Public corporation                      | Date (FY) of last annual financial statement submitted to GoSL and ASSL for audit | Date of submission of 2016 accounts | Months delay | Total expenditure in Le.mn | As a % of total expenditure | % of total exp if delay < 9 months |
|---|---|-------------------------------------|--------------|----------------------------|-----------------------------|------------------------------------|
| Sierra Leone National Shipping Company  | 2016  | 16/05/2017                          | 4.5          | 12,886                     | 3.20%                       | 3.2                                |
| Sierra Leone Stock Exchange             | 2016  | 08/09/2017                          | 8.3          | 633                        | 0.20%                       | 0.2                                |
| National Insurance Commission           | 2016  | 26/05/2017                          | 4.8          | 6,613                      | 1.60%                       | 1.6                                |
| Sierra Leone Commercial Bank            | 2016  | 23/12/2017                          | 11.7         | 79,522                     | 19.70%                      | 0.0                                |
| Guma Valley Company                     | 2014  | not submitted                       | 36.0         | 12,442                     | 3.10%                       | 0.0                                |
| Sierra Leone Telecommunications Company | 2016  | 19/05/2017                          | 4.6          | 91,907                     | 22.80%                      | 22.8                               |
| Sierra Leone State Lottery Company      | 2016  | 30/03/2017                          | 3.0          | 5,767                      | 1.40%                       | 1.4                                |
| Rokel Commercial Bank                   | 2016  | 13/02/2017                          | 2.5          | 77,012                     | 19.10%                      | 19.1                               |
| Bank of Sierra Leone                    | 2016  | 28/09/2017                          | 8.9          | 115,915                    | 28.80%                      | 28.8                               |
| <b>Total</b>                            |   |                                     |              | <b>402,697</b>             |                             | <b>77.1</b>                        |

**Score = C**

### **Dimension 10.2 Monitoring of sub-national governments**

Two departments within MoFED are responsible for monitoring local councils - the Central Planning Monitoring and Evaluation (CPM&E) unit responsible for physical progress of projects and the Local Government Finance Department (LGFD) responsible for financial (and fiscal) progress. The Ministry of Local Government has the overall responsibility of monitoring and evaluating the activities of local councils. There are 19 local councils and 149 chiefdoms as at 2016: plans are far advanced to increase the number of chiefdoms by 41. The local councils (LCs) use Petra Accounting Software for financial reporting which is compatible with central government financial reporting software - IFMIS. Both systems have a 27-digit chart of accounts. It is expected that all LCs will migrate to IFMIS by 2019.

One month after the end of each quarter, each local council submits its quarterly financial and technical progress reports to the Ministry of Local Government and Rural Development with copies to LGFD/MoFED. Submission of quarterly and annual financial reports to the Ministry and the Auditor General is mandatory in accordance with Section 81 of the Local Government Act 2004. It is mandatory for local councils to publish their annual audited financial statements (sections 81(5) and 107 of the Local Government Act 2004). Though quarterly and annual financial statements are

submitted within one and three months respectively, there is no evidence to substantiate claims of publication. In 2016, 14 out of 19 local councils submitted annual financial statements to LGFD and the Auditor General within three months after the end of the financial year; three submitted their reports within six months and the remaining two submitted within 10 months. At the time of drafting this report, all 19 local councils had been audited by the Auditor General, but these audit reports have not been published.

**Score = D**

### **Dimension 10.3 Contingent liabilities and other fiscal risks**

The consolidated annual financial statements report on some contingent liabilities arising out of government actions: as at December 2016, contingent liabilities in the 2016 audited accounts stood at Le 2.84 trillion (USD 395 million). This figure however does not include contingent liabilities arising out of public-private partnership (PPP) arrangements. The 2017 budget book enumerated nine PPP arrangements with an estimated project value of Le10.93 trillion (USD1.52 billion). Seven of these are in the energy sector, one in transport and the last in trade. While the risk levels of these PPPs are ranked 'medium', the financial risks have not been disclosed. The contingent liabilities disclosed in the 2016 annual statements represent about 26% of total PPP arrangements in 2016.

**Score = C**

| <b>SCORE</b>   | <b>Scoring Method M2 (AV). Minimum Requirements:</b>  |
|--|---|
| <b>10.1: Monitoring of public corporations</b>             |   |
| <b>A</b>   | Audited annual financial statements for <i>all</i> public corporations are published within six months of the end of the fiscal year. A consolidated report on the financial performance of the public corporations sector is published by central government annually. |
| <b>B</b>   | Audited annual financial statements are published for <i>most</i> public corporations within six months of the end of the fiscal year.  |
| <b>C</b>   | Government receives financial reports from <i>most</i> public corporations within nine months of the end of the fiscal year.  |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>10.2: Monitoring of sub-national government (SNG)</b>   |   |
| <b>A</b>   | Audited annual financial statements for <i>all</i> SNGs are published within nine months of the end of the fiscal year. A consolidated report on the financial position of <i>all</i> SNGs is published at least annually.  |
| <b>B</b>   | Audited annual financial statements for <i>most</i> SNGs entities are published at least annually within nine months of the end of the fiscal year.   |
| <b>C</b>   | Unaudited reports on the financial position and performance of the <i>majority</i> of SNGs are published at least annually within nine months of the end of the fiscal year.  |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>10.3: Contingent liabilities and other fiscal risks</b> |   |
| <b>A</b>   | A report is published by central government annually that quantifies and consolidates information on <i>all</i> significant contingent liabilities and other fiscal risks of central government.  |

|          |  |
|----------|--|
| <b>B</b> | Central government entities and agencies quantify <i>most</i> significant contingent liabilities in their financial reports. |
| <b>C</b> | Central government entities and agencies quantify <i>some</i> significant contingent liabilities in their financial reports. |
| <b>D</b> | Performance is less than required for a C score.   |

| Indicator/Dimension                                | Score     | Brief Justification for Score   |
|--|-----------|---|
| <b>PI-10 Fiscal risk reporting</b>                 | <b>D+</b> | <b>M2 method of combining dimension scores</b>  |
| 10.1 Monitoring of public corporations             | C         | Most public corporations submit annual financial statements to government (and the Auditor-General) within 9 months after the end of the preceding financial year.  |
| 10.2 Monitoring of sub-national governments        | D         | Most local councils (LCs) submit annual financial statements to MoFED (Local Government Finance Department), the Auditor-General and Ministry of Local Government and Rural Development within three months after the end of the financial year; however these reports are not published even though Section 107 of the Local Government Act 2004 mandates LCs to do so. All 19 LCs have been audited as at the time of drafting this report but the audit reports have not been published. |
| 10.3 Contingent liabilities and other fiscal risks | C         | The annual financial statements report on some contingent liabilities, which represent about 26% of total PPP arrangements in 2016; however, the financial risk exposure to government on PPP arrangements is not disclosed.  |

### Ongoing and planned reforms

The Government has started reporting and providing analysis on fiscal risks in the Fiscal Strategy Statement, which goes to Cabinet and Parliament in line with the PFM Act 2016 (Part III, Section 25). Fiscal risk information is also included in the budget book, which is published. The 2018 FSS contained an estimate of contingent liabilities arising from guarantees and PPPs, and estimates of fiscal scenarios under adverse conditions.

Parliament in October 2017 passed the Fiscal Management and Control Act 2017 to ensure that all public agencies collecting non-tax revenue transfer it to the Consolidated Fund irrespective of any existing legal regime in order to ensure proper accountability of government revenue.

### PI- 11: Public investment management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects, with an emphasis on the largest and most significant projects, taking into consideration the national policy and strategic objective for achieving and sustaining economic growth, as well as the fiscal space (both capital investment and recurrent costs) for financing these investments. Good practice requires that appraisals are conducted according to national guidelines, the

analyses are reviewed by an entity other than the sponsoring entity, and that the results are published.

### **Dimension 11.1 Economic analysis of investment proposals**

The Public Investment Management Unit (PIMU), established in 2014, is responsible for conducting socio-economic appraisal of all domestically financed public investment programmes (PIPs). Foreign financed projects, on the other hand, are appraised by the funding agency with some minimal input from the Multilateral Projects Division of MoFED. At present, there are no guidelines for assessing the economic viability of PIPs. A draft public investment policy guideline is still under consideration, yet to be validated. Further, the unit is developing a manual for public investment management for use by BUs. It is too early to measure the impact of this manual. That said, PIMU uses a rudimentary approach (a concept note) to project appraisal. Further, the unit is not technically capacitated to undertake critical economic analysis of projects to determine their viability.

**Score = D**

### **Dimension 11.2 Investment project selection**

As indicated above (under PI-11.1), there are no guidelines for project appraisal that will inform project selection in terms of economic viability. Good practice suggests the following criteria for public investment project selection:

- Desirability – project(s) must be in line with the overall government medium-term strategic plan (in this case, Agenda for Prosperity). They must be of institutional relevance as well as provide support to public and private users alike
- Achievability – this looks at the project deliverability, funding mechanisms and other environmental constraints and challenges
- Viability – cost implications and mainstream revenue-generating potentials, management implications, financial sustainability and project economic impact.

At present, public investment project selection (about 70% of public investment projects) is heavily dependent on political considerations, with very little or no focus on the availability of fiscal space as well as economic and social impact. The remaining 30% by value is selected and prioritised according to some (non-systematic) level of economic analysis. Nonetheless, the majority of these projects are funded through the national budget according to Government's priority. Prioritisation and selection of these projects is done by the Public Investment Management Unit (PIMU) of MoFED.

**Score = C**

### **Dimension 11.3 Investment project costing**

The Public Investment Management Unit (PIMU) is responsible for analysing and consolidating the costs of public investment programmes. It has insufficient human and technical capacity to effectively carry out its functions. The annual budget book prepared and published by MoFED outlines the estimated capital cost over the medium term (3 years) of projects to be undertaken and funded by either GoSL and/or development partners under the public investment programme (PIP). The 2017 budget book projected spending of Le 1.473 trillion on PIPs comprising a domestically financed element of Le 569 billion (38.6%) and a foreign financed component of Le904 billion (61.4%). While project costing is carried out with respect to the initial capital outlay over the medium term, total

capital cost is not shown where this extends over more than three years and forward linked recurrent expenditure relating to these investments is not costed.

Good practice is that a comprehensive project costing considers both total investment cost and forward linked recurrent expenditure. Further, it also includes cost-benefit analysis and critical sensitivity analysis, in addition to considerations of the general public interest, among others. Also it ascertains the affordability and cash flow implications for both ongoing projects and new investments to be funded by the national budget.

**Score = D**

#### **Dimension 11.4 - Investment project monitoring**

The Central Planning Monitoring and Evaluation (CPM&E) Unit under MoFED is responsible for monitoring and evaluating all central government projects. For all major investment projects, officials from CPM&E and monitoring officers from the implementing BUs visit project sites for physical progress inspection. Financial progress is also monitored by way of preparing quarterly financial progress reports. The 2016 annual report on Agenda for Prosperity (AfP) identifies a number of major investment projects completed; the report catalogues total project cost to date as well as physical progress to date with detailed analyses of project costs and outstanding financial resources for completion in addition to any physical impact thereof. While the AfP annual progress report and the budget book are published, there is no standard guideline or procedure for project implementation. The Auditor-General conducts performance audit on some projects.

**Score = C**

| Score  | Minimum requirements for scores  |
|--|--|
| <b>11.1. Economic analysis of investment proposals</b> |  |
| <b>A</b>   | Economic analyses are conducted, as established in national guidelines, to assess <i>all</i> major investment projects and the results are published. The analyses are reviewed by an entity other than the sponsoring entity.           |
| <b>B</b>   | Economic analyses are conducted, as established in national guidelines, to assess <i>most</i> major investment projects, and <i>some</i> results are published. The analyses are reviewed by an entity other than the sponsoring entity. |
| <b>C</b>   | Economic analyses are conducted to assess <i>some</i> major investment projects.   |
| <b>D</b>   | Performance is less than required for a C score.   |
| <b>11.2. Investment project selection</b>              |  |
| <b>A</b>   | Prior to their inclusion in the budget, <i>all</i> major investment projects are prioritized by a central entity on the basis of published standard criteria for project selection.  |
| <b>B</b>   | Prior to their inclusion in the budget, <i>most</i> major investment projects are prioritized by a central entity on the basis of standard criteria for project selection.   |
| <b>C</b>   | Prior to their inclusion in the budget, <i>some</i> of the major investment projects are prioritized by a central entity.  |
| <b>D</b>   | Performance is less than required for a C score.   |
| <b>11.3. Investment project costing</b>                |  |

|  |   |
|--|---|
| <b>A</b>                                   | Projections of the total life-cycle cost of major investment projects, including both capital and recurrent costs together with a year-by-year breakdown of the costs for at least the next three years, are included in the budget documents.  |
| <b>B</b>                                   | Projections of the total capital cost of major investment projects, together with a year-by-year breakdown of the capital costs and estimates of the recurrent costs for the next three years, are included in the budget documents.  |
| <b>C</b>                                   | Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents.  |
| <b>D</b>                                   | Performance is less than required for a C score.  |
| <b>11.4. Investment project monitoring</b> |   |
| <b>A</b>                                   | The total cost and physical progress of major investment projects are monitored during implementation by the implementing government unit. There is a high level of compliance with the standard procedures and rules for project implementation that have been put in place. Information on the implementation of major investment projects is published in the budget documents or in other reports annually. |
| <b>B</b>                                   | The total cost and physical progress of major investment projects are monitored by the implementing government unit. Standard procedures and rules for project implementation are in place, and information on implementation of major investment projects is published annually.   |
| <b>C</b>                                   | The total cost and physical progress of major investment projects are monitored by the implementing government unit. Information on implementation of major investment projects is prepared annually.   |
| <b>D</b>                                   | Performance is less than required for a C score.  |

| <b>Indicator/dimension</b>                     | <b>Score</b> | <b>Brief justification for the score</b>   |
|--|--------------|--|
| <b>PI-11 Public Investment Management</b>      | <b>D+</b>    | <b>Scoring Method M2</b>   |
| 11.1 Economic analysis of investment proposals | D            | Though a public investment management unit (PIMU) has been established since 2014, it lacks the technical capacity to undertake economic analysis of public investment projects. Also, there are no guidelines for project appraisal |
| 11.2 Investment project selection              | C            | The majority of projects are selected for funding by the national budget according to government priority by PIMU of MoFED, but there are no guidelines for project selection  |
| 11.3 Investment project costing                | D            | MoFED estimates the capital cost of public investment projects over the medium term (3 years): however, the associated recurrent costs are not projected, and total capital cost of each project is not shown.                       |
| 11.4 Investment project monitoring             | C            | Both the physical progress and cost of major investment projects are made available through the annual progress reports of the AfP. Information is published but there is no standard procedure for project implementation.          |

## Ongoing and planned reforms



The Government is adopting a manual incorporating initial information on appraisals, project M&E etc. for line ministries, and has prepared a new Public Investment Management Policy, which establishes a set of principles for project selection. The new Fiscal Strategy Statement incorporated a discussion of the policy guiding public investment project selection. The EU is providing support through the State Building project to strengthen the technical capacity of PIMU.

## **PI-12 Public asset management**

This indicator has three dimensions. Dimension 12.1 assesses the level at which financial assets (such as government equity investments in public or private companies) are monitored and reported. Dimension 12.2 examines the extent to which non-financial assets (fixed assets) are monitored and reported. Dimension 12.3 measures the level of transparency of fixed asset disposal.

### **Dimension 12.1 Financial asset monitoring**

In 2002, Parliament passed the National Commission for Privatisation Act, principally to develop and implement policies on divestiture and reform of public enterprises in order to prevent ministerial interference in the running and management of these public enterprises. The Act, under schedule 1, listed 24 public enterprises for divestiture but at present 14 are under the control and supervision of the National Commission for Privatisation (NCP). Section 24 mandates the Commission to report to the President of the Republic without informing MoFED. The Commission makes available such reports to MoFED on request.

The consolidated annual financial statement of GoSL provides information on government equity holdings in public enterprises as well limited liability companies. The 2016 audited accounts provide a list of 23 (as against 24 listed under schedule 1 of the NCP Act 2002) public and limited liability companies with GoSL interest ranging from 0.01% to 100% equity shareholding. The audited financial report however fails to show the number of equity shares, the value of each share and the total value of equity shares in each of the 23 enterprises: this is not published. In summary, the framework for monitoring financial assets is weak.

**Score = C**

### **Dimension 12.2 Non-financial asset monitoring**

The GoSL promulgated the National Assets and Government's Property Commission Act in 1990 to establish the NAGPC and maintain a national assets' register, take custody, allocate and report on the use of all government fixed assets, review and update the national assets register, and monitor and report on the status of these assets.

At present, there is no comprehensive national asset policy. The Minister of Finance initiated this process but it is yet to be completed. Nor is there a comprehensive government asset register even though some BUs maintain a semblance of asset register, which is just an inventory of some fixed assets (office furniture and equipment, and vehicles, but not land, buildings, mineral deposits, etc). Funding constraints together with the absence of a policy on national assets (policy document still at draft stage) have been the main causes for the delay in compiling and updating a comprehensive national fixed assets register. The Commission in 2014 piloted a fixed asset inventory framework within 70 BUs. This has not been updated. The framework for monitoring public assets is weak. Even

though Section 4(2) of the Act mandates all BUs to notify the Commission of the acquisition and holding of any public asset, this does not happen.

**Score = D**

### **Dimension 12.3 Transparency of asset disposal**

Section 4(3) of the National Assets and Government's Property Act 1990 as well as Sections 66 and 67 of the Public Procurement Act 2004 regulate the disposal of nonfinancial assets. The new PPA 2016 (Part VIII sections 66 and 67) cover disposal of fixed assets only; there is no legal provision for disposal of financial (non-fixed) assets. No assets, according to the laws, shall be disposed of without the approval of the NAGPC. Section 66(1) of the PPA 2016 says the head of the procuring entity must convene a meeting to survey all fixed assets to be disposed of and advise accordingly. Section 67 outlines alternative disposal procedures. Disposal is normally by public auction with the highest bidder assuming the right of ownership after making payment to the Consolidated Fund. Available evidence indicates that BUs do seek approval from the NAGPC prior to disposing of obsolete fixed assets, but no evidence of public auction is available. Regarding the sale of government financial assets, officials of NCP say approval is sought from Cabinet, followed by parliamentary approval, and then the public is made aware, but no evidence of this has been seen. The consolidated annual financial statements provide information on disposal proceeds from privatisation (sale) of government interests in public and/or private entities as well as proceeds from sale of fixed assets. In 2016, total proceeds from privatisation amounted to Le 4.87 billion as against Le 17.81 billion in 2015.

**Score = C**

| <b>SCORE</b>                                | <b>Scoring Method M2 (AV). Minimum Requirements:</b>   |
|---|--|
| <b>12.1: Financial asset monitoring</b>     |  |
| <b>A</b>                                    | The government maintains a record of its holdings of <i>all</i> categories of financial assets which are recognized at fair or market value, in line with international accounting standards. Information on the performance of the portfolio of financial assets is published annually. |
| <b>B</b>                                    | The government maintains a record of its holdings of major categories of financial assets which are recognized at their acquisition cost or fair value. Information on the performance of the major categories of financial assets is published annually.                                |
| <b>C</b>                                    | The government maintains a record of its holdings of major categories of financial assets.   |
| <b>D</b>                                    | Performance is less than required for a C score.   |
| <b>12.2: Non-financial asset monitoring</b> |  |
| <b>A</b>                                    | The government maintains a register of its holdings of fixed assets, land, and (where relevant) sub-soil assets, including information on their usage and age, which is published at least annually.   |
| <b>B</b>                                    | The government maintains a register of its holdings of fixed assets, including information on their usage and age, which is published. A register of land (where relevant) and sub-soil assets is also maintained.   |
| <b>C</b>                                    | The government maintains a register of its holdings of fixed assets, and collects partial  |

| SCORE                                       | Scoring Method M2 (AV). Minimum Requirements:  |
|---|--|
|   | information on their usage and age.  |
| <b>D</b>                                    | Performance is less than required for a C score.   |
| <b>12.3: Transparency of asset disposal</b> |  |
| <b>A</b>                                    | Procedures and rules for the transfer or disposal of financial and non-financial assets are established, including information to be submitted to the legislature for information or approval. Information on transfers and disposal is included in budget documents, financial reports or other reports |
| <b>B</b>                                    | Procedures and rules for the transfer or disposal of non-financial assets are established. Information on transfers and disposals is included in budget documents, financial reports or other reports.   |
| <b>C</b>                                    | Procedures and rules for the transfer or disposal of non-financial assets are established. Partial information on transfers and disposals is included in budget documents, financial reports or other reports.   |
| <b>D</b>                                    | Performance is less than required for a C score.   |

| Indicator/Dimension                  | Score     | Brief justification for the score   |
|--------------------------------------|-----------|---|
| <b>PI-12 Public asset management</b> | <b>D+</b> | <b>Scoring Method M2</b>  |
| 12.1 Financial asset monitoring      | C         | The framework for monitoring government financial assets is weak. Though the consolidated annual financial report provides information on government equity holdings in companies and corporations, the value of these equities is neither known nor published. |
| 12.2 Non-financial asset monitoring  | D         | At present, GoSL does not maintain a national fixed assets register. Some BUs do maintain an asset inventory; also, the National Assets and Government's Property Commission piloted an asset inventory in 2014 but this has not been updated.                  |
| 12.3 Transparency of asset disposal  | C         | While fixed assets disposal procedures are established, no clear legal provisions exist for financial assets. Assets (financial and nonfinancial) disposal proceeds are reported in the consolidated annual financial statements.                               |

### Ongoing and planned reforms

In August 2017, the NAGPC finalised a project proposal document aimed at strengthening the Commission to better account for government assets and properties. The cost of the project is USD 5.6 million. This is yet to be funded.

### PI-13 Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. There are three dimensions: 13.1 assesses the integrity and comprehensiveness of reporting GoSL's debt (both domestic and foreign debt as well as guarantees - *note: PPPs are covered under PI-10.3 above*); 13.2 measures the legal and regulatory framework governing approval of loans and guarantees; and 13.3 assesses the medium-term debt strategy.

### **Dimension 13.1 Recording and reporting of debt and guarantees**

According to the latest IMF debt sustainability analysis on Sierra Leone dated 18 May 2017, the country remains at moderate risk of debt distress. Debt to GDP ratio stood at 41.3% by the end of 2016, a sharp increase from the pre-Ebola era at 21.3%. The stock of public and publicly guaranteed (PPG) external debt and domestic debt amounted to USD 1.53 billion<sup>18</sup> and Le 3.62 trillion respectively as at December 2016. By the end of September 2017, domestic debt had increased by 19.3% to Le 4.32 trillion<sup>19</sup>; this figure includes Ways and Means Advances of Le 46.92 billion allowed by Section 56(5) of the Bank of Sierra Leone Act 2011. The Act places a limit of 5% of actual government domestic revenue as a borrowing cap from the Central Bank. Total domestic guarantees stood at Le 115.72 billion as at August 2017.

The Public Debt Management Department (PDMD) uses the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) for recording and managing external debt stock. Even though the software's configuration has the capability to record and manage domestic debt, at present, only the external debt management module is utilised. MOFED uses Microsoft Excel to record and manage domestic debt. BoSL also records domestic debt using the Scriptless Securities System software.

The Commonwealth Secretariat provides periodic technical assistance to PDMD with frequent updates. The most recent was in 2016 on version 2.0. At present, the CS-DRMS provides information on foreign debt, bilateral and multilateral loans with respect to transaction date, outstanding opening balance, principal repayments, interest payments, principal and interest due date, additional loan commitments, and closing balance. The software is comprehensive and generates monthly analytical and statistical reports. Complete reconciliation of debt stock is at least yearly with information obtained from creditor statements. Reconciliation challenges do occur especially with Arab Banks; these are usually caused by exchange rate differences, mis-postings, and misplaced documents. There is however, a real-time daily, weekly, and monthly reconciliation with the WB, IMF, and AfDB in terms of external debt stock as a result of the direct interface between MoFED database and these institutions' databases. Reconciliation of domestic debt is also carried out with the Accountant General's Department and the Bank of Sierra Leone at least weekly.

Section 20 of the Public Debt Management Act 2011 mandates all public enterprises to report all debts including overdrafts to the Minister of Finance within twenty days after the end of preceding quarter; in practice, this is not done. Section 24(o) of the same Act also requires periodic publication of government debt bulletin; while officials of MoFED claim the debt bulletin is published, there is no evidence of this.

**Score = C**

---

<sup>18</sup> According to IMF DSA report on Sierra Leone dated 18 May 2017

<sup>19</sup> Source: MoFED PDMD data as at 5 October 2017

### **Dimension 13.2 Approval of debt and guarantees**

Articles 117 and 118 of the 1991 Constitution outline conditions under which the GoSL can borrow. Parliament, according to Article 118(3), shall authorise all borrowings undertaken by the government. Legislative approval of government loans is done annually as part of the annual budget approval process. During the course of the year, the Government seeks parliamentary ratification for all loans to be contracted. In addition to the Constitution, the Public Debt Management Act 2011 amplifies on the provisions of the Constitution in terms of public borrowing. Sections 2(1) and 2(2) clearly state that the Minister of Finance shall solely have the power to borrow, enter into loan agreements and negotiations, and issue government securities and guarantees on behalf of GoSL. Further, the Minister shall be the sole signatory to loans as well as issuance of suppliers' credit arrangements for and on behalf of government, including state-owned enterprises.

Of importance to note is the Public Private Partnership Act 2010, which requires the establishment of the PPP Unit (Section 32 of the PPP Act 2010) under the Ministry of Finance; however, at present, this unit is under the Office of the Chief of Staff. This could potentially lead to lack of coordination in terms of proper monitoring and reporting of all PPP projects. Whereas the PPP Act 2010 synchronises well with the Public Debt Management Act 2011 in terms of authority to approve loans and guarantees (Section 2 of Public Debt Management Law 2011 and Section 42 of the PPP Act 2010), the establishment of the PPP Unit under the Office of the Chief of Staff could potentially override the authority of the Minister of Finance as the sole public officer mandated to contract loans and issue guarantees on behalf of GoSL. The PPP unit under the Office of the President claims that it reports all contingent liabilities arising out of any PPP arrangements to the MoFED PDMD; there is however no evidence of this.

**Score = D**

### **Dimension 13.3 Debt management strategy**

The most recent debt management strategy of GoSL relates to 2013 for the period 2011-2013; there has not been any update since then due to logistical and financial constraints, according to officials from Public Debt Management Department (PDMD). In spite of the absence of a current debt management strategy, the annual public debt bulletin briefly mentions the four core objectives of government debt management strategy, namely: (i) prioritisation of concessional loans and grants to finance development projects, (ii) expansion of the donor base to finance development projects in the Agenda for Prosperity (AfP), (iii) strengthening the Cash Management Committee, and (iv) development of the domestic debt market. An annual debt sustainability analysis (DSA) is conducted separately by both GoSL and IMF which is then reconciled but with minimal changes (95% consistent with IMF analysis - differences are mostly because of underlying assumptions), as part of the annual IMF reviews. The GoSL relies on its own internal expertise plus that of a consultant from the West African Institute of Financial Management (WAIFM) to conduct the DSA. The annual DSA forms the basis for GoSL domestic and foreign borrowing; the latest published IMF DSA relates to FY2016 dated 18th May 2017. The latest GoSL DSA is for the FY2015 published in 2016; total public debt stood at USD 1.74 billion as at December 2015.

**Score = D**

| SCORE   | Scoring Method M2 (AV). Minimum Requirements:   |
|---|---|
| <b>13.1: Recording and reporting of debt and guarantees</b> |   |
| <b>A</b>  | Domestic and foreign debt and guaranteed debt records are complete, accurate, updated and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock and operations are produced at least quarterly.   |
| <b>B</b>  | Domestic and foreign debt and guaranteed debt records are complete, accurate and updated quarterly. <i>Most</i> information is reconciled quarterly. Comprehensive management and statistical reports covering debt service, stock and operations are produced at least annually.   |
| <b>C</b>  | Domestic and foreign debt and guaranteed debt records are updated annually. Reconciliations are performed annually. Areas where reconciliation requires additional information to be complete are acknowledged as part of records documentation.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>13.2: Approval of debt and guarantees</b>                |   |
| <b>A</b>  | Primary legislation grants authorization to borrow, issue new debt and loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees and monitor debt management transactions by a single debt management entity. Annual borrowings must be approved by government or the legislature.                                     |
| <b>B</b>  | Primary legislation grants authorization to borrow, issue new debt and loan guarantees on behalf of the central government to entities specifically included in the legislation. Documented policies and procedures provide guidance for undertaking borrowing, other debt-related transactions and issue loan guarantees to one or several entities. These transactions are reported to, and monitored by, a single responsible entity. Annual borrowings must be approved by government or the legislature. |
| <b>C</b>  | Primary legislation grants authorization to borrow, issue new debt and loan guarantees on behalf of the central government to entities specifically included in the legislation. Documented policies and procedures provide guidance for undertaking borrowings, other debt-related transactions and issue loan guarantees to one or several entities. These transactions are reported to, and monitored by, a single responsible entity.   |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>13.3: Debt management strategy</b>                       |   |
| <b>A</b>  | A current medium-term debt management strategy covers existing and projected government debt, with a horizon of at least 3 years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.  |
| <b>B</b>  | A current medium-term debt management strategy, covering existing and projected government debt, with a horizon of at least 3 years is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks.   |
| <b>C</b>  | A current medium-term debt management strategy covers existing and projected government debt and is publicly available. The strategy indicates at least the preferred evolution of risk indicators such as interest rates and refinancing, and foreign currency risks.  |
| <b>D</b>  | Performance is less than required for a C score.  |

| SCORE   | Scoring Method M2 (AV). Minimum Requirements: |   |
|---|---|---|
| Indicator/Dimension                                 | Score   | Brief justification for the score   |
| <b>PI-13 Debt management</b>                        | <b>D+</b>                                     | <b>Scoring Method M2</b>  |
| 13.1 Recording and reporting of debt and guarantees | C   | Domestic and foreign debt including guarantees are recorded, updated and reconciled at least annually. Reconciliation challenges do occur with foreign creditors mainly due to mis-postings, loss of documents, and exchange rate differences   |
| 13.2 Approval of debt and guarantees                | D   | The legal and regulatory framework mandates the Minister of Finance as the sole public officer to approve and sign all loans and guarantees for and behalf of GoSL within parliamentary approved limits. However, the PPP unit established under the Office of the Chief of Staff defeats the purpose of having a single responsible entity to approve, monitor and report on all public debts and guarantees. Though the PPP unit claims it reports to MOFED, there is no evidence to substantiate their claim |
| 13.3 Debt management strategy                       | D   | GoSL has not prepared a debt management strategy in recent years over the assessment period under review (2014-2016); the most recent debt strategy was in 2013. Nonetheless, the most recent published IMF DSA was for the year 2016 published in May 2017.  |

### Ongoing and planned reforms

PDMD are now undertaking an annual debt sustainability analysis. A Debt Management Strategy has been drafted. Public Debt Management Bulletins are being brought up to date.

## 3.4 Pillar IV - Policy-based fiscal strategy and budgeting

### PI-14 Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses M2 (AV) for aggregating dimension scores. All dimensions are scored based on the last three years, FY2014-2016.

#### 14.1 Macroeconomic forecasts

The EPRU and the Macro-Fiscal Working Group within MoFED prepare forecasts of key macroeconomic indicators covering the budget year and two outer years using the SLIMM model. These are updated twice a year and reviewed by the IMF. From FY2017, together with the underlying assumptions they are included in the Fiscal Strategy Statement which is submitted to Parliament. During the years 2014-2016, macro-fiscal forecasts were submitted to Parliament through the Budget Framework Papers.

**Score = C**

## 14.2 Fiscal forecasts

The EPRU prepares forecasts of the main fiscal indicators, including revenue (by type), aggregate expenditure and the budget balance, for the budget year and two outer years, with underlying assumptions. These forecasts are included in the Fiscal Strategy Statement submitted to the legislature from FY 2017. Differences from the forecasts made in the previous year's budget are not explained.

For FY 2014-2016, on which the scoring is based, fiscal forecasts were submitted to Parliament through the Budget Framework Papers.

Revenue and expenditure forecasting and monitoring has been strengthened in Budget Bureau, EPRU, RTPU and NRA, using new software (DataMart). Particular attention has been paid to the wage bill, for which a budgeting module has been designed and used in preparing the 2018 budget, and tools for in-year analysis of wage expenditures.

**Score = C**

## 14.3 Macro-fiscal sensitivity analysis

The EPRU prepares a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. These are not included in the budget documentation submitted to Parliament but are for internal use. The budget documents do not include a discussion of forecast sensitivities.

**Score = C**

| <b>SCORE</b>                         | <b>Scoring Method M2 (AV). Minimum Requirements:</b>  |
|--------------------------------------|---|
| <b>14.1: Macroeconomic forecasts</b> |   |
| <b>A</b>                             | The government prepares forecasts of key macroeconomic indicators which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts are updated at least once a year. The forecasts cover the budget year and the two following fiscal years. The projections have been reviewed by an entity other than the preparing entity.                                |
| <b>B</b>                             | The government prepares forecasts of key macroeconomic indicators which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.   |
| <b>C</b>                             | The government prepares forecasts of key macroeconomic indicators for the budget year and the two following fiscal years.   |
| <b>D</b>                             | Performance is less than required for a C score.  |
| <b>14.2: Fiscal forecasts</b>        |   |
| <b>A</b>                             | The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature. |
| <b>B</b>                             | The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.  |



| <b>SCORE</b>                                   | <b>Scoring Method M2 (AV). Minimum Requirements:</b>   |
|--|--|
| <b>C</b>                                       | The government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years.   |
| <b>D</b>                                       | Performance is less than required for a C score.   |
| <b>14.3: Macro-fiscal sensitivity analysis</b> |  |
| <b>A</b>                                       | The government prepares a range of fiscal forecast scenarios based on alternative macroeconomic assumptions, and these scenarios are published, together with its central forecast.                  |
| <b>B</b>                                       | The government prepares for its internal use a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. The budget documents include discussion of forecast sensitivities. |
| <b>C</b>                                       | The macro-fiscal forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions.   |
| <b>D</b>                                       | Performance is less than required for a C score.   |

| <b>Indicator/Dimension</b>                        | <b>Score</b> | <b>Brief justification for the score</b>  |
|---|--------------|---|
| <b>PI-14 Macroeconomic and fiscal forecasting</b> | <b>C</b>     | <b>Scoring Method M2</b>  |
| 14.1 Macroeconomic forecasts                      | C            | Macroeconomic forecasts are made for the budget year and two outer years                      |
| 14.2 Fiscal forecasts                             | C            | Fiscal forecasts are made for the budget year and two outer years                             |
| 14.3 Macro-fiscal sensitivity analysis            | C            | A range of fiscal forecast scenarios is prepared using alternative macro-economic assumptions |

### **Ongoing and planned reforms**

The Fiscal Strategy Statement for 2018 includes a comparison of macroeconomic and fiscal out-turns in 2017 with the projections, but not an explanation of differences that could feed back into better projections. The SLIMM model continues being refined and improved. The 2018 Budget Book includes a section on macroeconomic risks and budget sensitivity analysis.

### **PI-15: Fiscal strategy**

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. Dimension 15.1 is based on the last three years, FY2014-2016, while dimensions 15.2 and 15.3 are based on the last year only, FY2016.

#### **15.1 Fiscal impact of policy proposals**

For the relevant years 2014-2016, Budget Framework Papers (BFPs) were issued and submitted to Parliament. They were not published. The BFPs state the policy proposals affecting revenue and expenditure in the coming year and the projected overall revenue and expenditure, but do not estimate the fiscal impact of individual proposals, nor do they cover the following two years.

**Score = D**

### 15.2 Fiscal strategy adoption

For FY 2016, the Budget Framework Paper stated the fiscal policy and quantitative targets for 2016, though not for the following two years.

**Score = C**

### 15.3 Reporting on fiscal outcomes

For FY 2016, the Budget Framework Paper reviewed budget performance in 2014 and the first half of 2015, and explained the reasons for deviation from fiscal targets in terms of the Ebola crisis and the collapse of iron ore price and government revenue therefrom. No further information is available on the causes of deviations.

**Score = B**

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:  |
|--|--|
| <b>15.1: Fiscal impact of policy proposals</b> |  |
| <b>A</b>                                       | The government prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the budget year and two following fiscal years, which are submitted to the legislature.  |
| <b>B</b>                                       | The government prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the budget year and two following fiscal years.  |
| <b>C</b>                                       | The government prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the budget year.   |
| <b>D</b>                                       | Performance is less than required for a C score.   |
| <b>15.2: Fiscal strategy adoption</b>          |  |
| <b>A</b>                                       | The government has adopted, submitted to the legislature and published a current fiscal strategy that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the two following fiscal years.   |
| <b>B</b>                                       | The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the two following fiscal years.   |
| <b>C</b>                                       | The government has prepared for its internal use a current fiscal strategy that includes qualitative objectives for fiscal policy.   |
| <b>D</b>                                       | Performance is less than required for a C score.   |
| <b>15.3: Reporting on fiscal outcomes</b>      |  |
| <b>A</b>                                       | The government has submitted to the legislature and published with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set. The report also sets out actions planned by the government to address any deviations, as prescribed in legislation. |
| <b>B</b>                                       | The government has submitted to the legislature with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.   |

| <b>SCORE</b> | <b>Scoring Method M2 (AV). Minimum Requirements:</b>  |
|--------------|---|
| <b>C</b>     | The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for at least the last completed fiscal year. |
| <b>D</b>     | Performance is less than required for a C score.  |

| <b>Indicator/Dimension</b>             | <b>Score</b> | <b>Brief justification for the score</b>   |
|--|--------------|--|
| <b>PI-15 Fiscal strategy</b>           | <b>C</b>     | <b>Scoring Method M2</b>   |
| 15.1 Fiscal impact of policy proposals | D            | Budget Framework Papers for the last three years state the policy proposals affecting revenue and expenditure in the coming year and the projected resulting revenue and expenditure, but do not estimate the fiscal impact of individual proposals, nor do they cover the following two years |
| 15.2 Fiscal strategy adoption          | C            | For FY 2016, the Budget Framework Paper stated the fiscal policy and quantitative targets for 2016, though not for the following two years.  |
| 15.3 Reporting on fiscal outcomes      | B            | For FY 2016, the Budget Framework Paper reviewed budget performance in 2014 and the first half of 2015, and explained the reasons for deviation from fiscal targets.   |

### **Ongoing and planned reforms**

The Fiscal Strategy Statement for 2017 budget set out the initial fiscal objectives of the Government over the period till the next election and the Fiscal Strategy Statement for 2018 includes a report on the progress made against the fiscal objectives. The Government's Medium-Term Revenue Strategy incorporates estimates of the impact of the revenue measures planned over the medium term.

### **PI-16 Medium-term perspective in expenditure budgeting**

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium term estimates and the degree of alignment between medium term budget estimates and strategic plans. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. Dimensions 16.1, 16.2, and 16.3 are scored on the basis of the last budget submitted to Parliament at the time of the assessment, i.e. the budget for 2017. Dimension 16.4 is scored on the basis of the budgets for FY2016 and 2017.

#### **16.1 Medium term expenditure estimates**

The Budget Bureau, MoFED, prepares and updates each year a Medium-Term Expenditure Framework (MTEF) with a three-year horizon, based on the macro-fiscal framework and the medium-term goals of the Agenda for Prosperity. Since FY 2017, the macro-fiscal framework is presented as a Fiscal Strategy Statement, in accordance with the PFM Act 2016. The macro-fiscal forecasts contained in the FSS are based on forecasts of revenue, expenditure and financing agreed by the GoSL Macro-Fiscal Working Group in consultation with the IMF under the terms of the Extended Credit Facility (ECF) arrangement.

The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification.

**Score = B**

### 16.2 Medium term expenditure ceilings

Medium-term expenditure estimates are prepared by a Macro-fiscal Working Group led by MoFED. The ministry level ceilings for FY 2017 (for recurrent expenditure only) were approved by Cabinet through the Fiscal Strategy Statement which contains ceilings over three years by BU. The strategy also contains aggregate ceilings over three years. The ceilings were approved by Cabinet before the Budget Circular was issued.

**Score = A**

### 16.3 Alignment of strategic plans and medium-term budgets

The health sector has a costed sector strategy. Information on other ministries' strategic plans is not available. The MHS budget is about 10% of total expenditure.

**Score = D**

### 16.4 Consistency of budgets with previous year estimates

The budget documents do not refer to or provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.

**Score = D**

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:   |
|--|---|
| <b>16.1: Medium-term expenditure estimates</b> |   |
| <b>A</b>                                       | The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic and program (or functional) classification.                            |
| <b>B</b>                                       | The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative <u>and</u> economic classification.  |
| <b>C</b>                                       | The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative <u>or</u> economic classification.   |
| <b>D</b>                                       | Performance is less than required for a C score.  |
| <b>16.2: Medium term expenditure ceilings</b>  |   |
| <b>A</b>                                       | Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government at least before the first budget circular is issued.                                |
| <b>B</b>                                       | Aggregate expenditure ceilings for the budget year and the two following fiscal years, and ministry-level ceilings for the budget year, are approved by government at least before the first budget circular is issued. |
| <b>C</b>                                       | Aggregate expenditure ceilings for the budget year and the two following fiscal years are approved by the government at least before the first budget circular is issued.   |
| <b>D</b>                                       | Performance is less than required for a C score.  |

| SCORE   | Scoring Method M2 (AV). Minimum Requirements:   |
|---|---|
| <b>16.3: Alignment of strategic plans and medium-term budgets</b> |   |
| <b>A</b>  | Medium-term strategic plans are prepared and costed for <i>most</i> ministries. <i>Most</i> expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.   |
| <b>B</b>  | Medium-term strategic plans are prepared for the <i>majority</i> of ministries, and include cost information. The <i>majority</i> of expenditure policy proposals in the approved medium term budget estimates align with the strategic plans.  |
| <b>C</b>  | Medium-term strategic plans are prepared for <i>some</i> ministries. <i>Some</i> expenditure policy proposals in the annual budget estimates align with the strategic plans.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>16.4: Consistency of budgets with previous year estimates</b>  |   |
| <b>A</b>  | The budget documents provide an explanation of <i>all</i> changes to expenditure estimates between the two fiscal years following the budget year of the previous medium term budget and the estimate for the budget and first following fiscal year of the new medium term budget at the ministry level. |
| <b>B</b>  | The budget documents provide an explanation of <i>most</i> changes to expenditure estimates between the first year following the budget year of the previous medium term budget and the estimate for the budget year of the new medium term budget at the ministry level.                                 |
| <b>C</b>  | The budget documents provide an explanation of <i>some</i> of the changes to expenditure estimates between the first year following the budget year of the previous medium term budget and the estimate for the budget year of the new medium term budget at the aggregate level.                         |
| <b>D</b>  | Performance is less than required for a C score.  |

| Indicator/Dimension   | Score     | Brief justification for the score  |
|---|-----------|--|
| <b>PI-16 Medium-term perspective in expenditure budgeting</b> | <b>C+</b> | <b>Scoring Method M2</b>   |
| 16.1 Medium-term expenditure estimates                        | B         | The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification.  |
| 16.2 Medium-term expenditure ceilings                         | A         | Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government before the first circular is issued.   |
| 16.3 Alignment of strategic plans and medium-term budgets     | D         | Score based on MHS strategic plan, which is only about 10% of total expenditure. Information on other ministries' strategic plans is not available.  |
| 16.4 Consistency of budgets with previous year estimates      | D         | The budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level. |

## PI-17 Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including the political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Budget preparation is managed by the Budget Bureau of MoFED. A top-down bottom-up procedure is followed, based on an annual macro-fiscal framework and Budget Framework Paper. Since FY 2017 a Fiscal Strategy Statement has replaced the Budget Framework Paper in accordance with the PFM Act 2016.

The budget calendar has been extended to allow more time for BU detailed estimates and public hearings. For FY 2018, all BUs presented their budgets to MoFED officers with participation by District Budget Oversight Committees, non-state actors, donor partners, parliamentarians, students and the media over the period 15-26 August 2017.

### 17.1: Budget calendar

Dimensions 17.1 and 17.2 are assessed by reference to the last budget submitted to the legislature at the time of this assessment (October 2017), which was for FY 2017. For the 2017 budget it allowed budgetary units from 11 July (the actual date of the Budget Circular) to 26 August 2016 to complete their submissions, i.e. over 6 weeks. See budget calendar for the 2017 budget below, which was an annex to the budget circular.

**Table 14 Budget calendar for FY2017**

| Activity  | Time frame               | Staff responsible                           |
|---|--------------------------|---|
| Issuance of FY2017-19 Budget Call Circular  | 8 July 2016              | FS, Budget Director                         |
| Training of BUs on the Strategic Planning templates and Budget Software module consistent with policy objectives in the AfP | 25 July 2016             | FS, Budget and EPRU Directors               |
| Sensitization of stakeholders – Vote Controllers, Accountants, Programme Managers, etc on the new PFM Act 2016              | 15 August 2016           | Ag Dir PFMRU, Legal Officer, AG, DBB, DEPRU |
| Preparation of Strategic Plans, Performance Indicators, PIP and Budget Proposals by BU Budget Committees                    | 11 July – 26 August 2016 | DD Budget, Director of PIM, Budget Officers |
| IMF 6 <sup>th</sup> ECF Review Mission in Freetown  | 1-15 September 2016      | FS, Directors of Budget and EPRU, and Staff |
| FY2017 National Policy Hearings   | 12 September 2016        | A R Conteh & Alpha Kamara                   |
| FY2017 Bilateral budget discussions with BUs, DBOCs and NSAs  | 13-30 September 2016     | A R Conteh & Budget Officers                |
| Gazetting of the Appropriation Bill for FY 2017   | 10 October 2016          | L Johnson and Cyrus Lusanie                 |
| Preparation and submission of Cabinet Paper   | 12 October               | FS, Directors of Budget and                 |

| Activity   | Time frame                    | Staff responsible  |
|--|-------------------------------|--|
| on the FY2017-19 budget  | 2016                          | EPRU   |
| Budget Retreat and Finalization of Budget Estimates                                    | 8-22 October 2016             | Directors of Budget and EPRU                                     |
| Budget Day – Submission of FY2017 Budget to Parliament                                 | 28 October 2016               | A R Conteh and Dausy Wurrie                                      |
| Parliamentary debate on Budget policies – Second reading                               | 14-18 November                | Ministers of State and Deputy Director of Budget/Budget Officers |
| Parliamentary Appropriation Committee of Supplies discussions on BUs’ budget estimates | 21 November – 9 December 2016 | Deputy Director of Budget/Budget Officers                        |
| Approval of the FY2017 Budget into law   | 16 December 2016              | Ministers of State & Deputy Director of Budget                   |

Data from the Budget Bureau indicate that 52% of budgetary units, weighted on their expenditure, submitted their estimates on time. The budget calendar is clear and but not generally adhered to. PEFA Secretariat has clarified that “generally adhered to” means at least 90%.

**Score = C**

### 17.2: Guidance on budget preparation

A Budget Call Circular is issued to budgetary units including ceilings for each BU for the budget year and two outer years. The circular is comprehensive and clear, and the ceilings cover budgetary expenditure for the fiscal year. The ceilings were approved prior to the circular distribution.

**Score = A**

### 17.3: Budget submission to the legislature

The dates of submission to Parliament of the 2015, 2016, 2017 budgets are shown in the table below. The executive has submitted the budget proposal to the legislature at least one month before the start of the FY in all three years.

**Table 15 Annual budget submissions to Parliament**

| FY   | Date of submission |
|------|--------------------|
| 2015 | 31 October 2014    |
| 2016 | 8 November 2015    |
| 2017 | 11 November 2016   |

**Score = C**

| SCORE   | Scoring Method M2 (AV). Minimum Requirements:   |
|---|---|
| <b>17.1: Budget calendar</b>                      |   |
| <b>A</b>  | A clear annual budget calendar exists, is generally adhered to and allows budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.   |
| <b>B</b>  | A clear annual budget calendar exists, and is largely adhered to. The calendar allows budgetary units at least four weeks from receipt of the budget circular. <i>Most</i> budgetary units are able to complete their detailed estimates on time.   |
| <b>C</b>  | An annual budget calendar exists and <i>some</i> budgetary units comply with it and meet the deadlines for completing estimates.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>17.2: Guidance on budget preparation</b>       |   |
| <b>A</b>  | A comprehensive, and clear budget circular, or circulars, covering total budget expenditure for the full fiscal year, is issued to budgetary units, which reflects ministry ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to budgetary units.   |
| <b>B</b>  | A comprehensive, and clear budget circular, or circulars, covering total budget expenditure for the full fiscal year, is issued to budgetary units, which reflects ministry ceilings submitted to the Cabinet (or equivalent). The approval of ceilings takes place after the circular's distribution to budgetary units, and before budgetary units have completed their submission. |
| <b>C</b>  | A budget circular, or circulars, is issued to budgetary units, including ceilings for administrative or functional areas. Total budget expenditure is covered for the full fiscal year. The budget estimates are reviewed and approved by Cabinet after they have been completed in every detail by budgetary units.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>17.3: Budget submission to the legislature</b> |   |
| <b>A</b>  | The executive has submitted the annual budget proposal at least 2 months before the start of the fiscal year in each of the last three years.   |
| <b>B</b>  | The executive has submitted the annual budget proposal at least 2 months before the start of the fiscal year in two of the last three years and submitted it before the start of the FY in the third year.  |
| <b>C</b>  | The executive has submitted the annual budget proposal at least 1 month before the start of the fiscal year in two of the last three years.   |
| <b>D</b>  | Performance is less than required for a C score.  |

| Indicator/Dimension                     | Score    | Brief justification for the score   |
|---|----------|---|
| <b>PI-17 Budget preparation process</b> | <b>B</b> | <b>Scoring Method M2</b>  |
| <b>17.1 Budget calendar</b>             | <b>C</b> | A clear annual budget calendar exists and allows budgetary units 6 weeks from the receipt of the budget circular to complete their detailed estimates. The <i>majority</i> of budgetary |



|  |          |  |
|--|----------|--|
|  |          | units are able to complete their detailed estimates on time.   |
| <b>17.2 Guidance on budget preparation</b>       | <b>A</b> | A BCC is issued to budgetary units including Cabinet-approved ceilings for BUs for the budget year and two outer years.                                      |
| <b>17.3 Budget submission to the legislature</b> | <b>C</b> | The executive has submitted the annual budget proposal to the legislature at least one month before the start of the fiscal year in all the last three years |

### Ongoing and planned reforms

A DataMart portal has been developed to provide tools for budget analysis. A new budget calendar has been designed to allow the Cabinet more time to allocate the resource envelope identified by the FSS. Additional economists (28) and budget officers (20) were recruited and trained.

### PI-18 Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well-established and respected and the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. Assessment of the first three dimensions is based on the budget for FY 2016; dimension 18.4 is based on the budgets for FY 2014, 2015 and 2016.

#### Dimension 18.1 Scope of budget scrutiny

The Finance Committee is a Standing Committee of Parliament charged with supervision of the MoFED and its subordinate financial institutions such as the NRA and BoSL. The Committee has 16 members who reflect the party composition of the House, and is chaired by the ruling party. Its powers and duties are prescribed by the Constitution, the PFM Act 2016 sections 33 and 40, and Standing Orders of Parliament (2005). The Committee may not make any changes to the revenue or expenditure estimates except after consultation with the Minister of Finance (S.O. 70 (8) (e)). In practice, the budget proposal is always approved without change.

The Finance Committee examines all the documentation that is sent by MoFED: the Budget Speech, the Fiscal Strategy Statement, the Revenue and Development Expenditure Estimates, the Budget Book, the draft Appropriation Bill, the draft Finance Bill. Fiscal policy considerations are presented in the Budget Speech. The budget book, the detailed estimates and the fiscal strategy outline expenditure and revenue estimates for two outer years. The Finance Committee examines only the current year.

**Score= B**

#### Dimension 18.2 Legislative procedures for budget scrutiny

The Finance Committee is established under section 93 of the 1991 Constitution and 70 of the Standing Orders of Parliament. It is further subdivided into six sub-committees. It debates the budget

for four to five days. Committee hearings are open to the public and the media. The Committee sends BUs a questionnaire to justify their proposed budgets and examines BUs individually, but does not have dedicated technical support such as a Budget Office. The procedures for budget review foresee technical assistance.

**Score = A**

### **Dimension 18.3 Timing of budget approval**

The budget is regularly approved before the start of the year. The dates of approval of the last three budgets are: 23 December 2014 for FY2015, 11 December 2015 for FY2016 and 18 December 2016 for FY2017.

**Score = A**

### **Dimension 18. 4 Rules for budget adjustments by the executive**

This dimension is assessed on the basis of the last completed year at the time of assessment, which was 2016. The relevant rules for in- year budget adjustments include:

- Section 27(2) of the GBAA 2005 states that ‘No payment shall be made in excess of the amount granted under an appropriation for any service’.
- Section 112(3) of the 1991 Constitution requires that a supplementary estimate should be presented to Parliament for approval for expenditures that were not part of the appropriation or for which funds are insufficient.
- Section 112 (4) of the 1991 Constitution also states that the supplementary estimate approved in S112 (3) should be presented to Parliament the following financial year in the form of a Supplementary Appropriation Bill.
- Section 114(2c) of the 1991 Constitution grants authority to the President to approve expenditures which were not part of the Appropriation Act approved by Parliament provided that the President considers the urgency of the expenditure such that it would not be in the interest of the public to delay such payments until a Parliamentary approval is sought
- Within each appropriation (vote or head of expenditure), the executive has authority to re-allocate budget provisions within each head (virement) within certain limits, and heads of budgetary agencies have authority to vire budget provisions within sub-heads, also within limits. The PFM Act 2016 does not refer to re-allocations between programmes. In FY2016 there were many virement applications by BUs to MoFED, which were managed by the Budget Bureau. There is no reporting of virement applications or of decisions on virements.

Total actual expenditure for 2016 was 6.6% over the approved budget. No supplementary appropriation bill was presented to Parliament. However, the Constitution allows expansion of total expenditure before passing a supplementary appropriation bill. See also PI-21.4.

**Score = C**

| <b>SCORE</b>                          | <b>Scoring Method M1 (WL). Minimum Requirements:</b>  |
|---------------------------------------|---|
| <b>18.1: Scope of budget scrutiny</b> |   |
| <b>A</b>                              | The legislature’s review covers fiscal policies, medium term fiscal forecasts and medium term priorities as well as details of expenditure and revenue. |

| <b>SCORE</b>   | <b>Scoring Method M1 (WL). Minimum Requirements:</b>  |
|--|---|
| <b>B</b>   | The legislature’s review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue.   |
| <b>C</b>   | The legislature’s review covers details of expenditure and revenue.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>18.2: Legislative procedures for budget scrutiny</b>    |   |
| <b>A</b>   | The legislature’s procedures to review budget proposals are approved by the legislature in advance of budget hearings and are respected. The procedures include arrangements for public consultation and internal organizational arrangements, such as specialized review committees, technical support and negotiation procedures. |
| <b>B</b>   | The legislature’s procedures to review budget proposals are approved by the legislature in advance of budget hearings and respected. The procedures include arrangements such as specialized review committees, technical support and negotiation procedures.   |
| <b>C</b>   | The legislature’s procedures to review budget proposals are approved by the legislature in advance of budget hearings and respected.  |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>18.3: Timing of budget approval</b>                     |   |
| <b>A</b>   | The legislature has approved the annual budget before the start of the year in each of the last three fiscal years.   |
| <b>B</b>   | The legislature has approved the annual budget before the start of the year in two of the last three fiscal years, with a delay of up to one month in the third year.   |
| <b>C</b>   | The legislature has approved the annual budget within one month of the start of the year in two or more of the last three fiscal years.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>18.4: Rules for budget adjustments by the executive</b> |   |
| <b>A</b>   | Clear rules exist for in-year budget adjustments by the executive, set strict limits on extent and nature of amendments and are respected in <i>all</i> instances.  |
| <b>B</b>   | Clear rules exist for in-year budget adjustments by the executive, and are respected in <i>most</i> instances. Extensive administrative reallocations may be permitted.   |
| <b>C</b>   | Clear rules exist which may be respected in <i>some</i> instances OR they may allow extensive administrative reallocation as well as expansion of total expenditure.  |
| <b>D</b>   | Performance is less than required for a C score.  |

| <b>Indicator/Dimension</b>                   | <b>Score</b> | <b>Brief justification for the score</b>  |
|--|--------------|---|
| <b>PI-18 Legislative scrutiny of budgets</b> | <b>C+</b>    | <b>Scoring Method M1</b>  |
| 18.1 Scope of budget scrutiny                | B            | The legislature’s review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue. |
| 18.2 Legislative procedures for              | A            | The legislature’s procedures to review budget proposals are   |

|  |   |   |
|--|---|---|
| budget scrutiny                                    |   | approved by the legislature in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements, such as specialized review committees, technical support and negotiation procedures. |
| 18.3 Timing of budget approval                     | A | The legislature has approved the annual budget before the start of the year in each of the last three fiscal years.   |
| 18.4 Rules for budget adjustments by the executive | C | Clear rules exist and allow for extensive administrative reallocations as well as expansion of total expenditure  |

### 3.5 Pillar V - Predictability and control in budget execution

#### PI-19 Revenue administration

There are four dimensions. Dimension 19.1 measures the rights and obligations of taxpayers including redress; dimension 19.2 examines the risk associated with revenue management; dimension 19.3 assesses the audit and fraud investigation measures; and dimension 19.4 assesses the mechanisms for monitoring and collecting revenue arrears. The assessment of this indicator cuts across the entire revenue administration of central government including tax and non-tax revenue.

#### Dimension 19.1 Rights and obligations for revenue measures

The National Revenue Authority (NRA) collects at least 85% of central government domestic revenues. It was established by the NRA Act 2002. This was necessitated by the fragmentation of revenue collection among the Income Tax Department, Customs and Excise Department, Government Gold and Diamond Office and other BUs collecting nontax revenues. NRA is mandated to administer all domestic revenue laws as well as assess and collect domestic revenues (tax and nontax) due to the State. Its main functions include revenue collection, trade facilitation, border management and control in relation to customs duties and levies, and product standardisation. All collections go to the Consolidated Fund. According to the NRA Act, section 24, 3% of total collections should be paid to the NRA, but NRA officials say the transfers are received late and are not the full amount. At present, Le 61 billion arrears are payable to NRA.

The Government drafted an Extractive Industries Revenue Bill in 2014 aimed at establishing an extractive revenue fund to better manage revenues from the sector, for passage into law. This has been withdrawn and is yet to be re-laid in Parliament. In 2012, Parliament passed the National Minerals Agency Act, which established the National Minerals Agency (NMA) as the technical arm of the Ministry of Mines and Mineral Resources. The functions of NMA include developing the mineral sector for the benefit of all Sierra Leoneans, enforcing all legal and regulatory provisions of the Mines and Minerals Act 2009, formulating and implementing mines and minerals plans, and advising the Government through the sector minister accordingly. It should be noted that NMA by law does not collect any revenues: all such revenues (royalties, licences, fees, and taxes) are collected by NRA with technical inputs from the NMA.

The main source for providing information on rights and obligations for taxpayers is the NRA website: [www.nra.gov.sl](http://www.nra.gov.sl). It is easily accessible and provides comprehensive and up-to-date information on tax laws, tax administration processes and procedures, tax rates, customs duties and levies, information for new individuals and businesses desiring to reside or operate in Sierra Leone,

among others. Some of the relevant tax laws on the website are the NRA Act 2002, which provides details on the organisational structure and functions of NRA. Also on the website is the Finance Act 2016, which outlines new government policy measures for domestic revenue generation including applicable tax exemptions (Section 6) as well as PAYE rates for 2016 financial year (Section 15) and penalties for non-compliance (Section 14). Conspicuously published on the website are the Customs Act 2011, Customs Tariffs, Excise Act 1982, and the Mines and Minerals Act 2009, which relates to nontax revenue. The website also provides information on taxpayer registration, self-assessment, filing of tax returns, goods and services tax (GST), pay-as-you-earn (PAYE), tax clearance certificate guidelines, and various forms for filing tax returns and other declarations.

Apart from the website, NRA uses other means to reach out to taxpayers and the general public such as a Public Affairs and Taxpayer Education (PATE) unit to effectively administer and coordinate tax education and campaigns. These education and campaign measures include radio and TV programmes, outreach programmes at market places, visits to businesses, town hall meetings with businesses and taxpayers, client service units across all NRA offices, distribution of tax leaflets, and publication of the Tax Service Delivery Charter clearly displayed at vantage locations. Another innovation introduced in 2016 is the creation of an NRA Call Centre that allows easy access to the NRA 24/7. Callers bear the cost. There are no immediate plans to introduce toll-free services due to limited funds.

Taxpayers have obligations to declare and pay appropriate taxes. They do also have rights, which are enshrined in Part XVII of the Income Tax Act 2000. Sections 137 to 144 define taxpayer rights of administrative appeal, first within the NRA structure, followed by appeal to the Income Tax Board for Appellate Commissioners, and then to the law courts for final appeal and redress. Section 83 of the Customs Act 2011 also prescribes measures regarding rights of appeal for confiscated goods as well as penalties thereon. Though the tax appeal board has been established, it is not functional. At present, all tax appeals are treated at the level of the Commissioner General. Information on tax appeals is limited to a press release relating to a working visit to the Commissioner General by the new Commissioner of the Tax Board for Appellate Commissioners. There are no publications on the number of tax appeal cases, cases resolved, and decisions taken. However, tax leaflets at NRA client service units contain information on redress with regard to tax appeal procedures.

The National Minerals Agency is responsible for providing technical advice on all mines and minerals-related revenue, even though NRA is in charge of actual collections. The NMA has a functioning website ([www.nma.gov.sl](http://www.nma.gov.sl)) where all relevant laws, guidelines and fees related to the mining sector can be found. Also on the website is a repository of mining agreements signed between GoSL and mining companies.

**Score = B**

### **Dimension 19.2 Revenue risk management**

For effective revenue administration and revenue maximisation, risk management strategy should be mainstreamed into the entire revenue administration framework in order to reduce revenue leakages as much as possible. The current NRA strategic plan 2013-2017 fails to prioritise risk management. Having realised this, the draft strategic plan 2018-2022 incorporates the concept of risk management as key to revenue maximisation by developing an enterprise risk management (ERM) policy for the entire organisation. Currently, tax administration is largely manual except for Customs that uses ASYCUDA ++. Tax identification numbers are automatically generated using different ID systems

such as passport and driver licences since there is no national ID system in Sierra Leone. While the TIN and GST databases are separate, they are linked for purposes of taxpayer database update; at least the database is updated yearly. NRA uses a self-assessment framework for taxpayers: reconciliation is done once the taxpayer files tax returns. The absence of a biometric national identification makes NRA unable to detect taxpayers with multiple TINs. This is compounded by the absence of an integrated tax administration software (ITAS) which will provide a single platform for tax administration (income tax, customs, and GST). It is however understood that WB is supporting NRA to roll out ITAS. This should be operational by the end of 2018.

While there is no systematic and structured risk management strategy currently in place, NRA uses a manual process of selecting cases for assessing taxpayer compliance, which can be compromised or interfered with by the tax audit team. The selection process is based on taxpayer risk profiling and a data-matching process between Customs ASYCUDA ++ and GST, which was started in April 2017. Another critical measure currently in place to reduce revenue leakage is the requirement that all taxpayers pay their taxes directly into NRA-designated bank accounts with commercial banks or the Bank of Sierra Leone, thereby removing the human interface. The challenge, however, with direct payment into banks is the difficulty of reconciliation since some taxpayers do not present the bank pay-in slips to NRA for official receipts that will facilitate tax reconciliation. It is believed that ITAS could help address this challenge when the platform is rolled out to NRA transit banks.

Score = C

### Dimension 19.3 Revenue audit and investigation

There are five different units within NRA responsible for audit and investigations relating to specific areas of tax audit and fraud investigations; these are: (i) Revenue Intelligence and Investigation Unit (RIIU), (ii) Post Clearance Audit Unit (PCAU), (iii) Assessment and Audit (A&A), (iv) Anti Smuggling Unit (ASU), and (v) Monitoring, Research and Planning (MRP). The RIIU conducts serious and high-level tax evasion investigations to recover lost tax revenue. The PCAU on the other hand carries out snapshot audits with regard to duties and taxes paid by importers to ascertain the accuracy of import declarations. The ASU (now referred to as a Flexible Anti Smuggling Team - FAST) is responsible for minimizing the activities of smugglers across land and sea borders through effective collaboration with the police, military, and immigration service. The A&A is in charge of conducting tax audit of small, medium, and large taxpayers with regard to income tax and goods and service tax. MRP provides statistical information on all activities of NRA and monitors duty waivers granted by MoFED.

As shown in the table below, on average 69% of planned audit and fraud investigations are completed in accordance with annual audit and compliance plans prepared by the design and monitoring unit of the domestic tax department. However, at present, case selection for tax audits and fraud investigations is done manually, largely based on risk profiling of taxpayers.

Table 16 Analysis of NRA Tax Audits FY2015 and FY2016

| Tax type  | Planned tax audits |      | Completed tax audits |      | % completed |      | Amount recovered (Le. millions) |      |
|-----------|--------------------|------|----------------------|------|-------------|------|---------------------------------|------|
|           | 2015               | 2016 | 2015                 | 2016 | 2015        | 2016 | 2015                            | 2016 |
| Large tax | 82                 | 88   | 44                   | 68   | 53.7        | 77.3 | NA                              | NA   |

|                    |            |            |            |            |             |             |       |    |
|--------------------|------------|------------|------------|------------|-------------|-------------|-------|----|
| Small & medium tax | 136        | 73         | 66         | 44         | 48.5        | 60.3        | NA    | NA |
| Customs PCA        | 120        | NA         | 123        | NA         | 102.5       | NA          | 1,500 | NA |
| <b>Total</b>       | <b>338</b> | <b>161</b> | <b>233</b> | <b>112</b> | <b>68.9</b> | <b>69.6</b> |       |    |

Source: NRA

**Score = C**

#### **Dimension 19.4 Management of revenue arrears**

NRA defines revenue arrears as revenue outstanding after 31 December each year. Tax revenue arrears are categorised according to type such as domestic tax classified under small and medium taxpayers, large taxpayers, and customs duties and levies. It should be noted that there is no reliable information on nontax revenue arrears. Non-tax revenue is only 16% of total domestic revenue, and the arrears are not believed to be material. Also of importance to note is the fact that the analysis excludes tax refunds; officials of NRA indicate that tax refunds are offset against future payments. Revenue arrears are not age-profiled. As shown in the table below, known tax arrears constitute only 1.2% of total domestic revenues. Even though revenue arrears are not age-profiled, NRA officials indicate that most of these relate to FY2016, which would be normal and expected.

Over the years, the efficiency of collection of tax arrears has improved as a result of constant monitoring of arrears before they become uncollectable. Measures adopted to improve debt collection include payment plans for defaulting taxpayers, cross debit arrangement especially with defaulting state-owned enterprises, and closure of businesses in accordance with the legal framework.

**Table 17 Stock of revenue arrears (Le million)**

|   |           |
|---|-----------|
| Tax revenue arrears at 31 December 2016 | 34,175    |
| Non-tax revenue arrears                 | No data   |
| Total domestic revenue arrears          | 34,175    |
| Total domestic revenue in 2016          | 2,962,085 |
| % of arrears to total domestic revenue  | 1.2%      |

**Score = B**

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:   |
|--|---|
| <b>19.1: Rights and obligations for revenue measures</b> |   |
| <b>A</b>   | Entities collecting <i>most</i> revenues use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures. |
| <b>B</b>   | Entities collecting the <i>majority</i> of revenues provide payers with access to comprehensive and up-to-date information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.                    |
| <b>C</b>   | Entities collecting the <i>majority</i> of revenues provide payers with access to information on the main revenue obligation areas and on rights including, as a minimum, redress processes and procedures.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>19.2: Revenue risk management</b>                     |   |
| <b>A</b>   | Entities collecting <i>most</i> revenues use a comprehensive, structured and systematic approach for assessing and prioritizing compliance risks for <i>all</i> categories of revenue and, as a minimum for their large and medium revenue payers.          |
| <b>B</b>   | Entities collecting the <i>majority</i> of revenues use a structured and systematic approach for assessing and prioritizing compliance risks for <i>some</i> categories of revenue and, as a minimum, for their large revenue payers.                       |
| <b>C</b>   | Entities collecting the <i>majority</i> of revenues use approaches that are partly structured and systematic for assessing and prioritizing compliance risks for <i>some</i> revenue streams.   |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>19.3: Revenue audit and investigation</b>             |   |
| <b>A</b>   | Entities collecting <i>most</i> revenue undertake audits and fraud investigations managed and reported on according to a documented compliance improvement plan, and complete <i>all</i> planned audits and investigations.                                 |
| <b>B</b>   | Entities collecting the <i>majority</i> of revenue undertake audits and fraud investigations managed and reported on according to a documented compliance improvement plan, and complete <i>all</i> planned audits and investigations.                      |
| <b>C</b>   | Entities collecting the <i>majority</i> of government revenue undertake audits and fraud investigations using a compliance improvement plan and complete the <i>majority</i> of planned audits and investigations.  |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>19.4: Revenue arrears monitoring</b>                  |   |
| <b>A</b>   | The stock of revenue arrears at the end of the last completed fiscal year is below 10 percent of the total revenue collection for the year, and the revenue arrears older than 12 months are less than 25 percent of total revenue arrears for the year.    |
| <b>B</b>   | The stock of revenue arrears at the end of the last completed fiscal year is below 20 percent of the total revenue collection of the year and the revenue arrears older than 12 months are less than 50 percent of total revenue arrears for the year.      |
| <b>C</b>   | The stock of revenue arrears at the end of the last completed fiscal year is below 40 percent   |



|          |  |
|----------|--|
|          | of the total revenue collection for the year and the revenue arrears older than 12 months are less than 75 percent of total revenue arrears. |
| <b>D</b> | Performance is less than required for a C score.   |

| <b>Indicator/Dimension</b>                       | <b>Score</b> | <b>Brief justification for the score</b>  |
|--|--------------|---|
| <b>PI-19 Revenue administration</b>              | <b>C+</b>    | <b>Scoring Method M2</b>  |
| 19.1 Rights and obligations for revenue measures | B            | NRA has a functional website where comprehensive and up-to-date information on tax laws and regulations including taxpayer forms and guidelines for filling tax returns are published. However, information on tax appeals mechanism is very limited. The tax appeals board is not functional   |
| 19.2 Revenue risk management                     | C            | NRA's revenue risk management is partially structured. It uses manual case selection process, which is prone to discretion but adopts taxpayer risk profiling framework. To reduce revenue leakages and human interface, all taxpayers pay their taxes directly into NRA bank accounts with commercial banks and the Bank of Sierra Leone |
| 19.3 Revenue audit and investigation             | C            | NRA, collecting about 85% of GoSL revenue (tax and non-tax), conducts on average 69% of planned audit and fraud investigations. Case selection is done manually   |
| 19.4 Revenue arrears monitoring                  | B            | The stock of revenue arrears constitutes 1.2% of total domestic revenue. Revenue arrears are not age-profiled   |

### Ongoing and planned reforms

- Strengthen extraordinary measures/activities to raise additional revenue - this is known as STRIP (short term revenue improvement project)
- Establish a centralised debt management unit (DMU) for efficient and effective debt monitoring and collection
- Development of a business continuity plan (BCP)
- Installation and rollout of ITAS (Integrated Tax Assessment Software) and migration to ASYCUDA World with support from WB, including business process re-engineering
- Draft revenue administration bill to harmonise GST and Income Tax Acts
- DFID support to NRA through the Revenue for Prosperity (R4P) project

### PI-20 Accounting for revenue

This indicator assesses the procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling the tax revenue accounts. It covers both tax revenues and non-tax revenues collected by the central government, but not grants.

It has three dimensions. Dimension 20.1 examines the information provided by all revenue collecting agencies to MoFED; dimension 20.2 measures the effectiveness of revenue transfer from all revenue collecting agencies to MoFED. Dimension 20.3 assesses the extent to which aggregate amounts related to assessments/charges, collections, arrears and transfers to (and receipts by) the Treasury or

other designated agencies take place regularly and are reconciled. This will ensure that the collection and transfer system functions as intended and that the level of arrears and the revenue float are monitored and minimized. It is important that the difference between amounts assessed/levied and received by the Treasury can be explained. The responsible entity would normally keep records on aggregate amounts levied and transfers to the Treasury in its accounting system. The responsible entity should also keep records for each payer about amounts levied and paid, but this may be done in other data systems. The responsible entity should be able to aggregate such information, so that it can report how much of amounts levied is (a) not yet due, (b) in arrears (the difference between what is due and what has been paid in) and (c) collected by the responsible agency but not yet transferred to the Treasury. For revenues from extractive industries, the Extractive Industries Transparency Initiative has developed standards for the disclosure and reconciliation of what companies pay and what governments receive.

### **Dimension 20.1 Information on revenue collections**

The NRA collects about 85% of total central government domestic revenue. This includes tax revenue (domestic and customs)<sup>20</sup> and non-tax revenue<sup>21</sup> constituting 84.3% and 15.7% of total NRA collections respectively as per 2016 figures obtained from the 2016 audited consolidated annual financial statements. Total NRA revenue collection to GDP ratio is at 10.1% in 2015; this is below the ECOWAS sub-regional average of 16% and regional average of 20%. The NRA prepares monthly, quarterly and annual revenue reports for the attention of the Minister of Finance through the Revenue and Tax Policy Unit (RTPU) within MoFED. The revenue reports (monthly, quarterly and annual) are broken down by tax type (domestic and customs), and nontax revenue according to each heading such as revenue from mines and minerals and receipts from privatisation. NRA also provides weekly information to the Cash Management Committee under the leadership of the Financial Secretary. The latest monthly revenue report was for the period ending August 2017 with total collections of Le 208.9 billion.

As part of measures to strengthen revenue mobilisation and accountability particularly for non-tax revenue, Parliament in October 2017 passed the Fiscal Management and Control Act 2017 requiring all government agencies to transfer all revenues (particularly non-tax revenues) to the Consolidated Fund irrespective of the existing legal regime. It is too early to assess the efficacy of this law.

The Sierra Leone Extractive Industries Transparency Initiative (SLEITI), a unit under the Office of the Chief of Staff, Office of the President, provides information on revenues from the extractive industry, albeit late. It publishes its report on the website. The latest report relates to FY2013 and was delayed because of the Ebola crisis to February 2016. According to the report, revenues from mines and minerals amounted to Le 470.1 billion representing 21.2% of total domestic revenue and 2.6% of GDP.

**Score = B**

### **Dimension 20.2 Transfer of revenue collections**

At present, NRA has 13 transit bank accounts with commercial banks. These transit bank accounts serve as revenue collection points for taxpayers: taxpayers pay directly into these accounts. NRA has

---

<sup>20</sup> Total tax revenue collected by NRA = 84.3% of 85% = 71.6%

<sup>21</sup> Total nontax revenue collected by NRA = 15.7% of 85% = 13.4%

signed memoranda of understanding with these transit banks requiring that all daily collections be transferred to the Consolidated Fund within 24 hours. In fact transfers take a maximum of 48 hours to be effected. Officials of the BoSL and NRA say that delays are due to technical (network connectivity) problems beyond their control. It should also be noted that while the MoU between NRA and the commercial banks impose penalties for non-compliance concerning the 24-hour deadline for funds transfer to the CF, they have never been enforced.

**Score = B**

### **Dimension 20.3 Revenue accounts reconciliation**

NRA does at least quarterly reconciliations of collections and transfers with the Accountant General's Department within one month of the end of each quarter. This reconciliation focuses on actual collections into NRA transit bank accounts held with 13 commercial banks and transfers into the Consolidated Fund (CF). In this PEFA dimension, revenue accounts reconciliation refers to the process of comparing total revenue (tax and non-tax) assessed in a given period to actual revenue collected on one hand, then arrears which arise as a result of the difference between revenue assessed and revenue collected, and finally comparing actual revenue collections to total revenue transferred to Consolidated Fund held by the Bank of Sierra Leone. Full revenue accountability requires complete revenue reconciliation covering assessment, collections, transfers and arrears.

The most recent reconciliation report on the extractive industries relates to FY2013 (SLEITI Report 2013 dated February 2016). The report concludes that an amount of USD 13.8 million remained un-reconciled for the period under review. The main reason for discrepancies was the absence of a reporting template to adequately and correctly capture revenue streams.

**Score = C**

| <b>SCORE</b>                                    | <b>Scoring Method M1 (WL). Minimum Requirements:</b>  |
|---|---|
| <b>20.1: Information on revenue collections</b> |   |
| <b>A</b>  | A central agency obtains revenue data at least monthly from entities collecting <i>all</i> central government revenue. This information is broken down by revenue type and is consolidated into a report.         |
| <b>B</b>  | A central agency obtains revenue data at least monthly from entities collecting <i>most</i> central government revenue. This information is broken down by revenue type and consolidated into a report.           |
| <b>C</b>  | A central agency obtains revenue data at least monthly from entities collecting the <i>majority</i> of central government revenue and consolidates the data.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>20.2: Transfer of revenue collections</b>    |   |
| <b>A</b>  | Entities collecting <i>most</i> central government revenue transfer the collections directly into accounts controlled by the Treasury, or transfers to the Treasury and other designated agencies are made daily. |
| <b>B</b>  | Entities collecting <i>most</i> central government revenue transfer the collections to the Treasury and other designated agencies at least weekly.  |
| <b>C</b>  | Entities collecting <i>most</i> central government revenue transfer the collections to the Treasury and   |

|  |   |
|--|---|
|  | other designated agencies at least every two weeks  |
| <b>D</b>                                     | Performance is less than required for a C score.  |
| <b>20.3: Revenue accounts reconciliation</b> |   |
| <b>A</b>                                     | Entities collecting <i>most</i> central government revenue undertake complete reconciliation of assessments, collections, arrears, and transfers to Treasury and other designated agencies at least quarterly within four weeks of the end of quarter.      |
| <b>B</b>                                     | Entities collecting <i>most</i> central government revenue undertake complete reconciliation of assessments, collections, arrears, and transfers to Treasury and other designated agencies at least half-yearly within 8 weeks of the end of the half-year. |
| <b>C</b>                                     | Entities collecting <i>most</i> government revenue undertake complete reconciliation of collections and transfers to Treasury and other designated agencies at least annually within 2 months of the end of the year.                                       |
| <b>D</b>                                     | Performance is less than required for a C score.  |

| <b>Indicator/Dimension</b>              | <b>Score</b> | <b>Brief justification for the score</b>   |
|---|--------------|--|
| <b>PI-20 Accounting for revenue</b>     | <b>C+</b>    | <b>Scoring Method M1</b>   |
| 20.1 Information on revenue collections | B            | The Revenue and Tax Policy Unit of MoFED obtains monthly and quarterly NRA revenue collection reports, representing about 85% of total central government revenue; RTPU also receives annual reports from NRA. The revenue report categorises revenue according to tax type (domestic and customs) as well as nontax revenue |
| 20.2 Transfer of revenue collections    | B            | Most revenues collected by the 13 transit banks are transferred to the Consolidated Fund within 48 hours   |
| 20.3 Revenue accounts reconciliation    | C            | The only reconciliation that occurs at least quarterly is between actual revenue collections by NRA and transfers to the CF.   |

### Ongoing and planned reforms

- Modernisation of tax administration with support from DFID (Revenue for Prosperity (R4P))
- Installation and rollout of Integrated Tax Administration System (ITAS) and migration from Customs ASYCUDA ++ to ASYCUDA World with support from WB
- Establishment of a Centralised Debt Management Unit
- Mainstreaming enterprise risk management concept into NRA operations (outlined in the strategic plan 2018-2022)
- Development and implementation of a compliance risk management strategy by 2018 for both LTO and SMTO; a draft LTO risk management strategy has been developed awaiting management/board approval

- Development of a business continuity plan by 2018; at present there is a disaster recovery plan for IT infrastructure
- Expansion of the Revenue Enhancement Drive (RED) to improve revenue collection
- Roll out an automatic taxpayer reconciliation module with support from the World Bank to facilitate taxpayer account reconciliation.

## **PI-21 Predictability of in-year resource allocations**

This indicator has four dimensions. Dimension 21.1 assesses the extent to which central government consolidated cash and bank balances are prepared; dimension 21.2 measures the extent to which cash flow forecast is prepared and updated regularly; dimension 21.3 examines the timely transmittal of expenditure commitment ceilings to line ministries and budgetary agencies; and dimension 21.4 assesses the significance and transparency of budget reallocations.

### **Dimension 21.1 Consolidation of cash balances**

The Bank of Sierra Leone is responsible for maintaining all government bank accounts. Each day, the Accountant General receives an electronic copy of bank balances of each account held by the Treasury. This is used to prepare a daily consolidation of central government bank/cash balances. At present, the establishment and operationalization of the Treasury Single Account (TSA) as required by section 17 of the PFMA 2016 is still work in progress. There are currently 51 Treasury bank accounts, of which eight are under management of the Accountant General with a net overdraft balance on 10 November 2017 of Le 2.36 trillion and the remaining 43 relate to revenue and for servicing domestic debt (interests and costs of Treasury Bonds) which are cleared into the Treasury Main Account. The net balance of these 43 accounts amounted to Le 2.34 trillion as at 10 November 2017. The Treasury-managed bank accounts represent at least 80% of central government bank balances by value. According to the Accountant General, there are 1,004 departmental accounts for GoSL and donors that are excluded from the daily consolidation framework of central government bank/cash balances. Most cash balances (over 75%), but not all (over 90%), are consolidated daily.

**Score = C**

### **Dimension 21.2 Cash forecasting and monitoring**

Section 49 of the PFM Act 2016 mandates all budgetary units to prepare and submit cash flow statements to MoFED; these cash flow statements should be consolidated and updated periodically by MoFED on the basis of actual cash flows. Section 48 also provides for a Cash Management Committee charged with the responsibility of managing central government cash flows and advising the Minister of Finance accordingly.

Once Parliament approves the annual budget, MoFED prepares a consolidated annual cash flow statement based on BUs' cash flow requirements. The annual cash flow is updated quarterly with actual cash inflows and outflows to date and re-forecasts of cash flows for the rest of the year. The cash flow statement is broken down into four quarters and further into weeks. Cash flow statements are prepared weekly by the Cash Management Unit of AGD and discussed by the Cash Management Committee. Currently, there are severe cash flow constraints resulting in cash rationing and prioritization of expenditure payments to the detriment of service delivery targets.

**Score = B**

### **Dimension 21.3 Information on commitment ceilings**

Over the last three completed fiscal years, the Appropriation Act has been passed by Parliament on or before 31 December each year. BUs are required by law (section 29(5) of the Public Procurement Act, 2016) to prepare annual procurement plans and send them to the National Public Procurement Authority for approval, then to MoFED together with their budgets and annual cash flow plans. In practice however, only about half the BUs complied in 2016, rising to 75% in 2017. Once the Appropriation Act is passed, it is uploaded into the IFMIS. The Ministry of Finance issues half-yearly expenditure commitment warrants (commitment ceilings) to each budgetary unit for making expenditure commitments. However, actual cash payments are based on available cash for the following month and the commitment warrants cannot be relied on. While the half-yearly expenditure commitment warrants appear to be provide a reliable horizon for each BU to commit for expenditure, the challenge that arises relates to expenditure over-commitments outside the system.

Due to cash flow constraints at the time of the assessment (November 2017), the first half year's allocation was released between March and May 2017 to the individual BUs interviewed whilst the second half year allocation had not yet been released.

**Score: D**

### **Dimension 21.4 Significance of in-year budget adjustments**

The PFM Act 2016 (s. 42/43) allows two kinds of adjustment. Adjustments *within* the appropriation of a BU (head or vote), known as virements, can be made by the Minister of Finance without Parliamentary approval.<sup>22</sup> Virements are frequent, and are managed by Budget Bureau. Virement is used to shift funds within and between programmes in order to commit funds and process payments. These adjustments are only partially transparent as their extent is not disclosed in the annual financial statements.

Adjustments which would *increase* the overall expenditure on any head, or the aggregate expenditure for the year, are allowed only after submitting a Supplementary Estimate to Parliament and getting Parliamentary approval of a Supplementary Appropriation Act. During 2016, 49 heads exceeded their original budgets (out of a total of 79 heads). There has been no Supplementary Appropriation approved by Parliament for these excess expenditures. Instead, BUs applied for Presidential and Financial Secretary approval for the processing of urgent payments, on the President's authority under the Constitution section 114 (2)c to make urgent payments. As these expenditures were not followed by Supplementary Appropriations (as required by the GBAA 2005 and PFM Act 2016), they were not transparent.

**Score = D**

| <b>SCORE</b>                                | <b>Scoring Method M2 (AV). Minimum Requirements:</b>                  |
|---|---|
| <b>21.1: Consolidation of cash balances</b> |   |
| <b>A</b>                                    | <i>All</i> bank and cash balances are consolidated on a daily basis.  |
| <b>B</b>                                    | <i>All</i> bank and cash balances are consolidated on a weekly basis. |

<sup>22</sup> Virements cannot be made to increase the budget for personnel emoluments, nor from the development budget to recurrent budget, nor more than 10% of the budget of any sub-head.

| <b>SCORE</b>  | <b>Scoring Method M2 (AV). Minimum Requirements:</b>   |
|---|--|
| <b>C</b>  | <i>Most</i> cash balances are consolidated on a monthly basis.   |
| <b>D</b>  | Performance is less than required for a C score.   |
| <b>21.2: Cash forecasting and monitoring</b>            |  |
| <b>A</b>  | A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows.   |
| <b>B</b>  | A cash flow forecast is prepared for the fiscal year and updated at least quarterly on the basis of actual cash inflows and outflows.                                  |
| <b>C</b>  | A cash flow forecast is prepared for the fiscal year.  |
| <b>D</b>  | Performance is less than required for a C score.   |
| <b>21.3: Information on commitment ceilings</b>         |  |
| <b>A</b>  | Budgetary units are able to plan and commit expenditure for at least six month in advance in accordance with the budgeted appropriations and cash/commitment releases. |
| <b>B</b>  | Budgetary units are provided reliable information on commitment ceilings at least quarterly in advance.  |
| <b>C</b>  | Budgetary units are provided reliable information on commitment ceilings at least one month in advance.  |
| <b>D</b>  | Performance is less than required for a C score.   |
| <b>21.4: Significance of in-year budget adjustments</b> |  |
| <b>A</b>  | Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a transparent and predictable way.                       |
| <b>B</b>  | Significant in-year adjustments to budget allocations take place no more than twice in a year and are done in a fairly transparent way.                                |
| <b>C</b>  | Significant in-year budget adjustments to budget allocations are frequent, and are partially transparent.  |
| <b>D</b>  | Performance is less than required for a C score.   |

| <b>Indicator/Dimension</b>                                 | <b>Score</b> | <b>Brief justification for the score</b>   |
|--|--------------|--|
| <b>PI-21 Predictability of in-year resource allocation</b> | <b>D+</b>    | <b>Scoring Method M2</b>   |
| 21.1 Consolidation of cash balances                        | C            | All AGD managed bank accounts representing at least 80% by value, are consolidated daily. However, there are about 1,000 government/donor project accounts that are outside the daily consolidation framework. |
| 21.2 Cash forecasting and monitoring                       | B            | MoFED prepares an annual cash flow statement which is broken down into quarters and further into weeks. This is re-forecast quarterly in line with actual cash inflows and outflows.                           |
| 21.3 Information on  | D            | MoFED issues half-year expenditure commitment warrants (ceilings)  |

|   |   |  |
|---|---|--|
| commitment ceilings                             |   | to each BU for expenditure commitment. For 2016, these were released in March and July. Effectively, BUs have only a month horizon, and even this is not reliable. |
| 21.4 Significance of in-year budget adjustments | D | Budget reallocations are frequent and significant but not transparent.   |

## PI-22 Expenditure arrears

This indicator has two dimensions. Dimension 22.1 assesses the level of stock of expenditure arrears; dimension 22.2 examines the framework for monitoring expenditure arrears.

### Dimension 22.1 Stock of expenditure arrears

Arrears are defined in the PFMA 2016, (Section 1) as “payables which have remained unpaid (a) for 30 days or more after the due date specified under the relevant contract or agreement, or (b) if there is no specific due date, for 90 days or more after the date of the relevant invoice or of satisfaction of the term of the relevant contract”.

On the cash basis of GoSL accounting, arrears are not brought within the IFMIS double entry system, but are disclosed as notes in the annual financial statements. At the end of each year, BUs manually compile reports on arrears from their Vote Registers and Waybooks for submission to the Accountant General. This was done for FY 2014 and 2015, but appears to have been omitted for FY 2016. No disclosure of the extent of actual arrears was made in the Consolidated Accounts for 2016. Nor is there disclosure of VAT refund liabilities (in terms of the relevant law vendors are allowed to “off-set” VAT credits against future monies payable).

Included in the reported expenditure disclosed in the 2016 annual financial statements (page 14) are payments where the clearance of cheques has been postponed due to the cash flow constraints experienced by the Government. These payments should also be regarded as arrears.<sup>23</sup> They impact negatively on service delivery and amount to Le 227,835 mn (2015: Le 143,242 mn) representing 14.1% of that year’s expenditure on goods and services and development expenditure (2015: 9.1%) (2014 not disclosed). At the time of assessment, according to the BoSL, the value of pending cheques was Le 671 bn. No list of arrears, with or without such cheques, has been provided, so it is not possible to calculate the percentage of the stock of arrears to total expenditure. The score remains at D\*.

The statement of revenue and receipts included in the annual financial statements discloses information on “payments of arrears” which is analysed in the table below. BUs confirmed that Vote Service Ledgers are maintained as required by the Financial Management Regulations (Section 77) to account for all goods and services and capital commitments (this does not cover commitments pertaining to employee benefits, transfers and debt service). These registers however need to be supplemented with manually compiled lists to report on all arrears and commitments.

---

<sup>23</sup> One cause of arrears is when the government’s bank holds on to cheques or transfers due to lack of cash available, resulting in a float of cheques (IMF Technical Notes on Prevention and Management of Expenditure Arrears (2014), Table 1, page 8). <sup>[1]</sup><sub>[5]</sub>



**Table 18 Analysis of extent of payment arrears**

| Paid as per AFS                        | Domestic expenditure |             | Wages and salaries |             |
|--|----------------------|-------------|--------------------|-------------|
|  | 2016 (Le'm)          | 2015 (Le'm) | 2016 (Le'm)        | 2015 (Le'm) |
| Arrears paid current year              | 137,201              | 91,322      | 20,684             | 3,320       |
| Expenditure in basis year (prior year) | 1,573,253            | 2,313,953   | 1,573,882          | 1,511,343   |
| % Arrears paid/exp                     | 8.7%                 | 3.9%        | 1.3%               | 0.2%        |

Source: AFS (2016 –page 13; 2015 – Statement A)

The decline in payments of arrears as a proportion of total expenditure is due to the cash constraint.

**Score = D\***

### **Dimension 22.2 Expenditure arrears monitoring**

At present, the expenditure arrears monitoring framework is weak. The process for accounting for all arrears and commitments is manual and arrears are not reported during the year to the office of the Accountant General. BUs are required to submit reports on arrears only at year end to the Accountant General setting out the composition of the arrears. Of importance to note is the fact that BUs also have outstanding supplier invoices yet to be processed by AGD, the stock of which is unknown at the time of the assessment. It appears that, irrespective of the cash flow position, the processing of supplier bills takes longer than it needs. Service providers respond either by requiring up-front payments or refusing to render services. Good practice would be for all BUs to periodically (quarterly or half-yearly) prepare and submit reports on all outstanding (unprocessed) supplier invoices for the attention of MoFED (Accountant General and Cash Management Unit).

There is no age analysis and reporting done on the stock of arrears that indicate the length of time between invoice date and actual date of processing. In addition, as discussed in dimension 22.1, cashing of cheques is deliberately postponed due to cash flow constraints which actually increase the age of arrears.

**Score = D**

| SCORE                                       | Scoring method M1. Minimum requirements:   |
|---|--|
| <b>22.1: Stock of expenditure arrears</b>   |  |
| <b>A</b>                                    | The stock of expenditure arrears is no more than 2 % of total expenditure in at least two of the last three completed fiscal years.  |
| <b>B</b>                                    | The stock of expenditure arrears is no more than 6 % of total expenditure in at least two of the last three completed fiscal years.  |
| <b>C</b>                                    | The stock of expenditure arrears is no more than 10 % of total expenditure in at least two of the last three completed fiscal years. |
| <b>D</b>                                    | Performance is less than required for a C score.   |
| <b>22.2: Expenditure arrears monitoring</b> |  |

|          |  |
|----------|--|
| <b>A</b> | Data on the stock, age and composition of expenditure arrears is generated quarterly within four weeks of the end of each quarter. |
| <b>B</b> | Data on the stock and composition of expenditure arrears is generated quarterly within eight weeks of the end of each quarter.     |
| <b>C</b> | Data on the stock and composition of expenditure arrears is generated annually at the end of each fiscal year.                     |
| <b>D</b> | Performance is less than required for a C score.   |

| <b>Indicator/Dimension</b>          | <b>Score</b> | <b>Brief justification for the score</b>  |
|-------------------------------------|--------------|---|
| <b>PI-22 Expenditure arrears</b>    | <b>D</b>     | <b>Scoring Method M2</b>  |
| 22.1 Stock of expenditure arrears   | D*           | The actual stock of expenditure arrears is not disclosed in the 2016 Annual Financial Statements (unlike 2014 and 2015). Cashing of cheques is postponed due to cash flow constraints. At 31 December 2016 the value of un-cashed cheques represented 14% of that year's expenditure (2015 – 9%). |
| 22.2 Expenditure arrears monitoring | D            | At present, the expenditure arrears monitoring framework is weak and is a manual process. Arrears are not regularly reported to the Accountant General. There is doubt on the accuracy and completeness of reporting done at year end.  |

### Ongoing and planned reforms

It is planned to prioritize the clearance of outstanding cheques by end 2017 and avoid building up new arrears (Letter of Intent with IMF May 2017).

### PI-23 Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, treatment of changes and consistency with personnel records management. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. PI-23 contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. Dimensions 23.1, 23.2 and 23.3 are scored on the basis of the situation at the time of assessment (November 2017), and 23.4 is assessed over the last three years, 2014-2016.

The public service consists of four main categories of public servants and the relative size per the annual headcount statistics are set out below. Each category has its own regularity framework and processes which are further discussed below. Civil servants except teachers are managed by the Public Service Commission, with the Human Resource Management office (HRMO) as its secretariat. All payrolls are centralized on the IFMIS and paid by AGD Payroll Section. Any staff change is a manual process starting in the relevant BU then validated and processed on the centralized IFMIS by the HRMO or office of the Accountant General (Teachers). Manual personnel files are maintained at the HRMO (for civil service employees) and a primary file is kept by the BUs. There are prescribed

forms for processing changes such as for new appointments, promotions, leave applications and termination of service that serve as ‘change requests’.

The recruitment and management of *teachers* is determined by MEST under the Education Act, 2004 (section 41) and the Education Policy whereby teacher numbers are determined by the school demographics (learner numbers etc.). A Teaching Service Commission Act 2011 set up the TSC to take over management of teachers from MEST, and the Commissioner was appointed in 2016, but the TSC is not yet operational and MEST has so far retained the teacher record files.

**Table 19 Summary of workforce per payroll category**

|                               | <b>Sept 2014</b> | <b>Sept 2015</b> | <b>Aug 2016</b> | <b>Jan 2017</b> |
|-------------------------------|------------------|------------------|-----------------|-----------------|
| <b>Civil Service (Note 1)</b> | 20,134           | 18,875           | 17,913          | 18,045          |
| <b>Military</b>               | 8,159            | 7,801            | 7,467           | 7,451           |
| <b>Teachers</b>               | 31,669           | 35,047           | 34,345          | 34,507          |
| <b>Police</b>                 | 12,964           | 11,948           | 11,600          | 11,472          |
| <b>Total</b>                  | <b>72,926</b>    | <b>73,671</b>    | <b>71,325</b>   | <b>71,475</b>   |

Source: Recurrent and Development Expenditure Estimates for 2015-2017 page 42; 2016-2018 page 41; 2017-2019 page 57.

Note 1: This includes Education office-based, Military office-based, Health, Foreign Missions, Fire Authority, Correctional Services, and remaining budgetary entities.

Charged Emoluments (head 101) and pensions payments (head 341) are omitted from this assessment and calculations even though they are line items in the annual budget for personnel expenditure. The payroll-related actual employee expenditure is summarized in table 20 below.

**Table 20 Summary of employee benefits**

|   | <b>2014</b>       |                  | <b>2015</b>       |                  | <b>2016</b>       |                  |
|---|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|   | <b>Head Count</b> | <b>Le mn</b>     | <b>Head Count</b> | <b>Le mn</b>     | <b>Head Count</b> | <b>Le mn</b>     |
| Wages, salaries and allowances                        | 72,926            | 1,176,745        | 73,671            | 1,335,143        | 71,325            | 1,460,458        |
| Government contribution to social security (head 342) |                   | 108,592          |                   | 120,921          |                   | 130,156          |
| Payment of arrears of salaries and wages (note 1)     |                   | 2,980            |                   | 10,812           |                   | 20,684           |
| <b>TOTALS</b>   |                   | <b>1,288,317</b> |                   | <b>1,466,876</b> |                   | <b>1,611,298</b> |

Source: Recurrent and Development Expenditure Estimates for 2015-2017 page 55; 2016-2018 page 69; 2017-2019; AFS 2016 – Appendix 2, page 35

Note 1: It is not practical/cost-effective to analyse these payments to the year(s) where they belong

### **Dimension 23.1 Integration of payroll and personnel records**

Personnel records consist of manual personnel files and an electronic database which interfaces electronically with the payroll when any changes are processed. The payroll management and

administration unit within AGD is responsible for reviewing changes by generating an audit trail (a Crystal report), reconciling the latest payroll with that of the previous month in order to identify variances. On a monthly basis, payrolls are printed and sent out to all pay points i.e. BUs, schools etc. with a Payroll Confirmation Report that serves as a certificate for the pay point that the payroll was reviewed and all anomalies reported back to the AGD for investigation.

New appointments (staff hiring) and promotions in the civil service are subject to two processes in line with vacancies as per the staff establishment i.e. [a] on an annual basis, manpower planning hearings are conducted by the HRMO and [b] the recommendations are then considered by the Budget Bureau as budget input, and the details published in the annual budget book.


**Score = B**

**Dimension 23.2 Management of payroll changes**

Once the Change Forms have been captured the changes are validated at two levels, by HRMO and by AGD. An audit trail is generated (Crystal reports) in the AGD for checking the accuracy and completeness of changes before the monthly payrolls are printed and distributed.

The bulk of the process is however manual, using prescribed forms which are not uniquely numbered in order to establish a suitable audit trail from inception (at the BU) to where the change is captured in the IFMIS system. Though there are various registers in place to record incoming and outgoing correspondence, the sheer volume of paper flow makes it an impossible task to track documents in a timely way (see illustration below). Not all Change Forms are filed on the personnel files which makes it difficult to obtain a complete updated file for each employee.

Discussions with ministries indicated that there are delays in processing changes, especially with termination of service. Payroll officials review the monthly payroll to confirm if changes were made as requested and incidents and errors are communicated to AGD. Payments of salary arrears in 2016 are disclosed in the annual financial statements representing 1.3% of the previous year’s wage bill (2015 – 0.7%). Salary over-payments that result from not retiring people in time from the payroll are not accounted for in the financial records and the extent of delays cannot be quantified.

|   |   |
|---|---|
|  | <p>Visited the <b>HRMO Registry</b> unit and reviewed documents at the HRMO Registry on a sample basis on 6 November 2017 and made the following observations:</p> <ul style="list-style-type: none"> <li>▪ Files are filed numerically in Employee PIN number sequence (where the PIN number represents a unique numerical personnel number allocated to each staff member when first entering the government workforce)</li> <li>▪ There is a manual register maintained to track movement of files</li> <li>▪ Inspected Change Forms (“CF”) at random, the results as follows             <ul style="list-style-type: none"> <li>○ PIN 131103: CF dated 26/09/2014; Approved 12/09/2017 (Appoint)</li> <li>○ PIN 120998: CF dated 01/01/2017; Approved 16/01/2017 (Promote)</li> <li>○ PIN 180 454: CF dated 26/01/2017; approved 10/03/2017 (Retire)</li> </ul> </li> </ul> |
|---|---|



Visited the **HRMO Data Capture Unit** on 13 November 2017 and made the following observations:

- There are Change Control Forms dating back as far as five years not filed yet
- Important incidents such as new appointments, promotions and retirements are captured, filed on the personnel file and sent back to Registry for safe-keeping once the changes have been approved and captured on the IFMIS.
- The majority of Change Control Forms not yet filed relate to leave, change of personal details, positions etc.
- The entire office is full of these forms, filed in PIN sequence, per month.

**Score = D**

**Dimension 23.3 Internal control of payroll**

The regularity framework and system in place provide clear guidance for making changes to personnel records and the payroll, for example the use of standardised change control forms. Access to the system is limited to the HRMO and office of the Accountant General and is password-controlled to ensure high integrity of data. Nevertheless, payroll verifications (see 23.4 below) have shown that ghosts get onto all payrolls, and are cleaned out only after independent investigation. These show up anomalies such as people without having NASSIT numbers, people that have reached the retirement age but not taken off the payroll, etc. The Auditor General has reported that payroll controls are still weak.

**Score = C**

**Dimension 23.4 Payroll audit**

Both the Internal Audit Units and Auditor General do payroll audits on a sample basis throughout the year. Indications are that there is a risk of ghosts as well as incomplete data on the personnel management data base. Audit and other investigation reports (on the status of the payroll) also confirmed that there are employees on the data base that have passed the compulsory retirement age, and others that have invalid or no NASSIT information (date of birth, etc).

During the 2014-2016 period under assessment, the following audit and verification assignments were conducted as set out in table 21.

**Table 21 Analysis of payroll verifications**

| <b>PAYROLL</b>       | <b>FOCUS AREA</b> | <b>TIMING/ DATE</b> | <b>CONDUCTED BY:</b>      | <b>REPORT ISSUED, DATED:</b>             |
|----------------------|-------------------|---------------------|---------------------------|--|
| <b>Civil Service</b> | Health            | Jan 2016            | External service provider | 10 June 2016                             |
|                      | All other         | Feb 2016            | HRMO                      | In progress                              |
| <b>Education</b>     | Teachers          | Feb 2016            | External Service Provider | In progress. 1,723 ghost teachers found. |

Score: C

| SCORE   | Scoring Method M1 (WL). Minimum Requirements:  |
|---|--|
| <b>23.1: Integration of payroll and personnel records</b> |  |
| A   | Approved staff list, personnel database and payroll are directly linked to ensure budget control, data consistency and monthly reconciliation.   |
| B   | The payroll is supported by full documentation for <i>all</i> changes made to personnel records each month and checked against the previous month's payroll data. Staff hiring and promotion is controlled by a list of approved staff positions.                |
| C   | Reconciliation of the payroll with personnel records takes place at least every six months. Staff hiring and promotion is checked against the approved budget prior to authorization.  |
| D   | Performance is less than required for a C score.   |
| <b>23.2: Management of payroll changes</b>                |  |
| A   | Required changes to the personnel records and payroll are updated at least monthly, generally in time for the following month's payments. Retroactive adjustments are rare. If reliable data exists, it shows corrections in a maximum of 3% of salary payments. |
| B   | Personnel records and payroll are updated at least quarterly and require <i>a few</i> retroactive adjustments.   |
| C   | Personnel records and payroll are updated at least quarterly and require <i>some</i> retroactive adjustments.  |
| D   | Performance is less than required for a C score.   |
| <b>23.3: Internal control of payroll</b>                  |  |
| A   | Authority to change records and payroll is restricted, results in an audit trail and is adequate to ensure full integrity of data.   |
| B   | Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.  |
| C   | Sufficient controls exist to ensure integrity of the payroll data of greatest importance.  |
| D   | Performance is less than required for a C score.   |
| <b>23.4: Payroll audit</b>                                |  |
| A   | A strong system of annual payroll audits exists to identify control weaknesses and ghost workers.  |
| B   | A payroll audit covering <i>all</i> central government entities has been conducted at least once in the last three completed fiscal years (whether in stages or as one single exercise).   |
| C   | Partial payroll audits or staff surveys have been undertaken within the last three completed fiscal years.   |

| Indicator/Dimension | Score | Brief justification for the Score                |
|---------------------|-------|--|
| D                   |       | Performance is less than required for a C score. |

| <b>PI-23 Payroll controls</b>                     | <b>D+</b> | <b>Scoring Method M1</b>  |
|---|-----------|---|
| 23.1 Integration of payroll and personnel records | B         | Manual records are maintained for all personnel and changes to personnel data are integrated electronically into the payroll. Various levels of validation ensure accurate processing and payrolls are reconciled with the previous month totals by the Accountant General's office.  |
| 23.2 Management of payroll changes                | D         | Ministries have confirmed that there are significant delays in processing changes, however there is no tracking system that can analyse the extent of delays.   |
| 23.3 Internal control of payroll                  | C         | The HR Codes, Regulations and Rules as well as the Administrative manual provide for standardized forms and submission. Access to the database is limited to the HRMO and office of the Accountant General. There is segregation of duties and changes captured are authorized by a second person. All Change Forms are signed as proof of authorization. Nevertheless, payroll verifications show many irregularities in practice. |
| 23.4 Payroll audit                                | C         | Payroll audits have been done for all of the entities sampled once during the past three years.   |

### **Ongoing and planned reforms**

The Payroll Steering (Oversight) Committee co-chaired by the Senior Deputy Financial Secretary and the Accountant General meets weekly, co-opting officials from outside MoFED as needed. This Committee has facilitated several payroll reforms, such as cleaning the NASSIT numbers in the payroll system, paying sub-vented agencies' payroll through the central civil service system, and payment of teachers. Teachers have been required to open personal bank accounts so their salaries can be paid directly into their accounts without going through school bank accounts. At end 2016, 29,975 teachers out of a total of 34,470 had personal bank accounts.

A payroll strategy and implementation plan has recently been developed and approved.

### **PI-24 Procurement**

This indicator examines key aspects of procurement management and has four dimensions: Dimension 24.1 assesses the extent to which prudent monitoring and reporting systems are in place within the Government to ensure value for money and promote fiduciary integrity. Dimension 24.2 calculates the percentage of the total value of contracts awarded with competition. Dimension 24.3 assesses the level of public access to complete, reliable and timely procurement information, and dimension 24.4 assesses the existence and effectiveness of an independent, administrative complaint resolution mechanism. The indicator applies only to procurement funded by the Government, as donors have their own procurement regulations. All dimensions are scored as of FY2016.



In order to assess indicator PI-24 it should be noted that procurement management is highly regulated on paper. There is a National Public Procurement Authority (NPPA), which is an independent oversight body to monitor compliance and serve as a centralized agency harmonizing the public procurement processes. The following laws, regulations and guidelines are in place:

- The PFM Act 2016, section 13(1): Vote Controller shall be responsible for prudent, effective, efficient and transparent use of resources (as in section 46 of the prior Government Budgeting and Accountability Act, 2005)
- PFMA 2016 section 19 and the PPA 2016, section 14 list NPPA responsibilities
- The Public Financial Management Regulations 2007, section 2(g)(j)(l)
- The Public Procurement Act, 2016 (PPA 2016)
- The Public Procurement Act, 2004 (this has been replaced by the PPA 2016)
- The Regulations on Public Procurement, 2006

The Public Procurement Act 2016 (section 18) requires that each procuring entity should have a Procurement Committee to manage the procurement process within the entity. The procurement unit within each entity must submit procurement data to the NPPA (s17(13) h).

All tender contracts are vetted by an Expenditure and Contract Management Committee (ECMC), which checks that the procurement law and regulations have been complied with, that the contract is legally sound, and that it is within the budget. Commitment can only be made on an Award Certificate from the ECMC. The Committee was reconstituted in 2016 and includes senior officers from Budget Bureau, AGD, NPPA, Law Officers, and the contracting BU. The process was reviewed in 2017 and training given to officers of ECMC, NPPA and PPD.

The Auditor General regards public procurement as a high-risk area and issued a special report in August 2016 highlighting the major concerns:

- restrictive bid criteria
- unfair application of criteria
- excessive price variations
- apparent unreasonable ignoring of the lowest bidder
- excessive use of restricted bidding/sole source
- incomplete and/or unavailable documentation
- ignoring independent technical advice
- poor needs assessments
- specifications tailored towards a predetermined provider/supplier
- permitting unexplained 'contingencies' in bids
- ignoring some selection criteria (e.g. prior experience and equipment)
- non-submission of bid documents or erosion of audit trail
- financial guarantees/bonds misdated
- failure to obtain certificates/licences

### **Dimension 24.1 Procurement monitoring**

BU databases contain only contact details of potential service providers. In terms of the PPA (section 14(2)(i);(j)), one of the functions of the NPPA is to maintain a suitable database and publish the details quarterly. The NPPA website (<http://www.publicprocurement.gov.sl/>) shows there is a database maintained for tenders and awards, but it is not complete or accurate. The total of all contracts given in 2016 according to the database was Le 1,357 bn, against total expenditure on goods and services and development expenditure of Le 1,614 bn (84% coverage). More serious is the misreporting by



procuring entities. Budget support donors have found that there is widespread exclusion of bids on doubtful grounds: many contracts classified as ICB or NCB are in fact sole source contracts. The NPPA Report for 2016 emphasises the extent of splitting of contracts so that they can be undertaken below the threshold for competitive bidding, and recommends the wider use of framework contracts. The report also discloses that 66% of all contracts are unplanned, while only 34% are planned. All MEST contracts, for instance, were unplanned as there was no plan. NPPA has recently listed 67 issues arising in public procurement.<sup>24</sup>

**Score = D**

#### **Dimension 24.2 Procurement methods**

The Public Procurement Act, 2016, Part V, prescribes the various procurement methods with reference to the following thresholds as set out below.

**Table 22 Procurement thresholds**

|   |  |
|---|--|
| <b>1. Contract awards shall be published when the estimated value of the contract is above:</b>                                   | Goods, Le 300 million<br>Works, Le 600 million<br>Services, Le 300 million |
| <b>2. Request for Quotation (minimum of three quotations) shall be used when the estimated value of the procurement is below:</b> | Goods, Le 60 million<br>Works, Le 150 million<br>Services, Le 60 million   |
| <b>3. National Competitive Bidding (NCB) shall be used when the estimated value of the procurement is below:</b>                  | Goods, Le 600 Million<br>Works, Le 900 million<br>Services, Le 600 million |
| <b>4. International Competitive Bidding (ICB) shall be held when the estimated value of the procurement exceeds:</b>              | Goods, Le 600 million<br>Works, Le 900 million<br>Services, Le 600 million |
| <b>5. Expression of Interest for Selection of Consultants</b>   | Above Le 600 million.  |

Source: Procurement Act, 2016 – First Schedule

BUs claim that most procurement is done through competitive bidding processes in line with the regulations, which allow for obtaining quotations for procurement less than Le 60 million, but see the comments under PI-24.1. Insufficient information is available to rate this dimension.

**Score = D\***

#### **Dimension 24.3 Public access to procurement information**

The NPPA website is the primary source of information available to the public free of charge as (a) not all procuring entity websites are functional or maintained, (b) not all procurement data is

<sup>24</sup> NPPA (2017) Compendium of Perennial Procurement Issues, November

published by procuring entities as the NPPA is considered the most appropriate source, and (c) entities do not have accurate and complete data readily available. The information that is published by the NPPA is summarized in table 23 below.

**Table 23 Dimension assessment criteria**

| <b>Element/ Requirements</b>                        | <b>Met (Y/N)</b> | <b>Evidence used/ Comments</b>   |
|---|------------------|--|
| (1) legal and regulatory framework for procurement  | Y                | Under the “Public Notices” option on the NPPA website  |
| (2) government procurement plans                    | N                | On the NPPA website under the option “Media Centre - only 1 Plan (Sierra Leone Central Bank) for 2016. In 2015 64 Plans were published |
| (3) bidding opportunities                           | Y                | Advertised on the website  |
| (4) contract awards (purpose, contractor and value) | Y                | On the NPPA website under the Bids and Contracts (Awarded Contracts) option.   |
| (5) data on resolution of procurement complaints    | N                | Not available  |
| (6) annual procurement statistics                   | N                | Not available  |

**Score = C**

#### **Dimension 24.4 Procurement complaints management**

Procuring entities visited indicated that complaints that are received by the entity are dealt with by the Procurement Officer and Vote Controller in line with section 64 of the Public Procurement Act. If stakeholders are not satisfied with the outcome (section 64(4)) of the interaction between them and the ministry, the Public Procurement Act, Part VII, provides comprehensive guidance for approaching the NPPA. The independent procurement complaints body, though it exists in the law, has not been reconstituted since its dissolution in 2014. Therefore, the complaints body has not been functional over the assessment period.

**Score = D**

| <b>SCORE</b>                        | <b>Scoring Method M2 (AV). Minimum Requirements:</b>  |
|-------------------------------------|---|
| <b>24.1: Procurement monitoring</b> |   |
| <b>A</b>                            | Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for <i>all</i> procurement methods for goods, services and works. |
| <b>B</b>                            | Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for <i>most</i>   |

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:   |
|--|---|
|  | procurement methods for goods, services and works.  |
| <b>C</b>   | Databases or records are maintained for contracts including data on what has been procured, value of procurement and who has been awarded contracts. The data are accurate and complete for the <i>majority</i> of procurement methods for goods, services and works. |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>24.2: Procurement methods</b>   |   |
| The total value of contracts awarded through competitive methods in the last completed fiscal year, represents:  |   |
| <b>A</b>   | 80% or more of total value of contracts   |
| <b>B</b>   | 70% or more of total value of contracts   |
| <b>C</b>   | 60% or more of total value of contracts   |
| <b>D</b>   | less than required for a C score  |
| <b>24.3: Public access to procurement information</b>  |   |
| Key procurement information to be made available to the public comprises:  |   |
| <ol style="list-style-type: none"> <li>(1) legal and regulatory framework for procurement</li> <li>(2) government procurement plans</li> <li>(3) bidding opportunities</li> <li>(4) contract awards (purpose, contractor and value)</li> <li>(5) data on resolution of procurement complaints</li> <li>(6) Annual procurement statistics</li> </ol>  |   |
| <b>A</b>   | Every key procurement information elements is complete and reliable for government units representing <i>all</i> procurement operations and made available to the public in a timely manner.  |
| <b>B</b>   | At least four of the key procurement information elements are complete and reliable for government units representing <i>most</i> procurement operations and made available to the public in a timely manner.   |
| <b>C</b>   | At least three of the key procurement information elements are complete and reliable for government units representing the <i>majority</i> of procurement operations and made available to the public.  |
| <b>D</b>   | Performance is less than required for a C score.  |
| <b>24.4: Procurement complaints management</b>   |   |
| Complaints are reviewed by a body which:   |   |
| <ol style="list-style-type: none"> <li>(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions</li> <li>(2) does not charge fees that prohibit access by concerned parties</li> <li>(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available</li> <li>(4) exercises the authority to suspend the procurement process</li> <li>(5) issues decisions within the timeframe specified in the rules/regulations, and</li> <li>(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)</li> </ol> |   |

| <b>SCORE</b> | <b>Scoring Method M2 (AV). Minimum Requirements:</b>                                   |
|--------------|--|
| <b>A</b>     | The procurement complaint system meets every criterion.                                |
| <b>B</b>     | The procurement complaint system meets criterion (1), and three of the other criteria. |
| <b>C</b>     | The procurement complaint system meets criterion (1), and one of the other criteria.   |
| <b>D</b>     | Performance is less than required for a C score.                                       |

| <b>Indicator/Dimension</b>                    | <b>Score</b> | <b>Brief justification for the Score</b>   |
|---|--------------|--|
| <b>PI-24 Procurement</b>                      | <b>D</b>     | <b>Scoring Method M2</b>   |
| 24.1 Procurement monitoring                   | D            | The NPPA database is based on reports by procuring entities which are not sufficiently reliable or complete. Annual surveys by NPPA do not cover most procurement. |
| 24.2 Procurement methods                      | D*           | The calculations based on the NPPA database are on unreliable data. Further evidence of the use of competitive methods is required, e.g. by sampling               |
| 24.3 Public access to procurement information | C            | The public has access to three of the key information elements for most (84%) of procurement over the threshold.   |
| 24.4 Procurement complaints management        | D            | The Procurement Review Board is not functioning.   |

### **Ongoing and planned reforms**

Regulations to implement the Public Procurement Act 2016 are being gazetted for parliamentary approval. Standard and specialized bidding documents are being reviewed. A roadmap for introduction of e-procurement has been drafted and initial awareness training given.

### **PI-25 Internal controls on non-salary expenditure**

This indicator measures the effectiveness of general internal controls for non-salary expenditures and consists of three dimensions: Dimension 25.1 assesses whether duties are segregated (authorization, recording, custody), which is a fundamental element of internal control to prevent an employee or group of employees from being in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. Dimension 25.2 assesses the effectiveness of expenditure commitment controls and dimension 25.3 assesses the extent of compliance with the payment control rules and procedures based on available evidence.

#### **Dimension 25.1 Segregation of duties**

Transactions are initiated manually by spending entities. Payment vouchers are prepared and submitted to AGD for checking and processing payments on the IFMIS. At BU level access is limited to “read only”. Where BUs are not connected, AGD generates the required reports. Financial and administrative duties are clearly segregated within the government financial management framework. Within ministries, there are specific units i.e. Planning, Budget, Procurement and Finance, each headed by a manager reporting to the Vote Controller as administrative head in order to manage the procurement

and expenditure cycles. The Finance unit within each BU prepares payment vouchers after services have been rendered and the BU is satisfied that the service provider has complied with the contract conditions. Each BU has a stores department responsible for controlling and safeguarding government assets. Checks by the AGD before processing payment vouchers strengthen control over purchases and payments.

Each of these units has specific guidelines based on the Procurement Act, PFM Act and regulations which are comprehensive and adequate. The Vote Controller's duties and responsibilities relating to public financial management are clearly defined within the legal and regulatory framework (PFMA 2016, s13(2); GBAA2005, s46; FMR 2007, s2). The Accountant General confirmed that there are no additional guidelines and directives issued. The present legal framework is largely adequate for effective financial management and control.

In a few cases the Internal Audit Unit conducted pre-audit on the payment vouchers. In addition, as discussed in dimension 25.2, due to operational and cash flow challenges many payments initiated by BUs are authorized at either presidential or senior MoFED level.

**Score = A**

### **Dimension 25.2 Effectiveness of expenditure commitment controls**

Expenditure commitments (local purchase orders and contracts) can be made only after Parliament has passed the Appropriation Act *and* the Minister of Finance has issued a warrant (appropriation allotment) to the respective BU Vote Controller (PFMA s.59). BUs are required by law to prepare procurement plans for approval by NPPA: however, many BUs do not comply. While IFMIS has a hard control to limit expenditure commitments to budgeted appropriations and in-year allotments, frequent system over-rides and out-of-system transactions occur resulting in excess commitments and the creation of expenditure arrears, the stock of which was estimated at Le 671 bn in October 2017. Allotments used to be made quarterly, but recently have been half-yearly. Severe cash flow constraints experienced over the last three years and up to the time of assessment resulted in MoFED not releasing funds in time. The 2017 first half-yearly expenditure allotment, due in the first quarter, was made available only in May 2017, whilst the second, due in Q3, had not been made available as at end October 2017. This has resulted in a high volume of individual requests by BUs for special approval by State House (Office of the President) and MoFED to allow certain payments (regarded as urgent priorities) to be processed directly by the central bank based on payment certificates issued by the Finance Secretary (FS letters). In total, 49 budgetary entities out of 79 exceeded their original budgets in 2016.

All large contracts are examined by an Expenditure and Contracts Management Committee chaired by the Financial Secretary and including representatives of the Budget Bureau, Accountant General, Solicitor General and NPPA to ensure that contracts have been made in accordance with the legal framework and that the budget will cover them. The Committee was re-constituted in 2016.

Commitments that require payments after the end of the year are subject to the prior approval of the Minister of Finance, which are subject to ceilings in the Fiscal Strategy Statement, as well as the current year’s budget and allotments (PFMA, s.60).

The 2016 annual financial statements (page 5) report a 13% (FY2015 – 19%) overspending on Goods and Services (FY2015 AFS Appendix 3) and a 16% overspending on (Capital) Development Expenditure (FY2015- 11% underspent, AFS Appendix 4).

**Score = C**

**Dimension 25.3 Compliance with payment rules and procedures**

In order to assess this dimension, reference is made and reliance is placed on third party assessments that focused on the level of compliance. The two main sources consulted are the Auditor General’s reports and Internal Audit Department reports, as there is no record of the status of all payments. The payment initiation process is mainly a decentralized manual process where batches of payment vouchers are sent through to the Accountant General for capturing and processing on the IFMIS system.

The Auditor General indicated that she had to adopt a substantive audit approach in line with international audit standards as she was not able to rely on the effectiveness of internal controls. This assessment is based on the most recent reports presented:

- Audit Report for the years ending 31 December 2014 and 31 December 2015
- Auditor General’s Annual Reports for 2014, 2015
- Special Audit Report on Procurement, 2016
- Internal Audit Annual Reports 2015; 2016

Throughout all these reports there are repeated negative findings on weaknesses in the internal control environment. The high level of non-compliance is highlighted. These weaknesses include inadequate document management standards, non-compliance with procurement regulations, and a lack of monitoring and supervision. In the audit report for 2015 for example, the Auditor General highlighted the significance of the limitations due to non-availability of procurement and expenditure vouchers in order to verify the level of compliance. This is of concern, especially in view of AGD being responsible for processing payments on behalf of the BUs and the safe keeping of the original payment vouchers. Reference is also made to PI-25.2 where system overrides are frequent, resulting in a huge stock of expenditure arrears. Within the AGD, an M&E Unit does annual sample tests of the completeness and correctness of documentation which show that the majority of transactions comply with regulations. There is no separation or recording of “exceptions” to regular payment procedures.

**Score = C**

| SCORE                              | Scoring Method M2 (AV). Minimum Requirements:                                       |
|------------------------------------|---|
| <b>25.1: Segregation of duties</b> |   |
| <b>A</b>                           | Appropriate segregation of duties is prescribed throughout the expenditure process. |

| SCORE   | Scoring Method M2 (AV). Minimum Requirements:  |
|---|--|
|   | Responsibilities are clearly laid down.  |
| <b>B</b>  | Segregation of duties is prescribed throughout the expenditure process. Responsibilities are clearly laid down for <i>most</i> key steps while further details may be needed in a few areas. |
| <b>C</b>  | Segregation of duties is prescribed throughout the expenditure process. More precise definition of important responsibilities may be needed.   |
| <b>D</b>  | Performance is less than required for a C score.   |
| <b>25.2: Effectiveness of expenditure commitment controls</b> |  |
| <b>A</b>  | Comprehensive expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations.                                 |
| <b>B</b>  | Expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations for <i>most</i> types of expenditure.          |
| <b>C</b>  | Expenditure commitment control procedures exist which provide partial coverage and are partially effective.  |
| <b>D</b>  | Performance is less than required for a C score.   |
| <b>25.3: Compliance with payment rules and procedures</b>     |  |
| <b>A</b>  | <i>All</i> payments are compliant with regular payment procedures. Exceptions are properly authorized in advance and justified.  |
| <b>B</b>  | <i>Most</i> payments are compliant with regular payment procedures. The <i>majority</i> of exceptions are properly authorized and justified.   |
| <b>C</b>  | The <i>majority</i> of payments are compliant with regular payment procedures. The <i>majority</i> of exceptions are properly authorized and justified.                                      |
| <b>D</b>  | Performance is less than required for a C score.   |

| Indicator/Dimension                                       | Score    | Brief justification for the score   |
|---|----------|---|
| <b>PI-25 Internal controls for non-salary expenditure</b> | <b>B</b> | <b>Scoring Method M2</b>  |
| 25.1 Segregation of duties                                | <b>A</b> | There is a clear distinction of roles and responsibilities between BUs and the AGD. Within BUs there are separate units dealing with each of the activities in procurement and payment. The prevailing legal and regulatory framework is adequate for effective financial management and control. |
| 25.2 Effectiveness of expenditure commitment controls     | <b>C</b> | IFMIS is capable of limiting expenditure commitment in line with available cash. However, system overrides are frequent due to the high volume of transactions and payments approved outside IFMIS.   |
| 25.3 Compliance with payment rules and procedures         | <b>C</b> | Internal control and financial management rules and regulations are clear and adequate but oversight agencies report many cases of non-compliance. Within the AGD, an M&E Unit does annual sample tests of the accuracy and   |

|  |  |   |
|--|--|---|
|  |  | completeness of documentation which show that the majority of transactions comply with regulations. |
|--|--|---|

## PI-26 Internal audit

This indicator assesses the standards and procedures applied in internal audit and consists of four dimensions: Dimension 26.1 assesses the extent to which government entities are subject to internal audit, dimension 26.2 assesses the nature of audits performed and the extent of adherence to professional standards, dimension 26.3 assesses specific evidence of an effective internal audit and dimension 26.4 assesses the extent to which action is taken by management on internal audit findings.

### Dimension 26.1 Coverage of internal audit

In accordance with section 75 of the PFM Act 2016 (and section 6 of the former GBAA of 2005), internal audit is decentralised, with an Internal Audit Department (IAD) in MoFED, and an Internal Audit Unit (IAU) in each BU. The IAD role is to recruit internal auditors through the Public Service Commission and Human Resource Management Office, get them trained on Public Sector Internal Audit Standards (see below), deploy them to BUs, provide mentoring/support, and receive copies of their annual plans and individual reports for review against the standards. Serious issues are promptly escalated to the Financial Secretary. The National Revenue Authority responsible for collecting most of the revenue has a dedicated internal audit function. It is estimated that internal audit covers 76% of the 2016 budgeted expenditure with increasing focus on areas such as procurement. The adopted standards, Audit Manual and Annual Audit Plans provide adequately for audit work programs, compiling and maintaining audit documentation, reporting, and follow-up activities.

**Score: B**

### Dimension 26.2 Nature of audits and standards applied

Based on discussions held with the head of the Internal Audit Department as well as with the auditors within the BUs, audit plans are compiled to prioritise risk areas. The audit teams are clustered and each cluster has a senior auditor that monitors progress and performance and conducts quality assurance by review of audit reports against working paper files. MoFED has recently updated its audit manual and agreed Public Sector Internal Audit Standards (PSIAS, July 2017), which are based on the international standards of the IIA. The focus is moving away from verification of transactions to review of the operational and financial management systems. This comprehensive Audit Manual guides audit units and provides templates for working papers and procedures etc. Each year the Internal Audit Department publishes a detailed annual report highlighting achievements, challenges and a summary of all audit assignments by budgetary unit.

The Director Internal Audit MoFED indicated that the practice of conducting pre-audits on expenditure vouchers has almost been phased out.

For the last decade, the IAD has been trying to establish independent Audit Committees in all BUs, to receive reports of IAUs and from external audit, and ensure action plans are drawn up and implemented to rectify weaknesses. An Audit Committee is supposed to be chaired by an independent non-executive member and be attended by the Vote Controller, and report to the relevant minister. Audit Committees are now mandated by the PFM Act section 76. At present, 13 Audit Committees are 'functional', but meetings are few and irregular. Their effectiveness is in doubt. Some Vote Controllers



have resisted any real independence of Audit Committees. The operating budgets of most of the IAUs are included in the budgets of their Vote Controllers. Only five or six Audit Committees are said to be truly independent and add value. There is also a funding problem as independent members from outside the public service have to be paid.

A lack of IT auditing skills means that the audit of IT risks is absent in most BUs.

**Score: C**

### **Dimension 26.3 Implementation of internal audits and reporting**

Internal audit is the first line of defence against fraud, errors and waste within each BU. It is an independent service within each agency that receives or spends public money or manages public assets. In Sierra Leone, the internationally-accepted model provided by the Institute of Internal Auditors (IIA) is intended to be followed, in which internal audit is a management service within each BU, reporting to the Vote Controller and independent of other divisions and units of the BU. As a management service, it provides an ongoing assessment of the BU's system of internal controls, its fiduciary and development risks, and its compliance with relevant laws and regulations, to assist the Vote Controller in his/her overall responsibility for performance. Internal audit recommendations are advisory, not mandatory: The Vote Controller remains responsible for their implementation.

This model is not understood by all Vote Controllers: some still require internal auditors to pre-audit expenditures, or to compile asset registers. Nevertheless, a significant percentage of Vote Controllers are now appreciating the internal audit function and the value they are adding to their management function. At the time of assessment, there are 118 internal auditors in post, deployed on a risk basis to 41 IAUs, which cover most GoSL expenditure and revenue. However, annual work plans are not being achieved. In 2016, out of 363 planned audits, only 176 (48%) were completed that year. This is ascribed to lack of staff, skills, and management support, logistical constraints, and late arrival of resources from the AGD (audit work could not start until the second quarter).

**Score = D**

### **Dimension 26.4 Response to internal audits**

The level of implementation of audit recommendations is also low and still remains a challenge. The Internal Audit Department reported in its 2015 Annual Report that of the 93 audits that were conducted, a total of 644 audit recommendations were proffered. Of these recommendations, 170 (26.4%) were fully implemented whilst 37 (5.7%) were partly implemented and 437 (67.9%) were yet to be implemented. There has been a marginal improvement with regard to implementation of audit recommendations compared to FY2015. From the 176 completed audits in 2016, 1,411 recommendations were made, but 916 (65%) were yet to be implemented at the end of the year (according to IAD 2016 Performance Report (page 6)). This shows that 35% of recommendations on FY2016 were implemented as against 33.1% in FY2015.

Attitudes are changing and the status of internal audit is rising. The IAD has been upgraded from a Division to a Department.

**Score = D**

| SCORE  | Scoring Method M1 (WL). Minimum Requirements:   |
|--|---|
| <b>26.1: Coverage of internal audit</b>                      |   |
| A  | Internal audit is operational for <i>all</i> central government entities.   |
| B  | Internal audit is operational for central government entities representing <i>most</i> total budgeted expenditures and for central government entities collecting <i>most</i> budgeted government revenue.  |
| C  | Internal audit is operational for central government entities representing the <i>majority</i> of budgeted expenditures and for central government entities collecting the majority of budgeted government revenue.   |
| D  | Performance is less than required for a C score.  |
| <b>26.2: Nature of audits and standards applied</b>          |   |
| A  | Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls. A quality assurance process is in place within the internal audit function and audit activities meet professional standards, including focus on high risk areas. |
| B  | Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls.  |
| C  | Internal audit activities are primarily focused on financial compliance.  |
| D  | Performance is less than required for a C score.  |
| <b>26.3: Implementation of internal audits and reporting</b> |   |
| A  | Annual audit programs exist. <i>All</i> programmed audits are completed, as evidenced by the distribution of the reports to their appropriate parties.  |
| B  | Annual audit programs exist. <i>Most</i> programmed audits are completed, as evidenced by the distribution of their reports to the appropriate parties.   |
| C  | Annual audit programs exist. The <i>majority</i> of programmed audits are completed, as evidenced by the distribution of their reports to the appropriate parties.  |
| D  | Performance is less than required for a C score.  |
| <b>26.4: Response to internal audits</b>                     |   |
| A  | Management provides a full response to audit recommendations for <i>all</i> entities audited within twelve months of the report being produced.   |
| B  | Management provides a partial response to audit recommendations for <i>most</i> entities audited within twelve months of the report being produced.   |
| C  | Management provides a partial response to audit recommendations for the <i>majority</i> of entities audited.  |
| D  | Performance is less than required for a C score.  |

| Indicator/Dimension             | Score     | Brief justification for the score   |
|---------------------------------|-----------|---|
| <b>PI-26 Internal audit</b>     | <b>D+</b> | <b>Scoring Method M1</b>  |
| 26.1 Coverage of internal audit | B         | Internal Audit arrangements cover at least 76% of budgeted expenditure for 2016 and |

|  |   |  |
|--|---|--|
|  |   | 2017 and cover also the National Revenue Authority which is responsible for collecting most of the revenues.   |
| 26.2 Nature of audits and standards applied          | C | The majority of 2016 activities are primarily focused on financial compliance.   |
| 26.3 Implementation of internal audits and reporting | D | Only 48% of 2016 Audit Plan was executed, mainly due to lack of funding and manpower capacity.   |
| 26.4 Response to internal audits                     | D | In 2016 it is reported that 35% of recommendations were implemented and in 2015 the Internal Audit Department calculated that 33% of prior year recommendations were addressed to various degrees. |

### Ongoing and planned reforms

The PFMICP is funding fully independent Audit Committees in five BUs for a trial period of one year. IAD has drafted an Enterprise Risk Management policy and framework for GoSL, which is being reviewed by stakeholders. Training has been given to all internal auditors on the new Audit Manual. 17 internal auditors have registered for the professional CIIA examination.

## 3.6 Pillar VI - Accounting and reporting

### PI-27 Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data and consists of four dimensions: Dimension 27.1 assesses the regularity of bank reconciliations, dimension 27.2 assesses the extent to which suspense accounts, including sundry deposits/liabilities, are reconciled on a regular basis and cleared in a timely way, dimension 27.3 assesses the extent to which advance accounts are reconciled and cleared. Advances cover amounts paid to vendors under public procurement contracts as well as travel advances and operational imprests. Dimension 27.4 assesses the extent to which processes support the delivery of financial information and focuses on data integrity defined as accuracy and completeness of data.

Advance and suspense accounts are not defined by the PFMA or cash-IPSAS. In the context of this assessment, advance accounts are taken to be accounts with debit balances which are opened temporarily pending recovery or transfer to appropriate expenditure accounts. They may include contractor advances, travel advances, staff advances and operational imprests.

Suspense accounts are credit balances representing deposits, trust monies, and unclassified revenue pending repayment or revenue classification. In Sierra Leone, there are no suspense accounts.

#### Dimension 27.1 Bank account reconciliation

The Accountant General's office is responsible for the daily bank reconciliations of the central government treasury bank accounts. A status analysis of bank reconciliations for October 2017 showed

that all accounts had been reconciled. Out of 48 accounts, seven accounts had reconciling items (see Table 24) whilst 29 of the remaining accounts balanced without any differences between cashbook, trial balance and bank statements. 12 accounts had zero balances.

There are also many departmental accounts with commercial banks that are in the process of being closed and balances transferred to the main Treasury account. Their reconciliation is not supervised by AGD, but their balances are insignificant compared with the Treasury accounts. It should be noted that schools and health facilities all have their own bank accounts into which government transfers are paid.

The Accountant General investigated the extent and status of all bank accounts held by government bodies and reported<sup>25</sup> the results as follows:

*The total number of public sector bank accounts for MDAs in Government currently stands at 1,620 bank accounts, including 180 for local councils, 337 for projects and 440 for sub-vented agencies. Most of these bank accounts are outside the Treasury bank accounts held at the Bank of Sierra Leone but are all currently being monitored by the Accountant General's Department. The Accountant General gave instructions in October 2016 to close all bank accounts that have been dormant for over one year and to rationalize those that are considered active.*

The focus here is on bringing the departmental bank accounts (currently 343) into IFMIS. The cash flows in these bank accounts do not form part of the in-year and annual financial reports. These are not captured in IFMIS. However the balances of some of these accounts are included in the annual public accounts prepared by the Accountant General.

**Table 24 Analysis of bank reconciliations**

| Account Ref | Account Name                    | Cashbook (Le'm) | Trial Balance (Le'm) | Bank Statement (Le'm) | Nature of reconciling differences             |
|-------------|---------------------------------|-----------------|----------------------|-----------------------|---|
| 1100501     | Treasury Main (Note 1)          | 69,073          | 92,578               | 39,507                | Outstanding transactions and opening balances |
| 1100512     | Other Charges                   | (2,253,507)     | (2,253,507)          | (1,347,136)           | Opening balances and unrepresented cheques    |
| 1100515     | Salaries                        | (1,355,819)     | ( 355,819)           | (1,183,972)           | Return payments and differences in cheques    |
| 1100516     | Pensions                        | ( 103,568)      | ( 1,3 568)           | ( 67,602)             | Unrepresented cheques                         |
| 1100573     | Salary Advances                 | ( 542,505)      | ( 542,505)           | ( 4,3 000)            | Unrepresented cheques                         |
| 1100814     | External Debt Services          | ( 196,545)      | ( 196,545)           | ( 213,168)            | Outstanding transaction                       |
| 1002991     | Catastrophic Containment Relief | (1,082,329)     | ( 982,872)           | ( 5,854)              | No details supplied                           |

Source: Accountant General Department, October 2017 Status Report on Bank Reconciliations dated 12 November 2017

<sup>25</sup> Concept Note - Bringing ministries' departmental bank accounts into IFMIS

Note 1: One reason for the cashbook and trial balance disagreement is that expenditure directions are presented directly to the Central Bank after Presidential and Finance Secretary approval. These payments are processed in the cashbook only after they are picked up through the bank reconciliation process. Payments in foreign exchange necessarily originate in the bank statements.

**Score = B**

#### **Dimension 27.2 Suspense accounts**

Based on review of the annual financial statements (2014–2016), inspection of the trial balance, discussions with BUs and review of the Auditor General reports (2014, 2015), there are no suspense accounts within the assets and liabilities i.e. receivables and payables.

**Score = Not applicable**

#### **Dimension 27.3 Advance accounts**

Advances to contractors and travel advances are charged immediately to expenditure. They are not accounted for as advances and retired on later documentation. This practice risks overstating expenditure by the amount of advances unexpended at any given time.

The 2015 annual financial statements state in the Accountant General’s report (paragraph E (iii) – Loans and Advances) that advances issued to government employees are interest free and repayable within three years by deduction from salaries. In fact, these are not advances that need to be cleared annually, but loans. There are no advances on the books of the AGD.

**Score = Not applicable**

#### **Dimension 27.4 Financial data integrity processes**

##### **BUDGET AND PAYMENTS**

The Accountant General Department is responsible for capturing budget and expenditure information and access by BUs is ‘read only’. AGD access is restricted to password holders, and the author and time of every change is recorded, creating an audit trail. The Government contracted for only 30 licences in total. Where there is no connection with a BU, reports are printed and made available. AGD has a Monitoring and Evaluation Unit that tests each year the completeness and correctness of a sample of payment vouchers. For 2016, 95% of the sample were found to be complete according to a check list, and 92% were correct.

##### **IFMIS PAYROLL**

The HRMO office has access to the system and a senior official (Deputy Director: Payroll Changes) quality assures changes through Payroll Change Forms (new appointments, promotions, leave etc.). The AGD authorizes these changes electronically before they can be processed and effected on the payroll. Once changes are processed on the payroll a Payroll Voucher report is generated monthly that serves as an audit trail. BUs then receive the monthly payroll for checking and validating changes made.

##### **GENERAL – ICT ENVIRONMENT**

The Director ICT indicated that there are challenges with the general control environment such as protection of passwords to limit or prevent unauthorized access to data and information. The system is maintained by the IFMIS System Administrator as an independent official not involved with processing of operational transactions.

Score = B

| Score   | Minimum requirements for scores   |
|---|---|
| <b>27.1. Bank account reconciliation</b>        |   |
| <b>A</b>  | Bank reconciliation for <i>all</i> active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week from the end of each week.                                       |
| <b>B</b>  | Bank reconciliation for <i>all</i> active central government bank accounts takes place at least monthly, usually within 4 weeks from the end of each month.   |
| <b>C</b>  | Bank reconciliation for <i>all</i> active central government bank accounts takes place at least quarterly, usually within 8 weeks from the end of each quarter.   |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>27.2. Suspense accounts</b>                  |   |
| <b>A</b>  | Reconciliation of suspense accounts takes place at least monthly, within a month from the end of each month. Suspense accounts are cleared in a timely way, no later than the end of the fiscal                                   |
| <b>B</b>  | Reconciliation of suspense accounts takes place at least quarterly within two months from the end of each quarter. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified. |
| <b>C</b>  | Reconciliation of suspense accounts takes place annually, within two months from the end of the year. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year                                     |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>27.3. Advance accounts</b>                   |   |
| <b>A</b>  | Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month.   |
| <b>B</b>  | Reconciliation of advance accounts takes place at least quarterly within two months from the end of each quarter. <i>Most</i> advance accounts are cleared in a timely way.   |
| <b>C</b>  | Reconciliation of advance accounts takes place annually, within two months from the end of the year. Advance accounts may frequently be cleared with delay.   |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>27.4. Financial data integrity processes</b> |   |
| <b>A</b>  | Access and changes to records is restricted and recorded, and results in an audit trail. There is an operational body, unit or team in charge of verifying financial data integrity.  |
| <b>B</b>  | Access and changes to records is restricted and recorded, and results in an audit trail.  |
| <b>C</b>  | Access and changes to records is restricted and recorded.   |
| <b>D</b>  | Performance is less than required for a C score.  |

| Indicator/Dimension            | Score    | Brief justification for the score |
|--------------------------------|----------|-----------------------------------|
| PI-27 Financial data integrity | <b>B</b> | <b>Scoring Method M2</b>          |

| <b>Indicator/Dimension</b>   | <b>Score</b> | <b>Brief justification for the score</b>  |
|--|--------------|---|
| 27.1 Regularity of bank reconciliation                               | B            | Bank reconciliations of all Treasury accounts are done daily at detailed level only and within a week. Treasury accounts represent over 90% by value of all government bank accounts. |
| 27.2 Regularity of reconciliation and clearance of suspense accounts | NA           | The trial balance and AFS do not show any credit balance suspense accounts or deposits. This dimension does not apply in Sierra Leone.  |
| 27.3 Regularity of reconciliation and clearance of advance accounts  | NA           | No advances are raised. This dimension does not apply in Sierra Leone.  |
| 27.4 Processes supporting financial data integrity                   | B            | Access is restricted and audit trails are generated. Ministries have a read-only facility whilst processing/capturing is centralized within the Accountant General Department.        |

### **PI-28 In-year budget reports**

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution and consists of three dimensions. Dimension 28.1 assesses the extent to which information is presented in in-year reports and in a form that is easily comparable to the original budget, dimension 28.2 assesses whether this information is submitted in a timely manner and accompanied by an analysis and commentary on budget execution, and dimension 28.3 assesses the accuracy of the information submitted, including whether expenditure for both the commitment and the payment stage is provided.

#### **Dimension 28.1 Coverage and comparability of reports**

The accounting and budget system is centralized on the IFMIS system and accessible only by AGD for processing transactions. BUs have a “read only” facility, so all reporting is done by AGD. System-generated monthly monitoring reports show aggregate revenue and expenditure on an economic classification but do not enable direct comparison to the original budget for the main administrative headings (expenditure heads). Discussions with ministries confirmed that deviations are not explained as part of the in-year reporting and monitoring process. In-year reports also do not disclose the extent of virements allowed (in line with PFMA s43 and Financial Management Regulations 2007, s30) to explain shifting of funds within the original budget.

The annual budget includes transfers to the extra-budgetary entities and imprest advances to several BUs but the actual expenditure of these entities is not included in the monthly reports.

**Score = D**

#### **Dimension 28.2 Timing of in-year budget reports**

Section 66(1) of the Public Financial Management Act requires that the Accountant General prepare and publish by way of a Gazette and on its website a monthly statement of actual revenues and expenditure and on a quarterly basis as required by section 66(2). The quarterly report should include

in addition an overview of progress in budget execution and a copy of the quarterly report should be presented to Parliament.

The latest monthly report on the MoFED website<sup>26</sup> was for August 2017, posted on 22 November, which is 11 weeks after the end of the period. Gazette notices are published later. The reports during 2016 were also late. No quarterly reports have been seen, and the monthly reports do not include any commentary on budget execution.

**Score = D**

### **Dimension 28.3 Accuracy of in-year budget reports**

Expenditure is captured at commitment and payment stage.

The monthly report shows income and expenditure derived from the centralized IFMIS system in order to ensure accuracy of actual expenditure payments and revenue. There are large amounts of expenditure which are booked in the year, but the cheques not released. Nevertheless, the data is useful for analysis of budget execution. Reports are used by MoFED and BUs knowing that they include cheques that have not been released. In effect, this is not an inaccuracy but a shift in the basis of recording expenditure.

**Score = C**

| <b>SCORE</b>                                       | <b>Scoring Method M1 (WL). Minimum Requirements:</b>   |
|--|--|
| <b>28.1: Coverage and comparability of reports</b> |  |
| <b>A</b>   | Coverage and classification of data allows direct comparison to the original budget. Information includes <i>all</i> items of budget estimates. Expenditures made from transfers to de-concentrated units within central government are included in the reports. |
| <b>B</b>   | Coverage and classification of data allows direct comparison to the original budget with partial aggregation. Expenditures made from transfers to de-concentrated units within central government are included in the reports.                                   |
| <b>C</b>   | Coverage and classification of data allows direct comparison to the original budget for the main administrative headings.  |
| <b>D</b>   | Performance is less than required for a C score.   |
| <b>28.2: Timing of in-year budget reports</b>      |  |
| <b>A</b>   | Budget execution reports are prepared monthly, and issued within two weeks from the end of each month.   |
| <b>B</b>   | Budget execution reports are prepared quarterly, and issued within four weeks from the end of each quarter.  |
| <b>C</b>   | Budget execution reports are prepared quarterly (possibly excluding first quarter), and issued within 8 weeks from the end of each quarter.  |
| <b>D</b>   | Performance is less than required for a C score.   |

<sup>26</sup> The MoFED website was not functional during the field assessment period.



| SCORE   | Scoring Method M1 (WL). Minimum Requirements:  |
|---|--|
| <b>28.3: Accuracy of in-year budget reports</b> |  |
| <b>A</b>  | There are no material concerns regarding data accuracy. An analysis of the budget execution is provided by whatever budget classifications are in use. Information on expenditure is covered at both commitment and payment stages.  |
| <b>B</b>  | There may be concerns regarding data accuracy. Data issues are highlighted in the report and the data is consistent and useful for analysis of budget execution. An analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at least at payment stage. |
| <b>C</b>  | There may be concerns regarding data accuracy. Data is useful for analysis of budget execution. Expenditure is captured at least at payment stage.   |
| <b>D</b>  | Performance is less than required for a C score.   |

| Indicator/Dimension                        | Score     | Brief justification for the score   |
|--|-----------|---|
| <b>PI-28 In-year budget reports</b>        | <b>D+</b> | <b>Scoring Method M1</b>  |
| 28.1 Coverage and comparability of reports | D         | Reporting is done on a centralized basis from the IFMIS but does not provide details for the main administrative headings (BUs). Detailed expenditure reports from extra-budgetary entities are also not included.  |
| 28.2 Timing of in-year budget reports      | D         | Monthly reports are published by way of posting on the MoFED website and by gazette notice. The monthly report for August 2017 was posted on 22 November 2017, which is > 8 weeks after the end of the period. Gazette notices are also late. There is no commentary on budget execution. |
| 28.3 Accuracy of in-year budget reports    | C         | There is concern over the accuracy of data. Reports are however useful for budget analysis.   |

### Ongoing and planned reforms

Coverage of in-year reports is being extended. Civil society organizations and NGOs are being given training on PFM, procurement and revenue sources.

### PI-29 Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards and consists of three dimensions: dimension 29.1 assesses the completeness of financial reports, dimension 29.2 assesses the timeliness of submission of reconciled year-end financial reports for external audit as a key indicator of the effectiveness of the accounting and financial reporting system, and dimension 29.3 assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency.

### Dimension 29.1 Completeness of annual financial reports

The 2016 annual financial statements are a comprehensive set of accounts which were presented for audit on 31 March 2017 (three months after the 2016 financial year end). They were prepared mainly according to IPSAS Cash Basis and included the following information i.e.

|   | Le.mn      |
|---|------------|
| ▪ Revenue   | 6,542,948  |
| ▪ Expenditure   | 6,769,065  |
| ▪ Financial assets (bank and cash, page 16)   | (208,681)  |
| ▪ Financial liabilities   | 3,153,606  |
| ▪ Guarantees (note 25)  | 58,200,000 |
| ▪ Long term liabilities   | 9,804      |
| ▪ A statement of comparison to budget (page 15) - comparison is done by economic classification on a consolidated basis |            |
| ▪ Statement on cash movements (included in Statement of Receipts and Payments) (page 14)                                |            |

In addition, the statements include comparative figures and accounting policies and notes to supplement the balances presented (page 18 onwards). The accounts do not provide details of tangible (non-financial) assets.

**Score = B**

### Dimension 29.2 Submission of reports for external audit

The 2016 annual financial statements for the year ending 31 December 2016 were submitted within three months on 31 March 2017 in line with section 87(1) of the Public Financial Management Act. The prior year financial statements (2014 and 2015) were also submitted within the three months as required by the former Government Budgeting and Accountability Act, 2005.

**Score = A**

### Dimension 29.3 Accounting standards

The Government abandoned the former modified cash basis and adopted cash-IPSAS as the basis for compiling its annual financial statements as required by section 83 of the Public Financial Management Act and as disclosed in the annual financial statements. The IPSAS basis has been consistently applied over the last three fiscal years. The Auditor General has reported for both 2014 and 2015 that these statements do *not* comply with IPSAS in all respects as set out below and issued qualified audit opinions for both the 2014 and 2015 financial years.

Table 25 Auditor General qualification matters on IPSAS compliance

| Financial Year | Qualification Matters   |
|----------------|---|
| 2015           | <ul style="list-style-type: none"><li>▪ Payments by third parties not reported</li><li>▪ Material difference between budget and actual performance is not explained</li></ul> |
| 2014           | <ul style="list-style-type: none"><li>▪ Payments by third parties not reported</li></ul>  |

The cash-IPSAS standard changed in October 2017. It is no longer mandatory for payments by third parties such as donor payments for development projects to be included in the accounts but only 'encouraged'. This will apply to annual financial statements from 2017. An explanation of material

differences between budget and actual performance is still required before it can be claimed that accounts comply with cash-IPSAS. Other points of non-compliance were set out in a recent IMF report.<sup>27</sup>

Score = C

| SCORE   | Scoring Method M1 (WL). Minimum Requirements:   |
|---|---|
| <b>29.1: Completeness of annual financial reports</b> |   |
| <b>A</b>  | Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees and long-term obligations, and are supported by a reconciled cash flow statement.   |
| <b>B</b>  | Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain information on at least revenue, expenditure, financial assets, financial liabilities, guarantees and long-term obligations.   |
| <b>C</b>  | Financial reports for budgetary central government are prepared annually, and are comparable with the approved budget. They include information on revenue, expenditure and cash balances.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>29.2: Submission of reports for external audit</b> |   |
| <b>A</b>  | Financial reports for budgetary central government are submitted for external audit within 3 months of the end of the fiscal year.  |
| <b>B</b>  | Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.  |
| <b>C</b>  | Financial reports for budgetary central government are submitted for external audit within 9 months of the end of the fiscal year.  |
| <b>D</b>  | Performance is less than required for a C score.  |
| <b>29.3: Accounting standards</b>                     |   |
| <b>A</b>  | Accounting standards applied to <i>all</i> financial reports are consistent with international standards. <i>Most</i> international standards have been incorporated into the national standards. Variations between international and national standards are disclosed and any gaps are explained. The standards used in preparing annual financial reports are disclosed in notes to the reports. |
| <b>B</b>  | Accounting standards applied to <i>all</i> financial reports are consistent with the country's legal framework. The <i>majority</i> of international standards have been incorporated into the national standards. Variations between international and national standards are disclosed and any gaps are explained. The standards used in preparing annual financial reports are disclosed.        |
| <b>C</b>  | Accounting standards applied to <i>all</i> financial reports are consistent with the country's legal framework and ensure consistency of reporting over time. The standards used in preparing annual financial reports are disclosed.   |
| <b>D</b>  | Performance is less than required for a C score.  |

<sup>27</sup> IMF (2017) Strengthening Accounting and Reporting, by Jaideep Mishra and David Watkins, June.

| Indicator/Dimension                           | Score     | Brief justification for the score  |
|---|-----------|--|
| <b>PI-29 Annual financial reports</b>         | <b>C+</b> | <b>Scoring Method M1</b>   |
| 29.1 Completeness of annual financial reports | B         | A comprehensive set of annual accounts is presented on the IPSAS cash basis. The accounts do not disclose tangible assets, only revenue, expenditure, financial assets and liabilities   |
| 29.2 Submission of reports for external audit | A         | The 2016 annual financial statements for the year ending 31 December 2016 were submitted 31 March 2017   |
| 29.3 Accounting standards                     | C         | AFS are prepared using the IPSAS cash basis, which has been approached over the last three years (2014, 2015, 2016). AFS are also consistent with the Government Budgeting and Financial Accountability Act, which applied up to 2016. |

### Ongoing and planned reforms

The Accountant General is planning to prepare annual consolidated central government accounts by incorporating the accounts of SVAs and other central government extra-budgetary entities. The Accountant General has adopted the cash-based IPSAS as the standard for producing the annual financial statements. Since the standard was relaxed in 2017 (with fewer mandatory requirements), full compliance has become easier and could be achieved with the 2017 statements.

## 3.7 Pillar VII - External scrutiny and audit

### PI-30 External audit

This indicator examines the characteristics of external audit and contains four dimensions. Dimension 30.1 assesses key elements of external audit in terms of the scope and coverage of audit, as well as adherence to auditing standards. Dimension 30.2 assesses the timeliness of submission of the audit report(s) on budget execution to the legislature, as a key element in ensuring timely accountability of the executive to the legislature and the public. Dimension 30.3 assesses the extent to which effective and timely follow-up on external audit recommendations or observations is undertaken by the executive or audited entity, and dimension 30.4 assesses the independence of the supreme audit institution (Audit Service Sierra Leone, ASSL) from the executive. Dimensions 30.1, 30.2, and 30.3 are scored on the basis of the last three years, FY 2014-2016. Dimension 30.4 is scored on performance at the time of this assessment.

Inclusion of some aspects of performance audit would also be expected of a high-quality audit function, but this is covered in PI-8 Performance information for service delivery, dimension 8.4.

#### Indicator 30.1 Audit coverage and standards

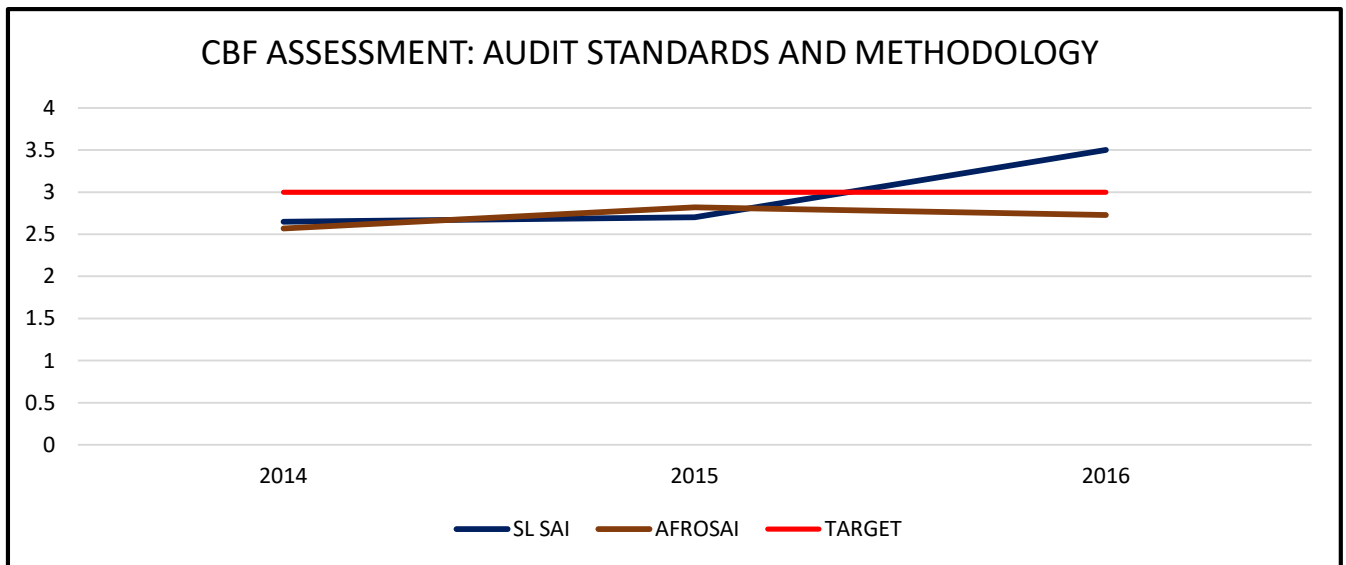
The legal and regulatory framework (*the Government Budgeting and Accountability Act, 2005 (sections 57 - 59); Public Financial Management Act, 2016 (sections 87 – 89)*) provide that consolidated annual financial statements should be compiled and submitted by the Accountant General for audit. The Auditor General audits entities, transactions and balances on a sample basis according to her assessment of risk. As at the time drafting this report, the 2016 Audit Report has not

been issued as it is due only by 31 December (refer discussion in dimension 30.2). The Auditor General confirms that the audit methodology adopted for 2016 remained unchanged.

The Auditor General formally publishes statistics on audit coverage (and follow-up on prior year recommendations) in its annual report each year and these statistics are used in the assessment of dimension 30.1 and 30.3. In the 2014 report the Auditor General indicates 85% coverage against the budget and, based on our own calculations, 80% against actual expenditure for 2014. This difference is insignificant for purpose of scoring dimension 30.1. In 2015 the Auditor General reported 88% coverage of actual expenditure.

Both the recent public financial management legislation (PFMA 2016, section 92) and Audit Service Act, 2014 (section 11) require the Auditor General to comply with the INTOSAI audit standards. The Auditor General confirmed compliance as part of the audit report for both 2014 and 2015, and for 2016 (audit report yet to be published). Quality review is done on a self-assessment basis through the Institutional Capacity Building Framework developed and monitored by AFROSAI-E (the regional representative of INTOSAI) and the published results are set out in figure 1 below as evidence that audits are conducted using the ISSAIs to a great extent and have improved significantly in 2016.

**Figure 1 SAI CBF scores: audit standards**



Source: AFROSAI-E Publications – 2016 State of the Region Report, 2014 and 2015 Transversal Activity reports

**Score = B**

**Dimension 30.2 Submission of audit reports to the legislature**

Copies of the actual submissions were produced and confirmed the following dates:

**Table 26 Audit report submission dates**

| <b>Financial Year</b> | <b>Date of receipt of AFS by ASSL</b> | <b>Audit report submission to parliament due date by Law</b> | <b>Actual date of submission of Audit Report to Parliament</b> | <b>Remarks</b>                       |
|-----------------------|---------------------------------------|--|--|--------------------------------------|
| FY2013                | 31 March 2014                         | 31 December 2014   | 17 December 2014   | 9 months from date of receipt of AFS |
| FY2014                | 31 March 2015                         | 31 December 2015   | 7 December 2015  | 9 months from date of receipt of AFS |
| FY2015                | 31 March 2016                         | 31 December 2016   | 22 December 2016   | 9 months from date of receipt of AFS |

Source: Copy of ASSL cover letters

**Score = C**

### **Dimension 30.3 External audit follow-up**

This dimension assesses the extent to which effective and timely follow-up of external audit recommendations or observations is undertaken by the executive and/or audited entity. Evidence of effective follow up of the audit findings includes the issue by the executive or audited entity of a formal written response to the audit findings indicating how these will be or already have been addressed. Reports on follow-up may provide evidence of implementation by summing up the extent to which the audited entities have cleared audit queries and implemented audit recommendations or observations. Note that follow-up to recommendations issued by the legislature is assessed separately under PI-31 Legislative scrutiny of audit reports.

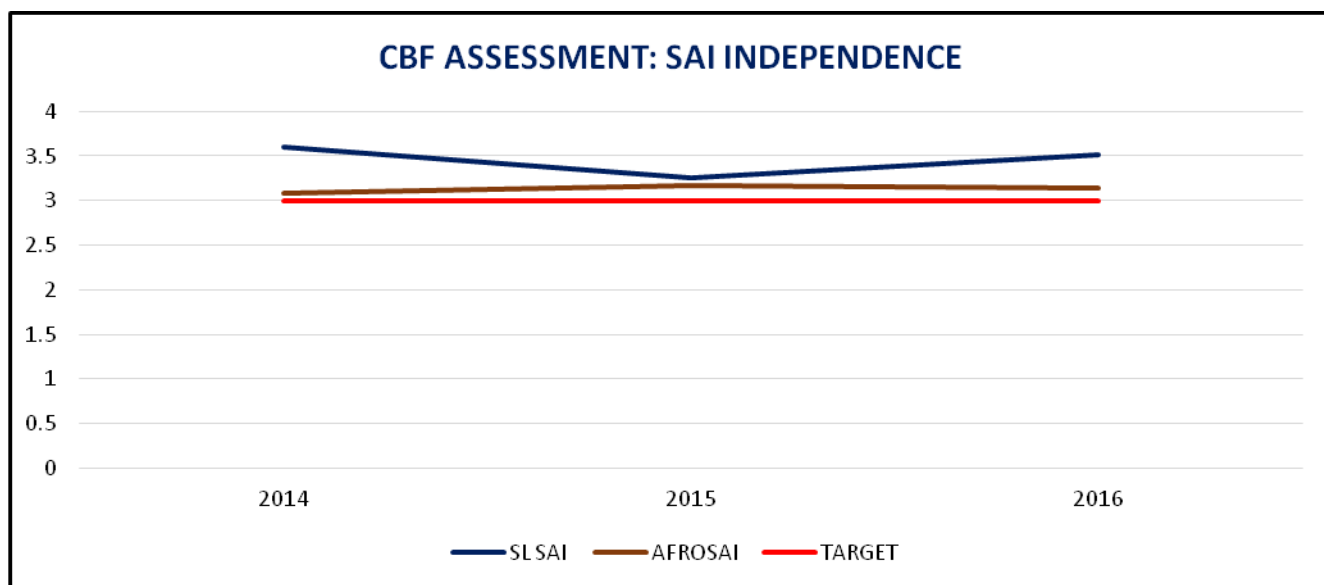
The Auditor General and ministries confirmed that Management Letters are issued after individual audits giving auditees the opportunity to respond formally. The majority of entities respond but responses may be deemed not to be comprehensive enough to address the root causes. Based on discussion with BUs, the Internal Audit Units are monitoring the extent of addressing these recommendations. No formal Action Plans or similar tools are developed to measure and report on actual progress within a year.

**Score = C**

### **Dimension 30.4 Supreme audit institution (SAI) independence**

The appointment of the Auditor General is made by the President subject to approval by Parliament as provided in the Constitution (s119(1)) and by the Audit Service Act, 2014 (s13). In terms of section 119(2) of the Constitution, sections 16 and 90 of the 2016 PFMA and section 12 of the Audit Service Act, the Auditor General should audit all spheres of government and should have unrestricted access to all information, records and officials. The Auditor General confirmed that except for information that could not be presented for audit purposes as reported, there were no restrictions on access as shown in figure 2 below. Sections 16(1)(b) and 95 of the 2016 PFMA require that the Auditor General submit her reports directly to Parliament and she does so.

Figure 2 SAI CBF scores: independence



Source: AFROSAI-E Publications – 2016 State of the Region Report, 2014 and 2015 Transversal Activity reports

Score = C

| SCORE   | Scoring Method M1 (WL). Minimum Requirements:  |
|---|--|
| <b>30.1: Audit coverage and standards</b>                   |  |
| A   | Financial reports including revenue, expenditure, assets and liabilities of <i>all</i> central government entities have been audited using ISSAIs or consistent national auditing standards during the last three completed fiscal years. The audits have highlighted any relevant material issues and systemic and control risks. |
| B   | Financial reports of central government entities representing <i>most</i> total expenditures and revenues have been audited using ISSAIs or national auditing standards during the last three completed fiscal years. The audits have highlighted any relevant material issues and systemic and control risks.                     |
| C   | Financial reports of central government entities representing the <i>majority</i> of total expenditures and revenues have been audited, using ISSAIs or national auditing standards during the last three completed fiscal years. The audits have highlighted any relevant significant issues.                                     |
| D   | Performance is less than required for a C score.   |
| <b>30.2: Submission of audit reports to the legislature</b> |  |
| A   | Audit reports were submitted to the legislature within 3 months from receipt of the financial reports by the audit office for the last three completed fiscal years.   |
| B   | Audit reports were submitted to the legislature within 6 months from receipt of the financial reports by the audit office for the last three completed fiscal years.   |
| C   | Audit reports were submitted to the legislature within 9 months from receipt of the financial reports by the audit office for the last three completed fiscal years.   |

| SCORE   | Scoring Method M1 (WL). Minimum Requirements:   |
|---|---|
| D   | Performance is less than required for a C score.  |
| <b>30.3: External audit follow-up</b>                     |   |
| A   | There is clear evidence of effective and timely follow up by the executive, or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years.   |
| B   | A formal and comprehensive response was made by the executive, or the audited entity on audits for which follow-up was expected, in a timely manner, during the last three completed fiscal years.  |
| C   | A formal response was made by the executive, or the audited entity on audits for which follow up was expected, during the last three completed fiscal years.  |
| D   | Performance is less than required for a C score.  |
| <b>30.4: Supreme Audit Institution (SAI) independence</b> |   |
| A   | The SAI operates independently from the executive, ensured through legislation, procedures for appointment and removal of the Head of the SAI, the planning of audit engagements, arrangements for publicizing reports as well as the approval and execution of the SAI's budget. The SAI has unrestricted and timely access to records, documentation and information. |
| B   | The SAI operates independently from the executive, ensured through the procedures for appointment and removal of the Head of the SAI, the planning of audit engagements as well as the approval and execution of the SAI's budget. The SAI has unrestricted and timely access to records, documentation and information for <i>most</i> audited entities.               |
| C   | The SAI operates independently from the executive, ensured through the procedures for appointment and removal of the Head of the SAI as well as the execution of the SAI's budget. The SAI has unrestricted and timely access to the <i>majority</i> of the requested records, documentation and information.   |
| D   | Performance is less than required for a C score.  |

| Indicator/Dimension                                 | Score     | Brief justification for the score  |
|---|-----------|--|
| <b>PI-30 External audit</b>                         | <b>C+</b> | <b>Scoring Method M1</b>   |
| 30.1 Audit coverage and standards                   | B         | Most public entities are audited (2016 - 80% of actual expenditure, 2015 – 88% of actual expenditure, 2014 - 85% of Budget,) and the SAI conducts audits in line with the INTOSAI International Audit Standards. Comprehensive reporting is done annually highlighting details of concerns, risk, control weaknesses and incidents of non-compliance |
| 30.2 Submission of audit reports to the legislature | C         | The 2013, 2014 and 2015 audit reports were submitted within 9 months of receiving the annual financial statements.   |
| 30.3 External audit follow-up                       | C         | The executive issues formal responses to all audit queries. Responses to the Management Letters and audit recommendations do not indicate strategies for dealing with the root causes.   |



|   |   |   |
|---|---|---|
| 30.4 Supreme audit institution (SAI) independence | C | The regularity framework provides comprehensively for a high degree of independence. In practice however, ASSL annual budget is subject to MOFED approval. Quarterly allotments are also significantly affected |
|---|---|---|

### Ongoing and planned reforms

MoFED will require that all recommendations of the Auditor General, including audit queries, are addressed by BUs in a timely manner. In particular, it will require all BUs flagged in the annual Auditor General's report to submit within three months of the report's presentation in Parliament, both to MoFED and to Parliament, a timetable for addressing the Auditor General's recommendations. Within nine months, each such BU will be required to submit a report showing how those recommendations have been addressed (or why they believe the recommendations are inappropriate).

Coverage of audit is being extended, and its scope has been widened to include procurement audits, revenue audit and environmental audit

### PI-31 Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of central government and has four dimensions: Dimension 31.1 assesses the timeliness of the legislature's scrutiny, which is a key factor in the effectiveness of the accountability function, dimension 31.2 assesses the extent to which hearings on key findings of the SAI take place, dimension 31.3 assesses the extent to which the legislature issues recommendations and follows up on their implementation, and dimension 31.4 assesses the transparency of the scrutiny function in terms of public access. All dimensions are scored by reference to the last three years, 2014-2016.

#### Dimension 31.1 Timing of audit report scrutiny

There is a significant delay in concluding the PAC hearings, formulating recommendations and tabling the PAC report to Parliament. There is no time limit on this process. The PAC scrutinizes the audit report of the consolidated financial statements and completes its activities only 14 months after receiving the audit report from the Auditor General.

- The 2014 recommendations were tabled 21 February 2017 (14 months after submission of the Auditor General's report)
- The 2015 recommendations have not been tabled at the time of the assessment in November 2017
- The 2016 Audit Report is due 31 December 2017 as provided for in the PFMA (s88) so the PAC will see the findings only when Parliament refers the report to the Committee.

**Score = D**

#### Dimension 31.2 Hearings on audit findings

Based on discussions with representatives of the Public Accounts Committee, the PAC review and scrutiny is based on audit findings (in management letters and audit reports) and technical guidance provided by the ASSL (technical staff permanently stationed at Parliament). In-depth hearings are conducted for the majority of entities (with adverse opinion) referred to in these reports. In-depth hearings did not cover most (over 75%) of audited entities.

Score = C

### Dimension 31.3 Recommendations on audit by the legislature

The PAC indicated that reliance is placed on the Internal Audit units to monitor implementation of both the PAC and Auditor General recommendations, but no formal progress reports are compiled. It is only when the next year's audit and annual reports are received that the PAC considers the extent of implementation. Discussions with ministries confirmed that one of the main activities of the Internal Audit units is to follow up on the recommendations made by both the Auditor General and PAC. No specific action plans are prepared, so the statistics provided by the Auditor General are used to assess this dimension.

The Auditor General made special reference in the 2014 report that two significant areas are of great concern as prior year recommendations have not been implemented, these being resourcing of health facilities and maintaining accurate asset registers. The impact of the Ebola virus epidemic could have been softened if all recommendations had been implemented. Furthermore, ministries and entities are not able to identify and account for losses of state property due to the poor state of the Asset Registers. In total only 24% of the prior year's recommendations were adequately implemented (2013 – 19%).

Score = C

### Dimension 31.4 Transparency of legislative scrutiny of audit reports

The representatives of the PAC indicated that all hearings are open to the public at all times, with the exception of highly sensitive and security issues that are heard in camera. Committee meetings are held frequently throughout the year. Often meetings with a BU are not concluded within a specific day and result in multiple postponements and the general public may not always be aware of the follow-up meeting date(s). Civil society organisations have confirmed that PAC conducts public hearings when reviewing audit reports. Hearings are postponed due to absence or unavailability of committee members or representatives from the auditees.

Once all hearings for the year have been concluded the PAC compiles its report for tabling in Parliament and publishing on its website:

<http://www.parliament.gov.sl/Committees/Committees/PUBLICACCOUNTSCOMMITTEE.aspx>

Score = C

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:   |
|--|---|
| <b>31.1: Timing of audit report scrutiny</b> |   |
| A  | Scrutiny of audit reports on annual financial reports has been completed by the legislature within 3 months from receipt of the reports   |
| B  | Scrutiny of audit reports on annual financial reports has been completed by the legislature within 6 months from receipt of the reports.  |
| C  | Scrutiny of audit reports on annual financial reports has been completed by the legislature within 12 months from receipt of the reports.   |
| D  | Performance is less than required for a C score.  |
| <b>31.2: Hearings on audit findings</b>      |   |
| A  | In-depth hearings on key findings of audit reports take place regularly with responsible officers from <i>all</i> audited entities which received a qualified or adverse audit opinion or a disclaimer. |

| SCORE  | Scoring Method M2 (AV). Minimum Requirements:  |
|--|--|
| <b>B</b>   | In-depth hearings on key findings of audit reports take place with responsible officers from <i>most</i> audited entities which received a qualified or adverse audit opinion or a disclaimer.   |
| <b>C</b>   | In-depth hearings on key findings of audit reports take place occasionally, covering <i>a few</i> audited entities or may take place with ministry of finance officials only.  |
| <b>D</b>   | Performance is less than required for a C score.   |
| <b>31.3: Recommendations on audit by the legislature</b>           |  |
| <b>A</b>   | The legislature issues recommendations on actions to be implemented by the executive and systematically follows up on their implementation.  |
| <b>B</b>   | The legislature issues recommendations on actions to be implemented by the executive, and follows up on their implementation.  |
| <b>C</b>   | The legislature issues recommendations on actions to be implemented by the executive.  |
| <b>D</b>   | Performance is less than required for a C score.   |
| <b>31.4: Transparency of legislative scrutiny of audit reports</b> |  |
| <b>A</b>   | All hearings are conducted in public except for strictly limited circumstances such as discussions related to national security or similar sensitive discussions. Committee reports are debated in the full chamber of the legislature and published on an official website or by any other means easily accessible to the public. |
| <b>B</b>   | Hearings are conducted in public with <i>a few</i> exceptions in addition to national security or similar sensitive discussions. Committee reports are provided to the full chamber of the legislature and published on an official website or by any other means easily accessible to the public.                                 |
| <b>C</b>   | Committee reports are published on an official website or by any other means easily accessible to the public.  |
| <b>D</b>   | Performance is less than required for a C score.   |

| Indicator/Dimension  | Score | Brief justification for the score   |
|--|-------|---|
| PI-31 Legislative scrutiny of audit reports                | D+    | Scoring Method M2   |
| 31.1 Timing of audit report scrutiny                       | D     | The 2014 PAC report was tabled 14 months after receiving the Auditor General Report. The 2015 PAC report has not yet been tabled at the date of the assessment  |
| 31.2 Hearings on audit findings                            | C     | In depth hearings are held on negative findings on a majority of auditees reported on by the Auditor General.   |
| 31.3 Recommendations on audit by the legislature           | C     | The PAC issues recommendations to the ministries and entities but does not systematically follow up on progress during the year.  |
| 31.4 Transparency of legislative scrutiny of audit reports | C     | All hearings are open to the public and media and the PAC reports are published on the parliamentary website. However, there are significant delays and the latest publicly available PAC report is for FY 2014 |

### **Ongoing and proposed reforms**

Capacity building of members of the PAC, Finance Committee and Transparency Committee and assigned clerks through participation in regional and international conferences and seminars.

## 4. CONCLUSIONS ON THE ANALYSIS OF PFM SYSTEMS

### 4.1 Integrated assessment of PFM performance

The indicator scores in chapter 3 provide the base for the following explanation of their implications for the seven pillars of PFM performance.

#### 1. Budget reliability

This analysis is very important as the budget is the Government's statement of policy for the coming year. If there are high variances, as there have been in the past, the Government's statement cannot be trusted. This has many consequences, all adverse to the country's prospects.

PEFA indicator 1 shows that aggregate expenditure has exceeded budget in each of the last three years, twice by over 10%. This is a slight improvement over the years assessed in 2014, but still gets only a C rating. The better indicator of reliability is the composition of expenditure (PI-2), as it reflects the government's commitments at BU and sectoral level and, indirectly, the programmes to reduce poverty. Indicator PI-2 showed high variances, averaging 22% at the BU level (rated D, no better than in 2014) and 13% on the economic classification (rated C, not rated in 2014). Most contingency expenditures were correctly charged to the relevant BUs, so slightly over 3% of total expenditure remained unallocated (rated B).

Revenue budgets are achieved in the aggregate (scored A), but revenue composition showed high variance, partly due to the inclusion of grants with domestic revenue in the 2016 Framework, partly due to the volatility of mining revenues, and partly due to gross under-estimation of non-tax revenues. This was scored D.

No inter-dependence between indicators, eg. between expenditure composition and revenue composition, was detected.

#### 2. Transparency of public finance

Indicators 4-9 overall show mixed scores. Budget classification and transfers to local councils are good, though the latter does not cover the timing of releases during the year, which would be covered in a sub-national assessment rather than in this central government assessment. Budget documentation is also good, though public access to key fiscal information could be improved. The weak points in transparency are (1) on performance information for service delivery, mainly because the well-developed performance management system, based on performance contracts escalated down from the Office of the President, is an *internal* system, with little disclosure to the citizens that pay for it and should benefit from it; (2) The other D score is on the coverage of the IFMIS on which the budget and financial statements are founded. This limitation has been clearly recognized: sub-vented agencies, semi-autonomous agencies and donor-assisted development projects are being progressively brought into the coverage.

#### 3. Management of assets and liabilities

Indicators 10-13 cover new areas such as fiscal risk reporting, public investment management and public asset management. These were mainly not recognized in the former PEFA framework and are at an early stage of development in Sierra Leone, so they attract D scores. The importance of

risk management has been recognized and the annual Fiscal Risk Strategy has been produced, starting in FY 2017. Public investment management is also given more attention and resources, though asset management, particularly physical asset management, is stagnant.

#### **4. Policy-based fiscal strategy and budgeting**

Indicators 14-18 scores are around the overall average, with a B on budget preparation, C+ on the medium-term perspective and on legislative scrutiny of budgets, a C on macroeconomic and fiscal forecasting and a C on fiscal strategy. Low scores are mainly due to the debut of the Fiscal Strategy Statement in FY2017 being too late to be fully recognized in this assessment, and the lack of some evidence on strategic planning.

#### **5. Predictability and control in budget execution**

This pillar covers revenue administration and accounting, in-year resource allocation and expenditure arrears, internal controls, including payroll and procurement controls, and internal audit (indicators 19-26). These ‘downstream’ indicators show up several weaknesses. The only A score is on the segregation of duties (25.1), which looks only at the laid-down requirements, not actual practice. Of particular importance are the weaknesses in payroll and procurement management, which together account for 85% of all expenditure. There are signs of progress in the capacity of internal audit but the score is reduced by the patchy response to reports and recommendations.

Expenditure arrears are mounting, as BUs struggle to maintain public services in a narrowing fiscal space. Frequent resort has been made to the Presidential prerogative (Constitutional article 114) to override the Appropriation Act and allow expenditures which are not planned and budgeted.

#### **6. Accounting and reporting**

Indicators 27-29 deal with the integrity of financial data and the issue of monthly and annual financial reports. Accounting reconciliations are mainly up to date. Monthly reports are being produced, gazetted, and posted on the MoFED website, but rather late. Progress has been made on re-casting the annual financial statements according to international standards though full compliance cannot yet be claimed.

#### **7. External scrutiny and audit**

The Audit Service Sierra Leone is steadily improving its coverage and standards but delivers its reports only nine months after receipt of the annual financial statements, which is all that the PFM Act requires. Advantage has not been taken of the earlier reporting under IFMIS (reduced to three months) to shorten the cycle of accountability. This is exacerbated by the lateness of parliamentary scrutiny.

## **4.2 Effectiveness of the internal control framework**

### ***Control Environment***

The internal control framework was strengthened recently by replacing the Budget and Accountability Act of 2005 with the 2016 Public Financial Management Act. Section 62 of the Constitution provides for each minister to give general direction and control of its ministry and provides that the ministry

shall be under the supervision of the Permanent Secretary (Vote Controller). Section 13 of the PFMA sets out the duties of the Vote Controller and outlines the specific responsibilities on controls and the safeguarding of assets. The Public Financial Management Regulations of 2007 are being replaced and aligned to the new 2016 Act.

International standards and best practices provide a benchmark for governments, the most relevant and appropriate being:

- the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal Control – Integrated Framework
- the INTOSAI GOVERNANCE - 9100 – Guidelines for Internal Control Standards for the Public Sector

These international standards are addressed through the design and comprehensiveness of the regulatory framework and by the design of the public sector structures. Within a ministry for example there are separate units for the budget, procurement, human resource management and finance functions. The Auditor General, however, continually alerts Parliament on the high degree of noncompliance.

The Civil Service Codes, Regulations and Rules (2009) set out five principles that guide workers in conducting themselves at the workplace i.e. selflessness, professionalism, transparency and accountability, integrity and impartiality. The lack of consequence management at both top management and middle management levels is a concern especially in light of the repeated findings of the Auditor General.

One significant non-compliance is the absence of functioning Audit Committees per section 76 of the PFMA. The impact and effectiveness of Internal Audit Units are severely compromised contributing to the poor state of affairs pertaining to financial management and more specifically the weaknesses in internal controls.

The time lag between the end of a financial year and eventual tabling of resolutions and recommendations by the Public Accounts Committee to Parliament is a concern. The assessment team was unable to establish to what extent recommendations are implemented by relevant BUs. Further, there is no evidence of follow-up on these recommendations by oversight structures and processes such as audit and portfolio committees. There are no formal written plans, compiled by BUs, to guide management in addressing the shortcomings reported by the Auditor General and Internal Audit Units.

### ***Risk Assessment***

Risk management as a discipline has not been embedded in the PFM laws and regulations. The Internal Audit Department indicated that rolling out a comprehensive risk management methodology is one of its priorities for 2018. Control activities will be proportionate to the risk.

Fundamental to risk assessment is an ongoing, iterative process to identify changed conditions (risk assessment cycle) and take actions as necessary. Risk profiles and related controls have to be regularly revisited and reconsidered in order to have assurance that the risk profile continues to be valid, that responses to risk remain appropriately targeted and proportionate, and mitigating controls remain effective as risks change over time.

### ***Control Activities***

The high degree of manual processes and use of documents require specific internal control activities but these have been compromised. Whilst the organisational structures and prescribed business processes allow for adequate segregation of duties and a “two-tier” authorization process (by the BU and by the office of the Accountant General), the lack of evidence places a doubt on the existence and/or effectiveness of these controls. Poor document management results in absence of documents that could be provided for audit resulting in the Auditor General reporting on a limitation of scope.

**Fixed asset registers** are not maintained resulting in a high risk that government property is not safeguarded, that all losses are not timely reported and investigated and that financial records are inaccurate. No physical asset verifications were done for the period under review. In order to test the integrity of the **payroll**, three significant personnel verification assignments were conducted during the period under review (Ministry of Health; remainder of the Civil Service; Teachers) and the results are being followed up. In past reports by the Auditor General it was highlighted that in certain instances **bank reconciliations** were not all up to date. At the time of the assessment it was however confirmed that the reconciliations for the eight main treasury accounts were all up to date.

Access to the IFMIS system is controlled through the limited number of licences granted to users and through password controls. Ministries have “read only” access where connectivity allows and with limited functionality (mainly used for budget and expenditure control). Transactions are initiated manually at ministries (decentralised initiation of payroll changes and expenditure transactions) which are then captured by the office of the Accountant General which has sole authority to process payroll changes and expenditure payments (centralised processing). The effectiveness of IT controls is a concern as no IT audit (general and application control reviews) has been conducted over the past three years. Another weakness is the lack of routine changes of passwords for authorized personnel.

**Performance management** at ministry level remains a challenge as weaknesses continue to exist across central government operations which can be partially attributed to the lack of funds to enable BUs to implement corrective actions. Whilst annual reviews of staff performance are carried out, under-performance is primarily blamed on the lack of funds leaving little space to address actual poor conduct.

Other than the Auditor General and the Public Accounts Committee, the regulatory framework provides for specific supervisory and review processes as additional but ‘external’ control activities. Examples include the NPPA on procurement, the Finance Committee on budgets, the PSC on appointments of senior personnel and the HRMO on manpower planning. These functions are regarded as significant in strengthening controls over the specific business processes.

### **Information and communication**

Most line ministries (not all) and some units charged with the responsibility of sharing information with the general public have serious internet challenges. In this modern era of ICT, if government websites are functioning badly or not at all, obtaining useful government information electronically is very difficult.

Timeliness of making information available is also a concern. The database of all contracts maintained and published by the NPPA is outdated by at least five months for 2017 and six months for 2016. Audit reports are published 12 months after year end and the PAC recommendations over 24 months after year end. Due to cost constraints, not all prescribed reports are gazetted as required.

### **Monitoring**



The significant delay in tabling the audit findings and subsequent issuing of the PAC resolutions and recommendations has a severe detrimental impact on the effectiveness and efficiency of the monitoring and evaluation of audit findings. Ministries have not compiled formal written plans to address audit findings which can be monitored and the impact or success (rate of achievement) measured, evaluated for redress or change of strategies.

The Internal Audit units deployed at 39 of the 54 BUs assist the Vote Controllers in addressing negative findings reported by the Auditor General but have also indicated poor levels of response by BUs, similar to those reported by the Auditor General. As mentioned previously, there are central agencies involved in certain activities such as the NPPA for procurement, HRMO for human resource management etc. Their roles, duties and responsibilities include monitoring and reporting thereon.

### **4.3 PFM strengths and weaknesses**

This subsection analyses the extent to which the performance of the PFM system appears to be supporting or affecting the overall achievement of the three main fiscal and budgetary outcomes, as follows:

#### **1. Aggregate fiscal discipline**

Weaknesses in fiscal discipline are shown in high composition variances between original budgets and out-turns for revenue and expenditure. The expenditure variances are partly due to increasing ‘overrides’ to the procedures for control of commitments and payments. Commitments are made, goods and services are delivered, and cheques are printed, but they are not issued to suppliers for shortage of cash to pay. Cheques are printed and expenditure is recorded as far as possible to use up existing budget allocations, but there has been an increasing disconnect with the cash situation.

At a time of great fiscal stress, payroll remains the first charge on available resources, but as payroll takes 60% of domestic revenue, leaving very little for operations and capital investment, variations in revenue have a geared impact on fiscal space.

Fiscal discipline is also impacted by widespread flouting of laws and regulations, particularly with regard to procurement, payroll and asset registers. Fiscal risk is coming under closer management, but the risk that may arise from government obligations under public-private partnerships falls outside MoFED’s risk management portfolio.

Oversight of fiscal discipline is strongly spearheaded by ASSL but late scrutiny of their reports, years after the event, dilutes accountability and reduces the possibility of corrective actions such as system strengthening, prosecution and restitution of public funds.

#### **2. Strategic allocation of resources**

Budgets are drawn up to implement the Agenda for Prosperity and achieve the sustainable development goals of Sierra Leone. All programmes are mapped to the pillars of the AfP. However, non-adherence to the budget destroys any planned alignment. Political interventions, even if they are individually well-intentioned, are less well planned than the budget, which goes through a lengthy and inclusive scrutiny before it is approved.

Another factor that makes rational sectoral planning difficult is the omission of donor expenditure on development projects from the accounts. The information base is incomplete. Recorded expenditure, say on health, understates the actual expenditure on health. The performance management system is compromised, as expenditure does not compare with physical performance.

Public investment planning does not include rigorous comparison of costs and benefits of proposed

projects or independent feasibility studies (except for donor-funded projects), for lack of skilled personnel. Nor does it take a whole-life frame of reference (or even a three-year frame of reference) to ensure that the recurrent costs resulting from an investment project are also taken into account in the evaluation. This reflects the general ‘capital preference’ approach to fiscal planning, and the notion that only development projects are productive and that operating and maintenance costs are ‘consumption’ and therefore wasteful. When the capital assets of government are under-maintained and under-utilised, the benefit-cost ratio of more O&M expenditure is high.

### **3. Efficient use of resources for service delivery**

Accounting systems are not sufficiently developed to provide management information, other than the available balance of budget. Progress has been made in program budgeting, but it is not yet possible to compare unit costs of schools, hospitals, road construction and maintenance, etc. The absence of accrual accounting also makes cost comparisons and cost control difficult, but this is not considered a priority, as it is first necessary to get the basics right on a cash accounting basis.

The weak controls on procurement result in higher prices being paid on purchases of goods and services and on works contracts. Together with the delays in settlement of bills, which also increase the prices, value for money is reduced.

A predictable flow of resources is the most vital condition for rational planning, procurement and elimination of waste and delays. Physical resources such as drugs and school supplies that are purchased and stored centrally are no longer being tracked from the centre to service delivery units, such as peripheral health units and schools. Without independent checks on distribution, it is inevitable that there will be delays and discrepancies. Even more important than the distribution of physical resources, there are bottlenecks in the disbursement of cash from the centre. In the health sector, MoFED releases funds half yearly to the Ministry of Health and Sanitation and to local councils. Local councils distribute to District Health Management Teams and hospitals. A study by the Budget Advocacy Working Group of health, water and sanitation NGOs found long delays and large discrepancies in all links of this chain.

A contributory factor is the cumbersome procedures by which many persons are involved, more than is required to segregate functions and prevent fraud, but apparently to increase opportunities for extortion and bribery. In the IFMIS development, it is noteworthy that business process re-engineering in BUs has been postponed. This reduces the efficiency and effectiveness of service delivery.

## **4.4 Performance changes since 2014**

This section introduces a dynamic perspective on PFM performance changes and its impact on achieving the three budgetary outcomes. Annex 4 provides detailed justification for each dimension using the 2011 methodology. This measurement framework is used to ensure comparison using the same criteria. The summary performance of these ratings is provided below under the three main budgetary outcomes, namely aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery

### ***Aggregate fiscal discipline:***

Progress has been made in rolling out the Integrated Financial Management Information System (IFMIS) from a baseline of seven connected BUs (MDAs) in 2013 to 30 (out of all 54 planned)

central budgetary votes/heads.<sup>28</sup> The legal and regulatory framework has been overhauled and the accounting/reporting system is being extended to allow consolidation of the whole of central government, now fully inventoried. A Fiscal Strategy Statement has been developed as a tool for annual assessments of fiscal risk and as the top-down framework within which budgets and medium-term projections are prepared. Revenue data is being systematically shared by MoFED and the National Revenue Authority. Capacity of PFM officers is being built, though not within any overall strategy. The oversight capacity of internal audit, external audit, civil society and parliamentary committees has also been strengthened.

The results analysed thus far point to marginal improvement at aggregate levels especially with regard to revenue forecasting against actual collections. Aggregate expenditures appear to be unchanged in terms of fiscal discipline as a result of frequent political interference and overrides on approved spending limits, the result of which is a massive stock of expenditure arrears. While it is acknowledged that 'ghost' workers still exist within the civil service, significant work has been done to clean up the payroll; at present, the payroll budget is the most predictable government expenditure. Fiscal indiscipline largely revolves around capital expenditure and goods and services budgets, resulting in poor service delivery. Internal controls (including improvements in the legal and regulatory framework) have been strengthened in recent years as part of measures to improve fiscal discipline. The main challenge continues to be non-compliance: there is little evidence of enforcement drive by the executive. Delays in government honouring its commitments to suppliers result in increases in the cost of supplies since suppliers factor payment delays into their bids. This has serious implications for service delivery.

***Strategic resource allocation:***

The budget timetable has been reformed to allow more time for parliamentary and public participation. Budget analysis has been strengthened by development of a DataMart portal. Cash management has also been strengthened, though currently under stress, and a Treasury single account has initially linked all Treasury-managed bank accounts, though its implementation is slow. Expenditure against the contingency vote has been respected; nonetheless, both economic and administrative/functional expenditure composition variances are of grave concern. There are no measures to protect expenditures related to social and economic sectors. The continuing frequent budget reallocations across BUs and sectors pose significant threat to service delivery, and also defeat the purposes and intentions outlined in the Agenda for Prosperity, the Government's medium term development policy framework. Another threat posed by significant and frequent budget reallocations is weakening of staff morale from the planning and budgeting stages and throughout the expenditure commitment and payment process. Staff lose incentive to use their technical skills for effective planning and budgeting.

Public access to key fiscal information assures the citizenry of the proper use of state funds. Government has remained focused in this area but recent challenges in terms of network connectivity have raised concerns as to Government's commitment to open government partnership for transparent and accountable governance.

---

<sup>28</sup> This progress was considerably slower than planned: the PFMICP had a target of all 54 BUs being connected by end 2016. It should also be noted that the 54 BUs planned for IFMIS enablement do not include ASSL, NPPA and NRA amongst 31 other votes/heads. An independent assessment of the IFMIS project in 2016 criticized the design and implementation of the project.

### *Efficient service delivery*

The primary requirement is for citizens to be informed on the use of state funds for primary service delivery. During the 2014 assessment period, a Public Expenditure Tracking Survey was undertaken. This provided useful information on resources (both cash and in kind) allocated to primary service delivery units. Since then PETS have been discontinued. The centralized monitoring framework needs to be improved to ensure the public is well informed about resource allocation for improved service delivery. A long-term solution may be the rollout of IFMIS to all primary service delivery units but this may not be cost-effective.

Delays in payments to suppliers have dire consequences on efficient service delivery; cash flow constraints have remained the biggest threat to basic services across the board. Government is unable to deliver key social interventions such as food security as a result of failure to pay suppliers. There have been improvements in external oversight especially with the Audit Service of Sierra Leone. The quality of reporting has improved with the addition of some performance audits. The main challenge is delays (allowed by the legal framework) in completing and submitting audit reports to the legislature, thereby delaying parliamentary oversight. The broad parameters for legislative scrutiny of the annual budget proposals are satisfactory but there is very little impact on holding the executive accountable for poor service delivery.

**Comparing scores in 2010, 2014 and 2017**, and weighting scores on the assumption that indicators are of equal importance, shows that there has been very marginal progress over the last four years (2014-2017), see table below. From Annex 4, it can be seen that ten indicators clearly improved and nine stayed unchanged. Out of the indicators for which the scores appear to have fallen, only four were clear deteriorations and five appear to be due to over-ratings in 2014.

| Score     | Weight | Number in 2010 | Weighted score 2010 | Number in 2014 | Weighted score 2014 | Number in 2017 | Weighted score 2017 |
|-----------|--------|----------------|---------------------|----------------|---------------------|----------------|---------------------|
| A         | 7      | 3              | 21                  | 1              | 7                   | 3              | 21                  |
| B+        | 6      | 1              | 6                   | 4              | 24                  | 0              | 0                   |
| B         | 5      | 5              | 25                  | 4              | 20                  | 6              | 30                  |
| C+        | 4      | 7              | 28                  | 4              | 16                  | 5              | 20                  |
| C         | 3      | 5              | 15                  | 6              | 18                  | 5              | 15                  |
| D+        | 2      | 6              | 12                  | 6              | 12                  | 6              | 12                  |
| D         | 1      | 0              | 0                   | 3              | 3                   | 3              | 3                   |
| Not rated | 0      | 1              | 0                   | 0              | 0                   | 0              | 0                   |
| Total     |        | 28             | 107                 | 28             | 100                 | 28             | 101                 |

## **5. GOVERNMENT REFORM PROCESS**

### **5.1 Overall approach to PFM reforms**

The EU, DFID, World Bank, AfDB and IMF have been providing support to the Government of Sierra Leone to improve PFM for more than a decade and a half,<sup>29</sup> but with modest progress, as evidenced by all PEFA assessments conducted since 2008, the most recent in 2014. So far, the areas that have seen significant improvement include the legal and regulatory framework (PFM Act 2016, Public Procurement Act 2016, Fiscal Management and Control Act 2017), IMFIS rollout to almost 60% of BUs (and covering most public expenditure), timely preparation and completion of consolidated annual financial statements within the statutory limit of three months, and the coverage and timeliness of external audits. Nonetheless, significant constraints continue in the area of human resource capacity, administrative network (internet connectivity challenges and power outages), as well as limited government resources. These challenges tarnish the successes chalked up over the years, leading to serious concerns about budget credibility, effective resource allocation and improvement in service delivery. The fluctuating inflows from natural resources due to global economic shocks and the political economy environment (decisions taken outside the original intentions and purposes of approved annual budgets) could largely be blamed for these. There is also an element of non-compliance with fiscal rules on the part of BUs. PFM laws impose stiff punishments including surcharges, but these are seldom enforced.

The Government, realising the need to tighten fiscal controls especially with regard to domestic revenues (non-tax revenues), laid before Parliament the 'Fiscal Management and Control' bill which was passed into law in October 2017. The purpose of this law is to immediately transfer all departmental revenue bank balances to the Treasury and mandate all BUs to henceforth transfer all internally generated funds ('own revenues') into the Consolidated Fund irrespective of any existing law that allowed some BUs to retain part or all of their revenues.

The Agenda for Prosperity (AfP) is government's medium-term development strategy covering the period 2013-2018. It has eight thematic areas. These are: (i) Economic Diversification to Promote Inclusive Growth, (ii) Managing Natural Resources, (iii) Accelerating Human Development, (iv) International Competitiveness, (v) Labour and Employment, (vi) Strengthening Social Protection, (vii) Governance and Public Sector Reform, and (viii) Gender Equity and Women's Empowerment. The current (and on-going) PFM reform strategy 2014-2017 (and the revised/updated strategy 2018-2021 - still in the draft stage) draw their mandate from the seventh thematic area of the AfP. Government's focus under Governance and Public Sector Reform relates to strengthening governance and accountability institutions such as the Anti-Corruption Commission, Audit Service Sierra Leone, Internal Audit Department, Public Sector Commission, Local Government, Judiciary and Public Safety.

Development partners have accepted the government's PFM reform strategy, leading to the development of the Public Financial Management Improvement and Consolidation Project (PFMICP) co-funded by WB, DFID, EU, and AfDB at an estimated cost of USD29.4 million. EU and DFID have recently withdrawn from the trust fund arrangement. The management of the project is overseen by a high-level steering committee chaired by the Minister of Finance, a technical steering committee with quarterly meetings, and an implementation committee that meets at least once a month. However, these meetings have not been regular.

---

<sup>29</sup> The Institutional Reform and Capacity Building Project (May 2004-March 2009), the Integrated PFM Reform Project (May 2009-July 2013) and the current PFM Improvement and Consolidation Project (November 2013-December 2017), have been managed by World Bank/IDA on multi-donor Trust Funds. There are also several bilateral aid agreements with DFID, EU, IMF, etc.

Apart from activities to improve the supply of better PFM systems, the IPFMRP introduced activities to stimulate *demand* for improved PFM through coalitions of civil service organisations coordinated by a Non-State Actors Unit in MoFED.

It also adopted the platform approach to PFM reform. Activities were designed to achieve successive platforms. The desired platform 1 was to establish credible and transparent *budgets* so as to enhance the confidence of all stakeholders that the Government can translate an approved budget into actual revenue and expenditure, both in aggregate and at the agency level. This stressed the need for increased compliance with laws and regulations and was intended to remove many excuses for poor performance. Building on the budget discipline achieved in the first platform, platform 2 activities focused on *improved allocation of all available resources* in accordance with the Poverty Reduction Strategy Paper (AfP) and sectoral strategies. Platform 3 activities focused on achieving greater *efficiency and probity in resource use leading to improved service delivery*. This outcome logically follows on from the predictable funding achieved in platform 1 and the improved allocation of resources achieved in platform 2.

## 5.2 Recent and ongoing reform actions

The Public Financial Management Improvement and Consolidation Project (PFMICP) was developed out of the PFM Reform Strategy 2014-2017 and the PEFA assessment of 2010; it succeeded the Integrated Public Financial Management Reform Project (IPFMRP) which ended in July 2013. MoFED, with support from EU under the State Building Contract Complementary Support, is currently developing a new PFM reform strategy for the period 2018-2021. The main objective of the PFMICP was *"to improve budget planning and credibility, financial control, accountability, and oversight in government finances in Sierra Leone"*

The total estimated cost of the PFMICP amounted to USD 28.5 million over a period of four years ending 2017. It should be noted that the EU did not commit to funding the PFMICP. The main PFM components identified for improvement were as follows:

- *Component 1: Enhancing Budget planning and credibility:* The objectives of this component are to: strengthen the macro fiscal forecasting and public investment functions of government to improve overall budget planning; strengthen systems and procedures for budget formulation; and build capacity for managing contingent liabilities.
- *Component 2: Financial Control, Accountability and Oversight:* The objective of this component is to strengthen financial control in government, improve accountability systems and practices, and enhance independent and public oversight in the management and use of public finances in Sierra Leone.
- *Component 3: Supporting the Strengthening of Revenue Mobilization and Administration Systems:* The objectives of this component are to: strengthen revenue policy and oversight of revenue collection; improve the efficiency and integrity of revenue administration; to increase domestic revenue, and to integrate revenue systems with overall PFM system.
- *Component 4: Strengthening Local Governance, Financial Management and Accountability Systems:* The objectives of this component are to improve the capacity of the financial management systems in local councils and strengthen the accountability and oversight institutions to enhance service delivery efficiency and effectiveness.
- *Component 5: PFM Reform Coordination and Project Management:* The objective of this component is to provide a continuing institutional and coordination basis for overseeing the

implementation of the PFM Reform Strategy as a whole as well as manage the implementation of the proposed project.

The funding arrangement of the PFMICP was through a trust fund managed by the World Bank with contributions currently from AfDB and WB; DFID pulled out of the trust fund in 2016. Though there was no direct GoSL financial contribution, the provision of office space and payment of salaries of civil servants on the reform programme could be quantified as government's counterpart funding. The institutional arrangement did not allocate specific components to each contributing donor.

A number of concerns have been raised by the contributing donors including the slow pace of implementation of IMFIS roll-out, value-for-money in relation to expenditures on activities (outcome/output ratio very low), and information sharing between PFMRU and donors on one hand, and among donors on the other hand. These concerns, among others, led to the withdrawal of DFID support to the trust fund. The World Bank has committed additional funding of USD 10 million until 2020 to support the PFMICP but added other key components. The additional funding is meant to support the following areas: (i) e-procurement – USD 3 million; (ii) Integrated Tax Administration System (ITAS) – USD 4.5 million; (iii) Open Government Partnership – USD 2.5 million. Despite WB's additional funding, there is still a funding gap of about USD 6.7 million following DFID withdrawal even though AfDB is still supporting the project with its original budget of USD 3.5 million.

In early 2017, the WB restructured the PFMICP to focus on two thematic areas, following the non-participation of EU and the withdrawal of DFID. These two areas are: (i) strengthening budget systems and revenue administration, and (ii) strengthening PFM oversight. These two thematic areas were further broken down into four components, namely: (i) support to NRA for rolling out the Integrated Tax Administration System (ITAS) and upgrading ASYCUDA ++ to ASYCUDA World; (ii) support to IFMIS rollout; (iii) e-procurement; and (iv) open government partnership. The procurement process for ITAS and the e-procurement module are at advanced stages: it is hoped that installation and rollout will begin early in 2018. As a budget support trigger, GoSL is required to rollout e-procurement to at least two BUs by July 2018 in order to qualify for USD 20 million WB support. Support to NRA is also looking at migrating Customs ASYCUDA ++ to ASYCUDA World; work is progressing steadily. There is also an activity which is looking at electronic funds transfer (EFT), which aims to eliminate the printing of government cheques. Study tours have been conducted and the reform is ongoing. It is envisaged that the improvement in revenue administration will increase NRA revenue collection (tax and non-tax) by 64% by 2020.

World Bank is also supporting ASSL for an amount of US\$1.5 million under the PFMICP in audit techniques, professional training, and certification for the staff in professional accountancy, and other logistical support including furniture and fittings, and acquisition and implementation of an Audit Management Information System (AMIS). ASSL is also receiving WB support on revenue audits and simplification of audit reports to facilitate and improve public comprehension.

The target for IFMIS rollout expansion to an additional 24 BUs (additional to the existing 30 BUs) has been missed: the target was to complete this by December 2017. There is now a sequencing issue. A recommendation by AH Consultants on IFMIS implementation was: (i) to revise the chart of accounts (including compliance with the 2014 GFSM), (ii) complete rollout of all modules to the 30 enabled BUs, (iii) interface with the BoSL and NRA systems, and (iv) upgrade from the current Freebalance version 6.0 to version 7.0, before (v) rollout to the remaining 24 BUs. However, the

software provider has been blacklisted by the WB and therefore implementation of an upgrade seems very unlikely, coupled with the fact that the proposed budget for the upgrade to version 7.0 was quoted at USD 14 million, which is far more than the existing version 6.0 which had a total budget of USD 6 million. It is also noted that GoSL had procured IT equipment for the intended expansion to the additional 24 BUs. Government's preference is to complete the rollout to the remaining BUs otherwise the IT equipment will become obsolete. A related factor is the national development of the ECOWAS regional backbone network. The ICT infrastructure requires substantial investment.

In addition to the above PFM reform agenda (PFMICP), Government with support from EU and DFID is pursuing other parallel reforms. These are:

#### ***State Building Capacity Technical Assistance Project (SBC TA Project)***

The SBC TA Project is funded by the EU at a cost of EUR 4.5 million over a four-year period ending 2019. The project focuses on strengthening budget formulation and preparation, improving budget credibility, improving financial reporting, and building government M&E capacity. It has five main components namely:

- To enhance capacity for measuring and assessing progress in the implementation of national development policy through strengthened national statistical systems and increased monitoring and evaluation in MoFED
- To enhance implementation, reporting and review process of the PFM strategy 2014-2017 in internal audit, external audit, parliamentary oversight, payroll, procurement, civil society and activities undertaken by the office of the Accountant General
- To enhance capacity for sector budget analysis and line ministries for education and health in budget planning and formulation
- To improve quality of in-year and annual financial statements
- To enhance MoFED and EU capacity to monitor implementation of the budget support operations in Sierra Leone.

The ongoing SBC TA project is the second in a series of development cooperations in PFM with GoSL. For the future, EU is in the process of preparing another budget support programme which is likely to be a third SBC TA Project since the current weaknesses identified in PFM do not provide good grounds for a sector budget support. That said, the new budget support to be provided through a parallel SBC TA Project around mid-2018 will focus on agriculture and education sector budget support, in addition to support to strategic key PFM areas such as revenue mobilisation, monitoring and evaluation, strategic planning, budget formulation, development of procurement plans and the entire public procurement management framework, internal audit department at MoFED and line ministries' internal audit units, and support to the legislature for the establishment of an independent internal audit agency.

#### ***Building Core Systems (BCS) for the Government of Sierra Leone***

The BCS is a DFID-funded PFM reform programme costing GBP 3 to 4 million over a two-year period ending December 2017. The project is intended to effectively manage public sector payroll, improve budget credibility, enhance procurement management and transparency, strengthen macro-fiscal forecasting, and improve domestic revenue mobilisation. Five main components were identified for support, namely:



- Better processes and increased capacity for management of the public sector wage bill, with milestones relating to control and integration of sub-vented agency wage bills and proper inputs into the budget process, leading to well-controlled payroll budget formulation and analysis
- A well-developed and well executed national budget, recognizing that the baseline represents poor consolidation, and as a result, a budget that is not well-informed or ultimately credible.
- Improve transparency and competition in national procurement through publication of all procurement related issues (procurement plans, bidding opportunities, contracts awards, and complaints resolved on the website)
- Better processes and increased capacity for macro-fiscal forecasting and economic management
- Better processes and increased capacity for revenue policy, coordination and collection of domestic revenues (tax and nontax).

DFID is also supporting the NRA through the Revenue for Prosperity (R4P) project up to GBP 12 million for a period of five years from July 2013 to July 2018. The main components of the R4P project are as follows:

- Improve tax policy and legislation
- Improve governance, organisational effectiveness and transparency
- Modernisation and improvement of Domestic Tax Department
- Modernisation and improvement of Customs and Excise Department
- Modernisation and improvement of Extractive Industries Revenue Unit and Non-Tax Revenue Unit of NRA

The Audit Service Sierra Leone (ASSL) has been supported by DFID under the project Support to Audit Service Sierra Leone with a total budget of GBP 3.5 million from July 2013 to December 2016. Some activities were however rolled over till March 2017: these include payment for and inspection/verification of ICT infrastructure and fixed assets respectively. The project was aimed at improving the technical capacity of ASSL to meet its constitutional and legal mandate. The main project components include:

- Improvement in audit standards and methodology
- Improvement in planning, management and oversight of audit process
- Improvement in ASSL support structures and infrastructure

It should be noted that DFID's support to ASSL resulted in improvement/expansion of audit coverage from 81% in 2012 to 88% in 2016.

Going forward, DFID will continue to provide support to PFM but through a single project bringing together all the elements of BCS and R4P in addition to other relevant initiatives.

The African Development Bank (AfDB) is co-funding the PFMICP. It has no separate parallel-running PFM programme. AfDB intends in future to provide support to Audit Service Sierra Leone to follow up audit recommendations, to NPPA on public procurement management, and on improving budget reliability, which continue to be of common interest to all donors in the PFM sector.

IMF support to government is described as demand-driven. The most recent support provided by the IMF included technical assistance for the development of the PFM Act 2016, the Extractive Industries

Revenue Bill in collaboration with EU by way of funding through the IMF Mineral and Natural Resource Wealth Trust Fund which is yet to be passed into law, and the development of new regulations for the implementation of the new PFM Act 2016. The Fund has also provided technical assistance on the Treasury Single Account.

Other GoSL PFM initiatives in the pipeline include the creation of an expenditure monitoring and accountability unit within MoFED to track public expenditure to service delivery units. Further, the Government is working to complete the revised PFM regulations to support the implementation of the new PFM Act 2016, finalisation of public procurement regulations, the development of a procurement manual, development of an accounting manual, the revision of revenue laws and regulations, and the revitalisation of IFMIS rollout to the remaining BUs, among others.

### ***Donor coordination***

The dynamics and effectiveness of donor coordination in providing support to GoSL is evidenced by the implementation of parallel PFM programmes/projects such as the SBC TA Project by the EU, BCS by DFID, and R4P by DFID. Historically, the existence of the multi-donor budget support (MDBS) showed coordination among donors. It appears to have weakened in recent years due to the withdrawal of direct budget support to Government by some donors. That said, the momentum to strengthen coordination among donors appears to have been revived through regular monthly meetings of the Joint Donor Working Group. Such meetings have led to the regular update of a donor tracker framework as a means of sharing and coordinating information and activities among donors, including the PFM sector working group.

The latest donor tracker report is dated 5th October 2017. The main PFM donor working group includes DFID, EU, WB, IMF and AfDB. The tracker is a tool that summarises key PFM activities for development support that are in the pipeline, their status or progress thereon, and any critical action required for smooth implementation. Donors then convey a common message to GoSL with proposed action plans. According to the latest tracker, key PFM action plans include IMF review - which has been completed as at the time of drafting this report, co-funding of 2017 PEFA by EU and DFID, AfDB and WB budget support which is conditional on IMF annual review, e-procurement prior action by GoSL for WB support, AfDB funding of the Revenue Mobilisation Strategy in collaboration with IMF, Treasury Single Account support led by USAID, EU and IMF, GoSL payroll management strategy with support from DFID, WB support to payroll management, and improvement in GoSL M&E framework with support from EU and WB, among others.

## **5.3 Institutional considerations**

### **Government leadership and ownership**

The success of any PFM reform hinges on government ownership and leadership. These two elements entail the setting up of clear and identifiable objectives and the provision of directions and processes for each identified stakeholder in the reform process with tangible action plans for addressing any challenges as and when they arise. A critical factor in any reform process is change management: people are used to the 'old way' of doing things. Internal expertise to drive change management is seen as a better way of carrying people with the reform process. Expertise from external sources coupled with strong government leadership could also propel the reform agenda. Political stability in Sierra Leone in recent years provides a fertile ground for PFM reform. Further, a strong PFM reform secretariat with competent technical human resources could also enhance institutional memory, even

with changes in political authority, by detailing clearly the potential socio-economic gains. At present, however, it appears the PFM reform secretariat is not strong enough to champion ongoing reforms with a more coordinated approach.

### **Coordination across Government**

PFM reforms appear to be largely centralised at MoFED with very little support from other line ministries, departments, and agencies. Coordination across government has the potential of fast tracking reform initiatives particularly with the involvement of strong component leaders. While the current GoSL PFM reform strategy (2014-2017) lacks a well-sequenced activity framework, the full participation and activity of component leads, together with the support of technical staff across general government, is likely to contribute to a more positive-oriented approach to PFM reforms. The assessment team's observation points to insufficient coordination across government on one hand, coupled with lack of donor coordination on the other hand on government's PFM reform agenda. These factors are leading to significant delays in executing activities outlined in the PFMICP such as IFMIS rollout. Another key feature that needs urgent attention is the strengthening of the PFM Reform Unit for better coordination: it is understood that EU is supporting the unit with technical assistance.

### **A sustainable reform process**

A fundamental challenge to sustainable reform is the availability of qualified and dedicated human resources. Undoubtedly, GoSL has made significant efforts in building the technical capacity of its workforce across general government to oversee and implement general reform initiatives, including PFM, though a lot more needs to be done. In 2014, 20% of priority senior and middle level posts in the civil service were vacant. All such vacancies were filled by December 2016.<sup>30</sup>

It has also been recognised that support to the PFMICP will continue until 2018 in line with the existing funding arrangements through the trust fund (excluding DFID). AfDB has also raised concerns regarding the implementation of the PFMICP. These include delays in IFMIS rollout and the TSA, as well as equal information sharing among contributors to the trust fund.

It is also understood that the World Bank will continue to fund the PFMICP plus additional funding of USD 10 million until 2020 with the inclusion of activities on e-procurement and the Open Government Initiative under the Office of the President. The EU, in addition to supporting the PFMICP, is running the State Building Contract Complementary Support Project aimed at strengthening existing capacities of the Budget Bureau and the Accountant General's Department. DFID is also providing support to the governance sector with specific focus on MoFED (Building Core Systems project ending December 2017), NRA (Revenue for Prosperity project ending 2018) and the Anti-Corruption Commission (Pay-No-Bribe campaign ending 2018). There are plans to develop a new programme of actions going forward to integrate the activities of the existing three independent programmes.

### **Transparency of the PFM programme**

Transparency in governance as well as public access to key fiscal information build citizens' confidence on the management of public funds and also within the donor community. The current

---

<sup>30</sup> Table 9.2 - Pages 110 & 111, AfP annual progress report 2016

GoSL PFM reform strategy spanning 2014-2017, developed out of government medium term development strategy - Agenda for Prosperity (AfP) - is publicly available for use by stakeholders to analyse government's financial management improvement plan aimed at ameliorating the lives of ordinary citizens by way of improved service delivery. While the reform plan is comprehensive and sequenced, it provides a 'wish list' of a series of activities aimed at improving PFM. It was supported by DPs, which led to the PFMICP and the establishment of a trust fund with original funding from WB, EU, AfDB and DFID, but now funded only by WB and AfDB.

Government's transparency in terms of recognising PFM weaknesses led to continuous EU support through the State Building Contract Complementary Support for the development of a new PFM reform strategy for 2018-2021 to strengthen the existing reform initiatives and improve identified weaknesses in addition to several other PFM improvement initiatives including funding the 2017 PEFA jointly with DFID. Further, DFID, even though it has pulled out of the trust fund that was meant to manage and implement activities outlined in the PFMICP, has continued to provide PFM support under the Building Core System (BCS), the Revenue for Prosperity (R4P), and the Pay-No-Bribe projects managed separately within MoFED, National Revenue Authority, and the Anti-Corruption Commission respectively.

## ANNEX 1: PERFORMANCE INDICATOR SUMMARY

| INDICATOR   | DIMENSION   | SCORE | DESCRIPTION OF REQUIREMENTS MET  |
|---|---|-------|--|
| <b>1. Aggregate expenditure out-turn</b>                          | 1.1 Aggregate expenditure out-turn                    | D     | Actual expenditure was between 85% and 115% of budget in all three years, but data omitted donor expenditure   |
| <b>2. Expenditure composition out-turn</b>                        | Overall   | D     |  |
|   | 2.1 Expenditure composition out-turn by function      | D*    | Variance was less than 15% in only one year  |
|   | 2.2 Expenditure composition out-turn by economic type | D*    | Variance was equal to or less than 15% in two years out of three   |
|   | 2.3 Expenditure from contingency reserves             | D*    | Expenditure from the contingency heads is slightly over 3% of total expenditure  |
| <b>3. Revenue out-turn</b>  | Overall   | C+    |  |
|   | 3.1 Aggregate revenue out-turn                        | A     | Aggregate revenue out-turn was between 97% and 106% of budget in 2014 and 2016   |
|   | 3.2 Revenue composition out-turn                      | D*    | Revenue composition variance was over 15% in all three years 2014-2016   |
| <b>4. Budget classification</b>                                   | 4.1 Budget classification                             | A     | Budget formulation, execution and reporting are based on administrative, economic and functional/sub-functional classification based on the GFS 2001 standard. |
| <b>5. Budget documentation</b>                                    | 5.1 Budget documentation                              | B     | Budget documentation fulfils 9 elements of information, including all 4 basic elements   |
| <b>6. Central government operations outside financial reports</b> | Overall   | D     |  |
|   | 6.1 Expenditure outside financial reports             | D     | Expenditure that is outside government financial reports is more than 10% of total BCG expenditure   |
|   | 6.2 Revenue outside financial reports                 | D     | Revenue that is outside government financial reports is more than 10% of total BCG revenue   |
|   | 6.3 Financial reports of extra-budgetary units        | D*    | Over 75% of EBAs submitted their accounts for audit within 9 months, but information on their expenditure was not available                                    |
| <b>7. Transfers to sub-national</b>                               | Overall   | A     |  |

| <b>INDICATOR</b>                                       | <b>DIMENSION</b>                                   | <b>SCORE</b> | <b>DESCRIPTION OF REQUIREMENTS MET</b>  |
|--|--|--------------|---|
| <b>governments</b>                                     | 7.1 System for allocating transfers                | A            | The horizontal allocation of over 90% of transfers to sub-national governments from central government is determined by transparent, rule-based systems.  |
|  | 7.2 Timeliness of information for transfers        | A            | The process by which subnational governments receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides clear and sufficiently detailed information for subnational governments to allow at least six weeks to complete their budget planning on time.  |
| <b>8. Performance information for service delivery</b> | Overall  | D            |   |
|  | 8.1 Performance plans for service delivery         | D            | Performance plans are made, but are not published   |
|  | 8.2 Performance achieved for service delivery      | D            | Progress reports are prepared quarterly and annually, but they are not published  |
|  | 8.3 Resources received by service delivery units   | D            | There is no systematic tracking of resources received by service delivery unit  |
|  | 8.4 Performance evaluation for service delivery    | D            | There is very little evaluation of efficiency or effectiveness of service delivery  |
| <b>9. Public access to information</b>                 | 9.1 Public access to information                   | D            | Three of the basic elements (nos. 1,2,5) are made available to the public and one of the additional elements (no.7)   |
| <b>10. Fiscal risk reporting</b>                       | Overall  | D+           |   |
|  | 10.1 Monitoring of public corporations             | C            | Most public corporations submit annual financial statements to government (and the Auditor-General) within 9 months after the end of the preceding financial year.  |
|  | 10.2 Monitoring of sub-national government         | D            | Most Local Councils (LCs) submit annual financial statements to MoFED (Local Government Finance Department), the Auditor-General and Ministry of Local Government and Rural Development within three months after the end of the financial year; however these reports are not published even though Section 107 of the Local Government Act 2004 mandates LCs to do so. All 19 LCs have been audited as at the time of drafting this report but the audit reports have not been published. |
|  | 10.3 Contingent liabilities and other fiscal risks | C            | The annual financial statements report on some contingent liabilities, which represent about 26% of total PPP arrangements in 2016; however, the financial risk exposure to government on PPP arrangements is not disclosed.  |

| INDICATOR                               | DIMENSION   | SCORE | DESCRIPTION OF REQUIREMENTS MET   |
|---|---|-------|---|
| <b>11. Public investment management</b> | Overall   | D+    |   |
|   | 11.1 Economic analysis of investment proposals      | D     | Though a public investment management unit (PIMU) has been established since 2014, it lacks the technical capacity to undertake economic analysis of public investment projects. Also, there are no guidelines for project appraisal                            |
|   | 11.2 Investment project selection                   | C     | Majority of projects are selected for funding by the national budget according to government priority, but there are no guidelines for public investment project selection  |
|   | 11.3 Investment project costing                     | D     | MoFED estimates the initial capital cost of public investment projects over the medium term (3 years) but not the total capital cost, and the associated recurrent costs are not projected.   |
|   | 11.4 Investment project monitoring                  | C     | Both the physical progress and cost of major investment projects are made available through the annual progress report of the AfP. Information is published but there is no standard procedure for project implementation.                                      |
| <b>12. Public asset management</b>      | Overall   | D+    |   |
|   | 12.1 Financial asset monitoring                     | C     | The framework for monitoring government financial assets is weak. Though the consolidated annual financial report provides information on government equity holdings in companies and corporations, the value of these equities is neither known nor published. |
|   | 12.2 Non-financial asset monitoring                 | D     | At present, GoSL does not maintain a national fixed assets register. Some BUs do maintain an asset inventory. The National Assets and Government's Property Commission piloted an asset inventory in 2014 but this has not been updated.                        |
|   | 12.3 Transparency of asset disposal                 | C     | While fixed assets disposal procedures are established, no clear legal provisions exist for financial assets. Assets (financial and nonfinancial) disposal proceeds are reported in the consolidated annual financial statements.                               |
| <b>13. Debt management</b>              | Overall   | D+    |   |
|   | 13.1 Recording and reporting of debt and guarantees | C     | Domestic and foreign debt including guarantees are recorded, updated and reconciled at least annually. Reconciliation challenges do occur with foreign creditors mainly due to mis-postings, loss of documents, and exchange rate differences                   |
|   | 13.2 Approval of debt                               | D     | The legal and regulatory framework mandates the Minister of Finance as the sole public officer to   |

| INDICATOR   | DIMENSION   | SCORE | DESCRIPTION OF REQUIREMENTS MET   |
|---|---|-------|---|
|   | and guarantees  |       | approve and sign all loans and guarantees for and behalf of GoSL within parliamentary approved limits. However, the PPP unit established under the Office of the Chief of Staff defeats the purpose of having a single responsible entity to approve, monitor and report on all public debts and guarantees. The PPP unit claims it reports to MoFED, but there is no evidence of this. |
|   | 13.3 Debt management strategy                             | D     | GoSL has not prepared a debt management strategy in recent years over the assessment period under review (2014-2016); the most recent debt strategy was in 2013. Nonetheless, the most recent published IMF DSA was for the year 2016 published in May 2017.  |
| <b>14. Macroeconomic and fiscal forecasting</b>             | Overall   | C     |   |
|   | 14.1 Macroeconomic forecasts                              | C     | Macroeconomic forecasts are made for the budget year and two outer years  |
|   | 14.2 Fiscal forecasts                                     | C     | Fiscal forecasts are made for the budget year and two outer years   |
|   | 14.3 Macro-fiscal sensitivity analysis                    | C     | A range of fiscal forecast scenarios is prepared using alternative macro-economic assumptions   |
| <b>15. Fiscal strategy</b>                                  | Overall   | C     |   |
|   | 15.1 Fiscal impact of policy proposals                    | D     | The Budget Framework Papers for 2014-2016 stated each year's policy proposals but did not estimate their separate revenue and expenditure impacts. Each BFP covered one year only.  |
|   | 15.2 Fiscal strategy adoption                             | C     | The BFP for 2016 set out the fiscal strategy and objectives, but for one year only.   |
|   | 15.3 Reporting on fiscal outcomes                         | B     | The BFP for 2016 stated the progress made against the fiscal objectives and provided some explanation of deviations.  |
| <b>16. Medium term perspective in expenditure budgeting</b> | Overall   | C+    |   |
|   | 16.1 Medium term expenditure estimates                    | B     | The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative and economic classification.   |
|   | 16.2 Medium term expenditure ceilings                     | A     | Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government before the first circular is issued.  |
|   | 16.3 Alignment of strategic plans and medium-term budgets | D     | Information on ministries' strategic plans is not available.: score is based solely on MHS strategy.  |



| INDICATOR                                  | DIMENSION  | SCORE | DESCRIPTION OF REQUIREMENTS MET   |
|--|--|-------|---|
|  | 16.4 Consistency of budgets with previous year estimates | D     | The budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.  |
| <b>17. Budget preparation process</b>      | Overall  | B     |   |
|  | 17.1 Budget calendar                                     | C     | A clear annual budget calendar exists and allows budgetary units 6 weeks from the receipt of the budget circular to complete their detailed estimates. The <i>majority</i> of budgetary units are able to complete their detailed estimates on time.  |
|  | 17.2 Guidance on budget preparation                      | A     | A BCC is issued to budgetary units including Cabinet-approved ceilings for BUs for the budget year and two outer years.   |
|  | 17.3 Budget submission to the legislature                | C     | The executive has submitted the annual budget proposal to the legislature at least one month before the start of the fiscal year in all the last three years.   |
| <b>18. Legislative scrutiny of budgets</b> | Overall  | C+    |   |
|  | 18.1 Scope of budget scrutiny                            | B     | The legislature's review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue.   |
|  | 18.2 Legislative procedures for budget scrutiny          | A     | The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements, such as specialized review committees, technical support and negotiation procedures.   |
|  | 18.3 Timing of budget approval                           | A     | The legislature has approved the annual budget before the start of the year in each of the last three fiscal years.   |
|  | 18.4 Rules for budget adjustment by the executive        | C     | Clear rules exist and allow for extensive administrative reallocations as well as expansion of total expenditure  |
| <b>19. Revenue administration</b>          | Overall  | C+    |   |
|  | 19.1 Rights and obligations for revenue measures         | B     | NRA has a functional website where comprehensive and up-to-date information on tax laws and regulations including taxpayer forms and guidelines for filing tax returns are published. However, information on tax appeals mechanism is very limited. The tax appeals board is not functional  |
|  | 19.2 Revenue risk management                             | C     | NRA's revenue risk management is partially structured. It uses manual case selection process, which is prone to discretion but adopts taxpayer risk profiling framework. To reduce revenue leakages and human interface, all taxpayers pay their taxes directly into NRA bank accounts with commercial banks and the Bank of Sierra Leone |
|  | 19.3 Revenue audit and investigation                     | C     | NRA, collecting about 85% of GoSL revenue (tax and non-tax), conducts on average 69% of planned audit and fraud   |

| INDICATOR  | DIMENSION                                       | SCORE | DESCRIPTION OF REQUIREMENTS MET  |
|--|---|-------|--|
|  |   |       | investigations. Case selection is done manually  |
|  | 19.4 Revenue arrears monitoring                 | B     | The stock of revenue arrears constitutes 1.4% of total tax collected by the National Revenue Authority. Revenue arrears are not age-profiled   |
| <b>20.Accounting for revenue</b>                         | Overall   | C+    |  |
|  | 20.1 Information on revenue collections         | B     | The Revenue and Tax Policy Unit of MoFED obtains monthly and quarterly NRA revenue collection reports, representing about 85% of total central government revenue; RTPU also receives annual reports from NRA. The revenue report categorises revenue according to tax type (domestic and customs) as well as nontax revenue |
|  | 20.2 Transfer of revenue collections            | B     | Most revenues collected by the 13 transit banks are transferred to the Consolidated Fund within 48 hours   |
|  | 20.3 Revenue accounts reconciliation            | C     | The only reconciliation that occurs at least quarterly within a month after the end of the preceding quarter is between actual revenue collections by NRA and transfers to the Treasury Consolidated Fund.   |
| <b>21. Predictability of in-year resource allocation</b> | Overall   | D+    |  |
|  | 21.1 Consolidation of cash balances             | C     | All treasury managed bank accounts representing at least 80% by value, are consolidated daily. However, there are about 1,000 government/donor project accounts that are outside the daily consolidation framework.  |
|  | 21.2 Cash forecasting and monitoring            | B     | MoFED prepares an annual cash flow statement which is broken down into quarters and further into weeks. This is re-forecast quarterly in line with actual cash inflows and outflows.   |
|  | 21.3 Information on commitment ceilings         | D     | MoFED issues half-year expenditure commitment warrants (ceilings) to each BU for expenditure commitment. For 2016, these were released in March and July. Effectively, BUs have only a month horizon, and even this is not reliable.   |
|  | 21.4 Significance of in-year budget adjustments | D     | Budget reallocations are frequent and significant but not transparent  |
| <b>22.Expenditure arrears</b>                            | Overall   | D     |  |
|  | 22.1 Stock of expenditure arrears               | D*    | The actual stock of expenditure arrears is not disclosed in the 2016 Annual Financial Statements (unlike 2014 and 2015). Cashing of cheques is postponed due to cash flow constraints. At 31 December 2016 the value of uncashed cheques represented 14% of that year's expenditure (2015 – 9%).                             |
|  | 22.2 Expenditure arrears                        | D     | At present, the expenditure arrears monitoring framework is weak and is a manual process. Arrears  |

| INDICATOR  | DIMENSION   | SCORE    | DESCRIPTION OF REQUIREMENTS MET   |
|--|---|----------|---|
|  | monitoring  |          | are not regularly reported to the office of the Accountant General. There is doubt on the accuracy and completeness of reporting done at year end.  |
| <b>23. Payroll controls</b>                            | Overall   | D+       |   |
|  | 23.1 Integration of payroll and personnel records | B        | There is a clear distinction of roles and responsibilities between BUS and the AGD. Within BUs there are separate units dealing with each of the activities in procurement and payment. The prevailing legal and regulatory framework is adequate for effective financial management and control. |
|  | 23.2 Management of payroll changes                | D        | IFMIS is capable of limiting expenditure commitment in line with available cash. However, system overrides are frequent due to the high volume of transactions and payments approved outside IFMIS.   |
|  | 23.3 Internal control of payroll                  | C        | Internal control and financial management rules and regulations are clear and adequate but there are many cases of non-compliance   |
|  | 23.4 Payroll audit                                | C        | Payroll audits have been done for all of the entities sampled once during the past three years.   |
| <b>24. Procurement</b>                                 | Overall   | D        |   |
|  | 24.1 Procurement monitoring                       | D        | The NPPA database is based on reports by procuring entities which are not sufficiently reliable or complete. Annual surveys by NPPA do not cover most procurement.  |
|  | 24.2 Procurement methods                          | D*       | The calculations based on the NPPA database are on unreliable data. Further evidence of the use of competitive methods is required.   |
|  | 24.3 Public access to procurement information     | C        | The public has access to three of the key information elements and it is anticipated that the majority of procurement in monetary value exceeds the threshold for using quotations.   |
|  | 24.4 Procurement complaints management            | D        | The Procurement Review Board is not functioning.  |
| <b>25. Internal controls on non-salary expenditure</b> | Overall   | <b>B</b> |   |
|  | 25.1 Segregation of duties                        | <b>A</b> | There is a clear distinction of roles and responsibilities between BUS and the AGD. Within BUs there are separate units dealing with each of the activities in procurement and payment. The prevailing legal and regulatory framework is adequate for effective financial management and          |

| INDICATOR                               | DIMENSION   | SCORE | DESCRIPTION OF REQUIREMENTS MET  |
|---|---|-------|--|
|   |   |       | control.   |
|   | 25.2 Effectiveness of expenditure commitment controls | C     | IFMIS is capable of limiting expenditure commitment in line with available cash. However, system overrides are frequent due to the high volume of transactions and payments approved outside IFMIS.      |
|   | 25.3 Compliance with payment controls                 | C     | Internal control and financial management rules and regulations are clear and adequate but there are many cases of non-compliance  |
| <b>26. Internal audit effectiveness</b> | Overall   | D+    |  |
|   | 26.1 Coverage of internal audit                       | B     | Internal audit arrangements cover at least 76% of budgeted expenditure for 2016 and 2017 and cover also the National Revenue Authority which is responsible for collecting most of the revenues.         |
|   | 26.2 Nature of audits and standards applied           | C     | The majority of 2016 activities are primarily focused on financial compliance.   |
|   | 26.3 Implementation of internal audits and reporting  | D     | Only 48% of the 2016 Audit Plan was executed, mainly due to lack of funding and manpower capacity.   |
|   | 26.4 Response to internal audits                      | D     | In 2016 it is reported that 35% of recommendations were implemented and in 2015 the Internal Audit Department calculated that 33% of prior year recommendations were addressed to various degrees.       |
| <b>27. Financial data integrity</b>     | Overall   | B     |  |
|   | 27.1 Bank account reconciliation                      | B     | Bank reconciliations of all Treasury accounts are done daily at detailed level and within a week. Treasury accounts represent over 90% by value of all government bank accounts.                         |
|   | 27.2 Suspense accounts                                | NA    | The trial balance and AFS do not show any credit balance suspense accounts or deposits. Dimension does not apply in Sierra Leone.  |
|   | 27.3 Advance accounts                                 | NA    | Salary 'advances' are 3-year loans. There are no advances.   |
|   | 27.4 Financial data integrity processes               | B     | Access is restricted and audit trails are generated. Ministries have a read-only facility whilst processing/capturing is centralized within the Accountant General Department.                           |
| <b>28. In-year budget reports</b>       | Overall   | D+    |  |
|   | 28.1 Coverage and comparability of reports            | D     | Reporting is done on a centralized basis from the IFMIS but does not provide details for the main administrative headings (BUs). Detailed expenditure reports from extra-budgetary entities are also not |

| INDICATOR                           | DIMENSION   | SCORE | DESCRIPTION OF REQUIREMENTS MET  |
|-------------------------------------|---|-------|--|
|                                     |   |       | included.  |
|                                     | 28.2 Timing of in-year financial reports            | D     | Monthly reports are published by way of posting on the MoFED website and a gazette notice. The report for August 2017 was posted on 22 November 2017, which is > 8 weeks after the end of the period. Gazette notices are also late. There is no commentary on budget execution.   |
|                                     | 28.3 Accuracy of in-year financial reports          | C     | There is concern over the accuracy of data. Reports are however useful for budget analysis.  |
| <b>29. Annual financial reports</b> | Overall   | C+    |  |
|                                     | 29.1 Completeness of annual financial reports       | B     | A comprehensive set of annual accounts is presented on the IPSAS cash basis. The accounts do not disclose tangible assets, only revenue, expenditure, financial assets and liabilities   |
|                                     | 29.2 Submission of reports for external audit       | A     | The 2016 annual financial statements for the year ending 31 December 2016 were submitted 31 March 2017   |
|                                     | 29.3 Accounting standards                           | C     | AFS are prepared using the IPSAS cash basis, which has been approached over the last three years (2014, 2015, 2016). AFS are also consistent with the Government Budgeting and Financial Accountability Act, which applied up to 2016.   |
| <b>30. External audit</b>           | Overall   | C+    |  |
|                                     | 30.1 Audit coverage and standards                   | B     | Most of the entities are audited (2016 - 80% of actual expenditure, 2015 – 88% of actual expenditure, 2014 - 85% of Budget,) and the SAI conducts audits in line with the INTOSAI International Audit Standards. Comprehensive reporting is done annually highlighting details of concerns, risk, control weaknesses and incidents of non-compliance |
|                                     | 30.2 Submission of audit reports to the legislature | C     | The 2013, 2014 and 2015 audit reports were submitted within 9 months of receiving the annual financial statements  |
|                                     | 30.3 External audit follow-up                       | C     | The executive issues formal responses to all audit queries. Responses to the Management Letters and audit recommendations do not indicate strategies for dealing with the root causes.   |
|                                     | 30.4 Supreme Audit Institution independence         | C     | The regularity framework provides comprehensively for a high degree of independence. In practice however, ASSL annual budget is subject to MoFED approval. Quarterly allotments are also significantly affected.   |

| <b>INDICATOR</b>                                 | <b>DIMENSION</b>   | <b>SCORE</b> | <b>DESCRIPTION OF REQUIREMENTS MET</b>  |
|--|--|--------------|---|
| <b>31. Legislative scrutiny of audit reports</b> | Overall  | D+           |   |
|  | 31.1 Timing of audit report scrutiny                       | D            | The 2014 PAC report was tabled 14 months after receiving the Auditor General Report. The 2015 PAC report has not yet been tabled at the date of the assessment.   |
|  | 31.2 Hearings on audit findings                            | C            | In depth hearings are held on negative findings on a majority of auditees reported on by the Auditor General.   |
|  | 31.3 Recommendations on audit by the legislature           | C            | The PAC issues recommendations to the ministries and entities but does not systematically follow up on progress during the year.  |
|  | 31.4 Transparency of legislative scrutiny of audit reports | C            | All hearings are open to the public and media and the PAC reports are published on the parliamentary website. However, there are significant delays and the latest publicly available PAC report is for FY 2014 |

## ANNEX 2: SUMMARY OF OBSERVATIONS ON THE INTERNAL CONTROL FRAMEWORK

| Internal control components and elements   | Summary of observations   |
|--|---|
| <b>1. Control environment</b>  |   |
|  | <p>There is a comprehensive and strong regulatory framework in place to guide ethical conduct and oversight. Section 62 of the Constitution provides for a minister to give general direction and control over that ministry and, subject to such direction and control, the department shall be under the supervision of a Permanent Secretary. The public financial management responsibility as a whole is being continuously strengthened through review and updating of the relevant laws and regulations, including improving internal controls. International standards are applied in the accounting framework, internal audit and external audit disciplines which make performance measurable and accountable. Through membership of international associations and regulatory bodies best practices and codes of ethics are also brought into the control environment.</p> <p>The government does however experience challenges achieving all objectives and targets due to a lack of skills and financial resources. Donor funded PFM reform initiatives play a significant role in guiding management.</p> <p>Of significant importance however is that use of information technology on budgetary control is limited to centralized processing of documents at the office of the Accountant General even though IFMIS has been rolled out to 30 out of 54 BUs, the main challenge being network connectivity. Compiling documents for processing is a decentralized manual process and various monitoring and oversight assignments identified an alarmingly high level of non-compliance with the prescribed regulations.</p> <p>The general controls in the information communication technology environment have not been tested independently by either the Auditor General or the Internal Audit Department and risk such as unauthorized access to systems and data remains high.</p> |
| 1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation | <p>Government has adopted a Civil Service Code, Regulations and Rules in 2009 to guide ethical and professional conduct of all civil service employees and individual acts for Teachers, the Police service and the Military. The civil service code for example provides five specific principles in detail to guide officials in their work environment, being selflessness; professionalism; transparency and accountability; integrity; impartiality. There is a prominent drive to reduce fraud and corruption within the Government and country as a whole aimed at reducing the incidence of bribes. This has received donor support (such as the DFID Pay-No-Bribe campaign)</p> <p>The regular and repetitive negative audit findings are of concern and regarded as indicative of a lack of respect for the law.</p>  |
| 1.2. Commitment to competence  | Included in the Civil Service Code, Regulations and Rules handbook is a chapter dealing with performance and training in order to develop employee skills for achieving targets and goals. Regulations and rules provide for recruiting new personnel on merit. The PFM regulatory  |

| Internal control components and elements                                      | Summary of observations   |
|---|---|
|   | <p>framework defines the various duties and responsibilities that actually serve as guidance for the competence levels required by law. Vote controllers are given the responsibility to implement and maintain internal controls and to recruit competent staff to uphold these controls.</p> <p>The lack of competencies, skills and experience is regarded as a significant contributing factor for the ineffective functioning of internal controls.</p>  |
| 1.3. The “tone at the top” (i.e. management’s philosophy and operating style) | <p>The Public Financial Management Act 2016 assigns responsibility for sound internal controls with the Minister of Finance and to the head of each ministry as Vote Controller. In a few budgetary bodies, Audit Committees and Internal Audit Units promote a strong internal control environment. The Constitution requires that the Auditor General report on an annual basis on the effectiveness of these controls and that the Public Accounts Committee holds the leadership accountable for non-compliance. The lack of consequence management at senior level remains a concern however as the Auditor General has repeatedly reported that the extent of non-compliance with the controls is extremely high and could result in loss of state assets and in the uneconomic, ineffective, inefficient and non-transparent use of public monies.</p>   |
| 1.4. Organisational structure   | <p>In order to promote service delivery to citizens the public sector consists of three sub-sectors i.e. BUs and sub-vented agencies (SVAs) at central government level; Local Councils and Chiefdoms at local level; and public enterprises. These entities are structured according to functions and focus areas administered through the comprehensive regulatory framework. Within the entities the PFMA is the prevailing law for promoting sound financial management and strong internal control systems.</p> <p>Examples of the laws prescribing authority within functions is that of the PFMA that provides for delegation of authority by Vote Controllers within ministries, the Procurement Act that provides for prescribed thresholds for applying the various procurement methods and the PSC Regulations that provide authority to approve new staff appointments according to qualifications.</p> <p>The organisational structure and design is appropriate for promoting a system of strong internal controls. Compliance, high vacancy levels and lack of appropriate and relevant skills remain the main challenges.</p> |
| 1.5. Human resource policies and practices                                    | <p>Human resource management is well organized. For example, the Public Service Commission and Human Resource Management Office have the responsibility of managing the Civil Service in line with the Code, Regulations and Rules Handbook. The payroll is centralized within the office of the Accountant General as custodian of the employees’ personal data and changes thereto. Recent employee physical verification assignments were carried out to clean up the data base. Annually, hearings are conducted in order to compile a Manpower Plan for the next financial year as the prevailing establishment is outdated and due to budgetary constraints appointments and promotions are strictly monitored. Since 2015, GoSL has placed a moratorium on employment of both civil and public servants except where new appointments are extremely necessary.</p>   |



| Internal control components and elements                                   | Summary of observations   |
|--|---|
|  | <p>Each ministry has a dedicated Human Resource Management unit that manages the function within the entity including staff records and payroll controls. Job descriptions are in place to guide employees on responsibilities and key performance areas.</p> <p>There is however still a challenge to clean up the payroll as numerous anomalies have been identified. The repeated discovery and removal of ghosts every few years has shown the need to tighten up payroll change procedures.</p>  |
| <b>2. Risk assessment</b>  | Risk management as a discipline has not yet been embedded in the prevailing PFM laws and other legal frameworks.  |
| 2.1 Risk identification  | <p>There is currently no formalised risk management methodology or processes in place. The Internal Audit Department has indicated that rolling out a comprehensive risk management methodology is one of its priorities for 2018. Its absence is a significant weakness and shortcoming in the internal control methodology/environment. It impacts negatively on the effectiveness of both public financial management within ministries and government as a whole as well as service delivery to the public.</p> <p>Nevertheless, both internal and external audit functions are based on high risk areas as much as possible. The National Revenue Authority undertakes periodic tax audit and fraud investigations as part of its mandate; selection of taxpayers for audit is done manually which can be compromised.</p> |
| 2.2 Risk assessment (significance and likelihood)                          |   |
| 2.3 Risk evaluation  |   |
| 2.4 Risk appetite assessment   |   |
| 2.5 Responses to risk (transfer, tolerance, treatment or termination)      |   |
| <b>3. Control activities</b>   | <p>The Financial Management Regulations 2007 is the most appropriate reference source as there is no other guideline on the implementation and maintenance of internal controls. In the assessment of PI-25 it is acknowledged that there is good segregation of duties and monitoring functions within the accounting, payment, procurement, budget management and human resource management disciplines.</p> <p>It is however also acknowledged in PI-25 that there are instances where controls are circumvented and that there is a high degree of non-compliance with rules. The Auditor General has repeatedly reported that not all documents were submitted for audit purposes and as such it could not verify the existence and/or effectiveness of all control activities. This remains a big concern.</p>            |
| 3.1 Authorization and approval procedures;                                 | Initiation of transactions is done by the budgetary entities which is a mainly manual process subject to the delegated authority, prescribed thresholds and adopted business processes. These processes are manual and once the required documents are ready and signed, are then sent to the office of the Accountant General for final checking and processing into IFMIS. Significant responsibilities are therefore vested within the office of the Accountant General specifically regarding payments and changes to the payroll which seem to be executed satisfactorily.   |
| 3.2 Segregation of duties (authorizing, processing, recording, reviewing); | The assessment recognized (PI-25.1 score of A) that the organization structure provides for segregation of duties at a high level between the budgetary entity as the responsible reporting entity, and oversight structures (such as the Budget Bureau, HRMO, NPPA, PSC) and the office of the Accountant General.   |

| Internal control components and elements                  | Summary of observations   |
|---|---|
|   | <p>Within the entity there is a generic structure providing for four distinctive units of relevance that are outside the operational service units i.e. Finance, Procurement, Budget and Human Resources. In addition, certain functions (Budget, Procurement) are managed through Committees under the chairmanship of the Vote Controller.</p>  |
| <p>3.3 Controls over access to resources and records;</p> | <p>Controls on changes to the payroll are rated as a B in PI-23.3 mainly due to the fact that processing on the IFMIS is centralized within the office of the Accountant General and access to these records is restricted by way of passwords and the limited number of actual licenses awarded to users. Document management (safeguarding) however remains a challenge as reported on by the Auditor General and Internal Auditors.</p> <p>Similarly access to financial data is restricted as access to capture and process transactions is centralized within the office of the Accountant General whilst budgetary entities have “read only” access. This resulted for example in PI-27.4 also being scored a B.</p> <p>The effectiveness of the IT controls is a concern as no IT audit (general and application control reviews) has been conducted over the past three years. Another weakness is the lack of routine changes of password for authorized personnel using the financial management software - IFMIS</p> |
| <p>3.4 Verifications</p>                                  | <p>One of the main benefits of the centralized processing of transactions and changes to the payroll is that of verification and input validation at the office of the Accountant General, though this dilutes any feeling of responsibility by Vote Controllers.</p> <p>During the period covered by the assessment, three distinct staff existence verification assignments were concluded resulting in the C score in PI-23.4. It can even escalate to a B on satisfactory evidence.</p> <p>Asset verification remains a challenge and the Auditor General prepared a special report included in its 2014 audit report on the poor controls over fixed assets resulting in losses and ministries not being able to account for all assets. That said, the National Assets and Government's Property Commission has been provided support by donors to ensure proper accountability and control of all government property</p>  |
| <p>3.5 Reconciliations</p>                                | <p>Bank reconciliations of the 8 main Treasury managed accounts, which are at present closely monitored due to the significant cash flow constraints. The remaining 43 accounts are reconciled monthly and scored a B in PI-27.1. There are however bank accounts (approximately 1000) earmarked for donors and projects that are not supervised by the Treasury but by the BUs and as such are not duly monitored by AGD for accuracy and timeliness of the bank reconciliations.</p> <p>As mentioned above, the status of Asset Registers is a matter of concern: annual movements are not reconciled to the registers.</p> <p>Payrolls are reconciled monthly between months to identify variances and changes which are followed up within the office of the Accountant General, albeit with some delays</p>  |
| <p>3.6 Reviews of operating performance</p>               | <p>Each minister signs an annual performance contract with the President; performance is reviewed and monitored annually. The Permanent</p>   |

| <b>Internal control components and elements</b>                                    | <b>Summary of observations</b>  |
|--|---|
|  | <p>Secretaries (Vote Controllers) also sign annual performance management contracts with the Chief of Staff. This is further decentralised such that each director of a budgeted entity signs a performance contract with the Vote Controller. Performance is monitored and reviewed annually. However, the effectiveness of these reviews leaves much to be desired as weaknesses continue to exist across central government operations. Another factor could also be inadequate resources to implement planned activities and therefore, lack of performance cannot be entirely blamed on staff.</p>   |
| <p>3.7 Reviews of operations, processes and activities;</p>                        | <p>External and internal audit findings indicate significant shortcomings that are not being addressed despite continuous reporting of these concerns.</p> <p>Annual reviews are carried out to assess the effectiveness of staff, with measurement of outputs against intended outcomes. Resource constraints are also blamed for not achieving the desired results in addition to staff not performing according to their assigned duties.</p>  |
| <p>3.8 Supervision (assigning, reviewing and approving, guidance and training)</p> | <p>The regulatory framework and with special reference to the Financial Management Regulations, Annual Budget Circulars, the HR Codes, Regulations and Rules and Procurement Act provides for the specific rules regarding responsibilities and duties within prescribed authority levels.</p> <p>The repeated negative findings from both the internal and external auditors indicate a weak system of supervision. Management have failed to introduce and/or apply systems and processes to quality assure performance and promote compliance.</p> <p>Units independent from the budgetary entities play an important role especially on pre-approval, for example the NPPA on procurement, the PSC on appointment of senior staff and the HRMO on reviewing and capturing changes to the payroll etc. The existence of these structures and the “supervisory” roles they play could be of significance in promoting the level of compliance with rules and regulations in future, creating capacity through training and deployment of staff within ministries etc.</p> |
| <p><b>4. Information and communication</b></p>                                     | <p>Access to quality data is a challenge. The regulatory framework provides for a large amount of information to be shared on websites which were non-functional at the time of the assessment. In PI-28 the coverage, timing and accuracy of information is rated D+ for the indicator. PI-30 and 31 both illustrate the negative impact on the assessment of the delay in submission of reports as the audit report is submitted 12 months after year end and the PAC report 24 months after year end. Access to fiscal reports by the public is good in spite of challenges to general network problems through other means such as government printers even though publication is late.</p> <p>Due to cost constraints, not all information is gazetted as prescribed by the regulatory framework or not published within the specified time frames.</p>  |
| <p><b>5. Monitoring</b></p>  | <p>The three most prominent monitoring activities regarding the existence and effectiveness of internal controls are those conducted by internal audit, external audit and the Public Accounts Committee. Other monitoring is done by the NPPA, HRMO and Finance Committee for</p>  |

| Internal control components and elements | Summary of observations  |
|--|--|
|  | <p>example, all which are external to the budgetary entity. However, the Cash Management Committee has been inactive since August 2017. There is also the Central Planning, Monitoring and Evaluation Division of MoFED that undertakes periodic monitoring of all central government projects</p> <p>There are Internal Audit units deployed at 39 of the 54 ministries that cover 76% of expenditure (PI-26). There is also an IA unit within the NRA that covers domestic revenue.</p> <p>Nevertheless, as stated previously, one main root cause for the identified weaknesses in the internal control environment is the lack of timely management action on audit findings. Reliance on independent annual reviews, and assessments such as performed by the ASSL and PAC do not substitute for management’s monitoring responsibilities.</p> <p>The significant delays in tabling the ASSL findings and subsequent issuing of the PAC resolutions and recommendations have a severe detrimental impact on the effectiveness and efficiency of the monitoring and implementation of audit findings. BUs have not compiled formal written plans to address audit findings which can be monitored and the impact or success (rate of achievement) measured, and evaluated for redress or change of strategies.</p> |
| 5.1 Ongoing monitoring                   | <p>As stated above, ongoing monitoring remains a significant challenge. BUs confirmed however that monthly expenditure reports are presented to Vote Controllers in order to monitor the extent of expenditure, identify any incidents of non-compliance and irregularities.</p> <p>Internal audit units are deployed at the selected ministries on a full-time basis to monitor compliance and effectiveness (strength) through audit assignments, however due to the lack of resources cannot conduct all the planned audit assignments. PI-26.3 indicates that only 48% of the 2016 audit assignments were indeed completed resulting in a D rating.</p>  |
| 5.2 Evaluations                          | <p>The repetitive nature of negative audit findings is mainly a result of –</p> <ul style="list-style-type: none"> <li>• The significance difference in time-frames between the financial year audited and actual issuing of the audit findings and the report on that year</li> <li>• Lack of a formal strategy and plan for example an ‘Audit Intervention Plan’ to address the identified weaknesses and shortcomings.</li> </ul>   |
| 5.3 Management responses                 | <p>Both the Auditor General and Internal Auditors as well as members of PAC reported poor response rates. The NPPA and Finance Committee shared similar experiences on submission of adequate Procurement Plans in time that are complete and realistic,</p> <p>As discussed above, the responses and undertakings given to both internal and external audit observations are not formalised by way of a plan or working document. This hinders management from monitoring and conducting their own assessments of progress, risks and weaknesses to be addressed.</p>   |

## ANNEX 3: SOURCES OF INFORMATION

*The annex lists every document from which information for the assessment has been used, such as legislation, government policy papers, budget documents, reports and statistics, as well as recent surveys and analytical work at national, regional or international level. This annex has three components:*

- *Annex 3A is used for related surveys and analytical work.*
- *Annex 3B lists the persons who have been interviewed and provided information for the PFM Performance Report, indicating the institutions they represent and their respective positions.*
- *Annex 3C contains a table explaining the sources of information used to extract evidence for scoring each indicator.*

### Annex 3A - Surveys and analytical work

- Transparency International Report on Sierra Leone – 2015 and 2016
- Annual progress report 2016 - Agenda for Prosperity - dated 3rd July 2017
- Audit Service Sierra Leone performance report 2015 and annual review report 2016 - support from DFID
- Audit Service Sierra Leone project completion report - support from DFID
- Development assistance report 2012-2015
- ASI Building Core Systems inception report August 2016 and annual review report 2016 - dated January 2017
- DFID annual work plan 2016-2017: Revenue for Prosperity - support to NRA
- DFID Revenue for Prosperity programme - annual review report 2016
- EITI Sierra Leone 2014 annual activity report
- EITI Sierra Leone 2013 revenue reconciliation report dated February 2016
- Open Government Partnership score card - June 2016 to July 2017
- IMF debt sustainability analysis for 2016 dated May 2017
- IMF FAD gap analysis - strengthening accountability and reporting in Sierra Leone, June 2017
- Adam Smith inception report - improving revenue collection in Sierra Leone - support from DFID
- GoSL M&E framework 2016 to 2018
- Minutes of Presidential Development Partnership Committee meeting dated March 2017
- Multi-donor PAF 2015
- National Revenue Authority (NRA) annual report 2015 and draft 2016 annual report
- NRA annual duty-free report FY2015 and FY2016
- NRA strategic plan 2013-2017
- NRA draft strategic plan 2018-2022
- NRA revenue data and report FY2016
- Multi-donor PAF aide memoire 2015 and 2016
- PFM donor working group matrix/tracker
- PFMICP annual reports for 2014, 2015, and 2016
- Assessment of 2014-2017 PFM reform strategy by Jonathan Dun - dated Sept 2017
- PFMICP project document - World Bank - dated November 2013
- Draft public debt bulletin 2017
- Public debt bulletin 2014 and 2015
- Draft medium-term revenue mobilisation strategy for Sierra Leone dated July 2017
- 2014 PEFA report for Sierra Leone
- GoSL PFM reform strategy 2014-2017 and draft reform strategy 2018-2021 (as at November 2017)
- NRA tax leaflet - goods and services tax, books and records to be kept
- NRA tax leaflet - frequently asked questions
- NRA tax leaflet - visits by NRA officials

- NRA revenue arrears data 2016
- NRA annual tax audit and fraud investigations plan 2016
- Report on treasury bills auction - September and October 2017
- Sample copy of CS-DRMS report - September 2017
- MOFED Revenue and Tax Policy Unit domestic tax revenue estimation template
- Local councils annual financial statements - samples from Tonkolili District Council
- Project proposal document - Transformation of the National Assets and Government's Property Commission - dated August 2017
- NPPA (2017) Compendium of Perennial Procurement Issues, November
- World Bank (1995) Politics and Corruption in Sierra Leone, by Sahr Kpundeh
- PFMRU annual reports for 2014, 2015 and 2016
- IMF Staff Report, June 2017
- SSL (2015) Population and Housing Census and Labour Force Survey
- Parliamentary Standing Orders, revised 2005
- ACC annual report (draft) 2016
- AH Consulting (2016) Independent Assessment of IFMIS
- AH Consulting (2017) IFMIS Strategy 2018-2021
- National Assets and Government Property Commission, Inventory of Government Assets and Properties, vol. 1, undated
- Afrobarometer (2015) People and Corruption: Africa Survey

## Annex 3B - List of persons interviewed

| Name                 | Organisation | Position                                 |
|----------------------|--------------|--|
| Dr Joseph A. Thullah | MOFED        | Senior Economist, Public Debt Department |
| Adams S. Kargo       | MOFED        | Director, Local Govt Finance Department  |
| Solomon S. Thomas    | MOFED        | Deputy Secretary, Public Debt Department |
| Mohammed Lavalley    | MOFED        | Economist, Public Debt Department        |
| Abdulai B. Jalloh    | MOFED        | Economist, Public Debt Department        |
| Mohammed Samura      | MOFED        | Budget Officer, Public Debt Department   |
| Adams Tommy          | MOFED        | Ag Deputy Director, Local Govt Finance   |
| Ibrahim Eiba         | MOFED        | Asst Accountant, Local Govt Finance      |
| Haja Mbalu Koroma    | MOFED        | Economist, Local Govt Finance Department |
| Fallah Y. Sumah      | MOFED        | Economist, Local Govt Finance Department |
| Abubakar Fofanah     | MOFED        | Economist, Local Govt Finance Department |
| Mohamed Sankoh       | MOFED        | Economist, Local Govt Finance Department |
| Ibrahim G. Bureh     | MOFED        | Senior Economist                         |
| Sheka Bangura        | MOFED        | Director, Central Planning, M&E          |
| Idrissa Kanu         | MOFED        | Director, Revenue & Tax Policy Division  |
| Mohamed A. Salisu    | MOFED        | Economist, Revenue & Tax Policy Division |

|                         |       |   |
|-------------------------|-------|---|
| Adama Hawa Bah          | MOFED | Economist, Revenue & Tax Policy Division      |
| Sandy S. Kamara         | MOFED | Economist, Revenue & Tax Policy Division      |
| Mohamed Bailley         | MOFED | Senior Economist, PIMU                        |
| Esther Sesay            | MOFED | Economist, PIMU                               |
| Kandeh Sesay            | MOFED | Director, IAD                                 |
| Abdul Rahman Koromah    | MOFED | Assistant Director, IAD                       |
| Abdulai Samura          | MOFED | Assistant Director, IAD                       |
| Sam M. Aruna            | MOFED | Deputy Secretary                              |
| Peter Nuyaba Sam-Kpakra | MOFED | Deputy Financial Secretary, Head MPD          |
| Mathew Dinge            | MOFED | Budget Director                               |
| Abie Elizabeth Kamara   | MOFED | Deputy Director, DACO                         |
| Eugene Sawyerr          | MOFED | Senior Economist                              |
| Lucy Brewah             | MOFED | Economist                                     |
| Simeon Jonjo            | MOFED | Director, ICT                                 |
| Max Baila               | MOFED | Deputy Director, ICT                          |
| Gbessay E. Swaray       | MOFED | Senior Budget Officer                         |
| Jacob T. Sessie         | MOFED | Senior Budget Officer                         |
| Kandeh Sesay            | MOFED | Director, Internal Audit Department           |
| Abdul R. Koromah        | MOFED | Assistant Director, Internal Audit Department |
| Georgina Kamara         | HRMO  | Director, HRP&B                               |
| M. S. Jalloh            | HRMO  | Director                                      |
| Christian F. Yahah      | HRMO  | Deputy Director                               |
| Hannah L. Suale         | HRMO  | Deputy Director                               |
| James Jamil Foday       | HRMO  | Senior HR Officer                             |
| Saidu Swaray            | BoSL  | Manager, Real Sector & PFM                    |
| Rashid I. M. Koroma     | BoSL  | Research Department                           |
| Ivan L. Gbondo          | BoSL  | Banking Department                            |
| Rogers Jones            | BoSL  | Banking Department                            |
| Jibao M. Flee           | BoSL  | Banking Department                            |
| Emerson Jackson         | BoSL  | Senior Manager, Research                      |
| Richard S. Williams     | AGD   | Accountant General                            |
| Lawrence Caulker        | AGD   | Deputy Accountant General                     |
| Abu Bakarr Conteh       | AGD   | Deputy Accountant General                     |
| Sheila Max-MacCarthy    | AGD   | Head, Financial Reporting                     |
| Jusufu Kamanda          | AGD   | Senior Accountant, Financial Reporting        |
| Abdullah Alhaji Alghali | AGD   | Senior Accountant, Financial Reporting        |

|                    |             |                                  |
|--------------------|-------------|----------------------------------|
| Abdul R. Barrie    | AGD         | Accountant, Cash Management Unit |
| Yusufu Bangura     | AGD         | Senior Accountant, Cash Mgt Unit |
| Ady Macauley       | ACC         | Commissioner                     |
| Shollay Davies     | ACC         | Deputy Commissioner              |
| Sheku Kanu         | ACC         | Director, Finance                |
| Martin A. Jimmy    | MM&MR       | Deputy Secretary                 |
| Thomas Jonjo       | MM&MR       | Senior Accountant                |
| Abu A. Kanu        | MM&MR       | Accountant                       |
| Shiaka A. Kawa     | MM&MR       | Senior HR Officer                |
| Foday Sesay        | MM&MR       | Senior Assistant Secretary       |
| Bashiru B. Kamara  | MM&MR       | Internal Auditor                 |
| Alhaji S. Mansaray | MM&MR       | Senior Procurement Officer       |
| Alfred Coker       | NPPA        | Head, Monitoring & Evaluation    |
| Juliana Sesay      | NPPA        | Intern                           |
| Abu Bakarr Junisa  | NPPA        | Monitoring & Evaluation Officer  |
| Moses Ngebeh       | NPPA        | Procurement Officer              |
| Umaru A. Conteh    | MEST        | Principal Secretary              |
| Adama J. Momoh     | MEST        | Director, Planning and Policy    |
| Donald Newman      | MEST        | Accountant                       |
| Abu Bakarr K.      | MEST        | Assistant Accountant             |
| Habib Kebbie       | MEST        | Senior Internal Auditor          |
| Sia A. C. Lusanie  | MEST        | Senior Internal Auditor          |
| Morrison Morray    | MEST        | Accountant                       |
| Aminata Suma       | MEST        | Senior Procurement Officer       |
| Alusine S. Kargbo  | MOHS        | Principal Accountant             |
| Fayia Musa Tucker  | MOHS        | Accountant                       |
| Dr Foday Kamara    | MOHS        | Senior Accountant                |
| Elizabeth Lavalay  | MOHS        | Accountant                       |
| Starlyn Keonoh     | MOHS        | Internal Auditor                 |
| Joseph Nyagba      | MOHS        | Deputy Director Procurement      |
| Magdalene Konteh   | MOHS        | Senior Assistant Secretary       |
| Joe Gbouma         | MOHS        | Senior Personnel Officer         |
| Nikhil Chacko      | MOHS - CHAI | Senior Personnel Officer         |
| Fatmata Banre      | MOHS        | Accountant                       |
| Fayia M. Tucker    | MOHS        | Accountant                       |
| H. Foday-Bai       | MOHS        | Human Resource Officer           |



|                       |            |  |
|-----------------------|------------|--|
| Edward Victor Silma   | MWHI       | Professional Head                      |
| Monica Kamara         | MWHI       | Civil Engineer                         |
| Mohammed K. Serry     | MWHI       | Accountant                             |
| Agnes Mbayo           | MWHI       | Senior Assistant Secretary             |
| Ibrahim S. Kamara     | MWHI       | Deputy Secretary                       |
| Nathaniel Nicol       | MWHI       | Internal Auditor                       |
| Abdulai Koroma        | MAFFS      | Permanent Secretary                    |
| Kombo Koroma          | MAFFS      | Financial Expert                       |
| Edward Kamara         | MAFFS      | Chief Accountant                       |
| Amadu Bangura         | MAFFS      | Internal Auditor                       |
| Bai Bai Sesay         | MAFFS      | Senior Planning & Budgeting Officer    |
| Amb. Idrissa M. Funna | NA&GPC     | Chairman / Commissioner                |
| Mohamed B. A. Timbo   | NA&GPC     | Commissioner                           |
| Ahmed S. Kanu         | NA&GPC     | Consultant                             |
| Zainur D. Sanusi      | NA&GPC     | Assistant Secretary                    |
| Abdul Aziz            | ASSL       | Deputy Auditor General                 |
| Adama Renner          | ASSL       | Deputy Auditor General                 |
| Hon Ibrahim S. Sesay  | Parliament | Clerk of Parliament                    |
| Hon Komba Koedoyoma   | Parliament | Deputy Chair, PAC                      |
| Mohammed Barrie       | Parliament | Clerk, Finance & Economic Committee    |
| Augustine Sesay       | Parliament | Clerk, Transparency Committee          |
| David Safia           | Parliament | Clerk, PAC                             |
| Abu Bakar Turay       | SSL        | Director, Economic Statistics Division |
| Sulaiman Kabba Koroma | NCP        | Chairman                               |
| Abdul Mansaray        | NCP        | Senior Financial Analyst               |
| Adams Bangura         | NCP        | Financial Analyst                      |
| Sia Asgill            | NCP        | Financial Analyst                      |
| Josephine M. Ansumana | NCP        | Financial Analyst                      |
| Alfred Akibo-Betty    | NRA        | Deputy Commissioner, Domestic Tax      |
| Shiaka S. Kamara      | NRA        | Assistant Commissioner                 |
| Joseph M. Musa        | NRA        | Senior Economist                       |
| Abdul R. Rogers       | NRA        | Economist                              |
| David Lavam           | NRA        | Assistant Commission, Domestic Tax     |
| Aminata Monsasay      | NRA        | Manager, Taxpayer Services             |
| Mohamed Fodey         | NRA        | Assistant Director                     |
| Abu Tarawalie         | NRA        | Head, EIRU                             |

|                           |          |   |
|---------------------------|----------|---|
| Philip Koroma             | NRA      | Deputy Director                         |
| Dr. Sheku Kamara          | NRA      | Assistant Commissioner, RIIU            |
| Abu Kamara                | PPP Unit | Director                                |
| Patrick Sesay             | PPP Unit | Programme Manager                       |
| Abu Bakar Sesay           | PPP Unit | Financial Advisor                       |
| William Kenteh            | PPP Unit | Programme Officer                       |
| Sahr Wonday               | NMA      | Director General                        |
| Konstantin Born           | NMA      | Economist                               |
| Joseph Tarawallie         | NMA      | Senior Accountant                       |
| Alusine Timbo             | NMA      | Deputy Director of Mines                |
| John Foruah               | NMA      | Director of Finance & Admin             |
| Daniel Grotino            | EUD      | Programme Officer                       |
| Cyprian Kamaray           | Linpico  | Team Leader, SBCCS                      |
| Jonathan G. Dunn          | Linpico  | Lead Consultant, PFM Reform Strategy    |
| Ross Fraser               | Linpico  | Internal Audit Support Expert           |
| Chigomezgo Mtegha-Gelders | DFID     | Team Leader, Governance                 |
| Sara Somoudi              | DFID     | Economic Advisor                        |
| Samina Bhatia             | DFID     | Governance Advisor                      |
| Mathew Sandy              | IMF      | Economist                               |
| Jamal E. Zayid            | AfDB     | Principal Country Economist             |
| Yusuf Bob Foday           | AfDB     | Consultant Macroeconomist               |
| Nikunj Soni               | DFID-BCS | Team Leader, Building Core Systems      |
| Tim Robinson              | DFID-BCS | Economist                               |
| Parminder Brar            | WB       | Country Manager                         |
| Victor Bonsu              | WB       | Senior Financial Management Specialist  |
| Kemoh Mansaray            | WB       | Senior Economist                        |
| Abu Bakar Kamara          | BAN      | Coordinator                             |
| Abdulraman M. Sesay       | BAN      | Programme Officer                       |
| Edward Koroma             | TI-SL    | Programme Manager, Transparency Int. SL |
| Mohamed M. Bah            | FCC      | Imprest Accountant                      |

## Annex 3C - Sources of Information by Dimension

| Indicator   | Dimension  | Data used   |
|---|--|---|
| <b>I. Budget Reliability</b>                                      |  |   |
| <b>1. Aggregate Expenditure Outturn</b>                           | 1.1 Aggregate Expenditure Outturn                    | Appropriations Acts/Approved original expenditure budget and actual expenditure based on administrative and economic classifications for FY2014; FY2015; and FY2016 |
| <b>2. Expenditure Composition Outturn</b>                         | 2.1 Expenditure Composition Outturn by Function      | Appropriations Acts/Approved original expenditure budget and actual expenditure based on administrative classification for FY2014; FY2015; and FY2016               |
|   | 2.2 Expenditure Composition Outturn by Economic Type | Appropriations Acts/Approved original expenditure budget and actual expenditure based on economic classification for FY2014; FY2015; and FY2016                     |
|   | 2.3 Expenditure from Contingency Reserves            | Contingency budget and actual expenditure from contingency vote for FY2014; FY2015; and FY2016  |
| <b>3. Revenue Outturn</b>   | 3.1 Aggregate Revenue Outturn                        | Approved original revenue budget and actual revenue outturns based on revenue types for FY2014; FY2015; and FY2016  |
|   | 3.2 Revenue Composition Outturn                      | Approved original revenue budget and actual revenue outturns based on revenue types for FY2014; FY2015; and FY2016  |
| <b>II. Transparency Of Public Finances</b>                        |  |   |
| <b>4. Budget Classification</b>                                   | 4.1 Budget Classification                            | Chart of Accounts, Budget books; interviews with officials  |
| <b>5. Budget Documentation</b>                                    | 5.1 Budget Documentation                             | Budget books; Call circulars, Budget Speech; Interviews with officials; Fiscal Strategy Statement for 2017  |
| <b>6. Central Government Operations Outside Financial Reports</b> | 6.1 Expenditure Outside Financial Reports            | Interviews with officials; financial data on expenditure from extra-budgetary units and donor funded projects   |
|   | 6.2 Revenue Outside Financial Reports                | Interviews with officials; financial data on revenue from extra-budgetary units and donor funded projects   |
|   | 6.3 Financial Reports of Extra Budgetary Units       | List of extra-budgetary units submitting financial reports to government with confirmation from Auditor-General   |
| <b>7. Transfers To Sub-national</b>                               | 7.1 System for Allocating Transfers                  | Interviews with officials; Documentation from Local Government Finance  |

| Indicator  | Dimension  | Data used  |
|--|--|--|
| <b>Governments</b>                                     |  | Department; Budget book; Local Government Equitable Grants Distribution Formulae and Annual Allocations 2016   |
|  | 7.2 Timeliness of Information on Transfers         | Interviews with officials; Local Government budget circular for 2016;  |
| <b>8. Performance Information For Service Delivery</b> | 8.1 Performance Plans for Service Delivery         | The Budget Book; Strategic Plan from Ministry of Agric; Ministry of Agric performance tracking tables; Interviews with officials   |
|  | 8.2 Performance Achieved For Service Delivery      | The Budget Book; Strategic Plan from Ministry of Agric; Ministry of Agric performance tracking tables; Interviews with officials. Annual progress report of Agenda for Prosperity                                      |
|  | 8.3 Resources Received By Service Delivery Units   | The Budget Book; Strategic Plan from Ministry of Agric; Ministry of Agric performance tracking tables; Interviews with officials. Annual progress report of Agenda for Prosperity; Ministry of Agric annual M&E report |
|  | 8.4 Performance Evaluation For Service Delivery    | Interviews with officials; Annual monitoring report on Agenda for Prosperity (Government medium term strategy); Ministry of Agric annual M&E report  |
| <b>9. Public Access To Fiscal Information</b>          | 9.1 Public Access To Fiscal Information            | Government website; Ministry of Finance website; citizens budget; annual budget speeches 2014 to 2017; budget books 2014 to 2017   |
| <b>III. Management Of Assets And Liabilities</b>       |  |  |
| <b>10. Fiscal Risk Reporting</b>                       | 10.1 Monitoring of Public Corporations             | Interviews with officials; Audit information from ASSL;  |
|  | 10.2 Monitoring of Subnational Governments         | Interviews with officials; Audit information from ASSL; documentation/information from MoFED/LGFD  |
|  | 10.3 Contingent Liabilities and Other Fiscal Risks | Interviews with officials; Documentation from Accountant General; Consolidated financial statements; information from MoFED public debt management unit  |
| <b>11. Public Investment Management</b>                | 11.1 Economic Analysis of Investment Proposals     | Interviews with officials from MOFED/PIM; line ministries (education, health, agric, and works)  |
|  | 11.2 Investment Project Selection                  | Interviews with officials from MOFED/PIM; line ministries (education, health, agric, and works)  |
|  | 11.3 Investment Project Costing                    | Interviews with officials from MOFED/PIM; line ministries (education, health, agric, and works); budget books  |

| Indicator   | Dimension   | Data used  |
|---|---|--|
|   | 11.4 Investment Project Monitoring                  | Annual progress report of Agenda for Prosperity.   |
| <b>12. Public Asset Management</b>                          | 12.1 Financial Asset Monitoring                     | List of government equities in public and private business entities from consolidated annual financial statements 2016                         |
|   | 12.2 Nonfinancial Asset Monitoring                  | Interviews with stakeholders including National Assets and Government's Property Commission; Ministries of Education, Agric, Health, and Works |
|   | 12.3 Transparency of Asset Disposal                 | Public Procurement Act 2016; documentation from National Assets and Government's Property Commission   |
| <b>13. Debt Management</b>                                  | 13.1 Recording and Reporting of Debt and Guarantees | Debt report from MoFED public debt management unit for FY2014, 2015, and 2016; . Domestic debt report for 2016 and 2017                        |
|   | 13.2 Approval of Debt and Guarantees                | Public Financial Management Law 2016; Public Debt Law 2011   |
|   | 13.3 Debt Management Strategy                       | Debt management strategy 2013; IMF country report on Sierra Leone dated May 2017, GoSL DSA 2016  |
| <b>IV. Policy-Based Fiscal Strategy And Budgeting</b>       |   |  |
| <b>14. Macroeconomic and Fiscal Forecasting</b>             | 14.1 Macroeconomic Forecasts                        | Interviews with officials in MoFED EPRU and Bank of Sierra Leone; MTEF; Budget book Working documents; Budget Speech; Debt bulletin            |
|   | 14.2 Fiscal Forecasts                               | Interviews with officials in MoFED EPRU and Bank of Sierra Leone; MTEF; Budget book Working documents; Budget Speech; Debt bulletin            |
|   | 14.3 Macro Fiscal Sensitivity Analysis              | Interviews with officials in MoFED EPRU and Bank of Sierra Leone; MTEF; Budget book Working documents; Budget Speech; Debt bulletin            |
| <b>15. Fiscal Strategy</b>                                  | 15.1 Fiscal Impact of Policy Proposals              | Budget Framework Papers for 2014-2016, Fiscal strategy statement 2017  |
|   | 15.2 Fiscal Strategy Adoption                       | Budget Framework Paper 2016  |
|   | 15.3 Reporting on Fiscal Outcomes                   | Budget Framework Paper 2016  |
| <b>16. Medium Term Perspective In Expenditure Budgeting</b> | 16.1 Medium-Term Expenditure Estimates              | Budget book; MTEF; Interviews with officials   |
|   | 16.2 Medium-Term Expenditure Ceilings               | Budget Call Circular; MTEF; Interviews with officials  |

| Indicator  | Dimension  | Data used   |
|--|--|---|
|  | 16.3 Alignment of Strategic Plans and Medium-Term Budgets  | Agenda for Prosperity (GoSL medium term strategy); sector strategy from Ministries of Education and Agric               |
|  | 16.4 Consistency of Budgets with Previous Year's Estimates | Budget books; Call circulars, Budget Speech; Interviews with officials;   |
| <b>17. Budget Preparation Process</b>                    | 17.1 Budget Calendar                                       | PFM Act 2016; Budget Call circulars, Budget Calendar; Budget Speech; interviews with officials                          |
|  | 17.2 Guidance on Budget Preparation                        | PFM Act; Budget Call circulars, Budget Calendar; interviews with officials; Fiscal Strategy Statement                   |
|  | 17.3 Budget Submission to the Legislature                  | PFM Act 2016; Budget Speech; Interviews with officials at MoFED and Parliament  |
| <b>18. Legislative Scrutiny Of Budgets</b>               | 18.1 Scope of Budget Scrutiny                              | PFM Act 2016; Standing orders of the Parliament; Budget documentation; Interviews with officials                        |
|  | 18.2 Legislative Procedures for Budget Scrutiny            | Standing orders of Parliament; Interviews with officials at Parliament  |
|  | 18.3 Timing of Budget Approval                             | Interviews with officials at Parliament; documentation from Parliament; Appropriations Acts 2015 to 2017                |
|  | 18.4 Rules for Budget Adjustment by the Executive          | Constitution; PFM Act 2016; Interviews with officials; data on budget in-year reallocations                             |
| <b>V. Predictability And Control In Budget Execution</b> |  |   |
| <b>19. Revenue Administration</b>                        | 19.1 Rights And Obligations For Revenue Measures           | NRA Act 2002; Customs & Excise Act 2011; Income Tax Act 2000; GST Act 2009; Finance Acts 2014 to 2017; NRA tax leaflets |
|  | 19.2 Revenue Risk Management                               | NRA strategic plan 2013-2017; draft copy of NRA strategic plan 2018-2022  |
|  | 19.3 Revenue Audit And Investigation                       | NRA tax audit and investigation plan for 2015 and 2016; NRA annual activity progress reports for 2015 and 2016 draft    |
|  | 19.4 Revenue Arrears Monitoring                            | Data on stock of revenue arrears for 2016; plus actual tax outturns for the same period                                 |
| <b>20. Accounting For Revenue</b>                        | 20.1 Information On Revenue Collections                    | 2016 quarterly revenue reports submitted to MoFED   |
|  | 20.2 Transfer Of Revenue Collections                       | NRA bank statements; triangulation/confirmation from Bank of Sierra Leone   |

| <b>Indicator</b>   | <b>Dimension</b>                                      | <b>Data used</b>  |
|--|---|---|
|  | 20.3 Revenue Accounts Reconciliation                  | NRA revenue reconciliation statements for 2016  |
| <b>21. Predictability Of In-Year Resource Allocation</b> | 21.1 Consolidation Of Cash Balances                   | Interviews with officials from Accountant General's Department; report on consolidation of government (treasury) cash/bank balances   |
|  | 21.2 Cash Forecasting And Monitoring                  | Copy of consolidated annual cash flow statement from MoFED;   |
|  | 21.3 Information On Commitment Ceilings               | Copy of expenditure commitment warrant from MoFED; Ministry of Education  |
|  | 21.4 Significance Of In-Year Budget Adjustments       | Copy of statement of budget reallocation from MoFED; sample copies of BU budget virement requests   |
| <b>22. Expenditure Arrears</b>                           | 22.1 Stock Of Expenditure Arrears                     | Interviews with government officials; no reliable data on stock of expenditure arrears.   |
|  | 22.2 Expenditure Arrears Monitoring                   | Consolidated annual financial statements FY2014, FY2015 and FY2016; interview with officials  |
| <b>23. Payroll Controls</b>                              | 23.1 Integration Of Payroll And Personnel Records     | Establishment list; personnel records at HRMO; Accountant General's Department  |
|  | 23.2 Management Of Payroll Changes                    | Copies of payroll/personnel change forms  |
|  | 23.3 Internal Control Of Payroll                      | Copies of payroll/personnel change forms; monthly payroll report FY2016   |
|  | 23.4 Payroll Audit                                    | Payroll audit report for 2016 by PwC;   |
| <b>24. Procurement Management</b>                        | 24.1 Procurement Monitoring                           | Database of procurement information at National Public Procurement Authority  |
|  | 24.2 Procurement Methods                              | Database of procurement information at National Public Procurement Authority (NPPA)   |
|  | 24.3 Public Access To Procurement Information         | Government website; Ministry of Finance website; NPPA website   |
|  | 24.4 Procurement Complaints Management                | PFM Act 2016, Public Procurement Act 2014 and 2016  |
| <b>25. Internal Controls On Nonsalary Expenditure</b>    | 25.1 Segregation of Duties                            | Copies of payment vouchers; financial management regulations 2007, PFM Act 2016   |
|  | 25.2 Effectiveness of Expenditure Commitment Controls | IFMIS functionality manual; IFMIS implementation strategy document; walk-through test of IFMIS functions; interviews with stakeholders; sample copies of expenditure arrears from Ministry of Public Works and Ministry of Health |

| Indicator                           | Dimension  | Data used  |
|-------------------------------------|--|--|
|                                     | 25.3 Compliance with Payment Controls                | Financial statements for 2014 to FY2016; Auditor-General's annual audit report FY2014 and FY2015   |
| <b>26. Internal Audit</b>           | 26.1 Coverage of Internal Audit                      | PFM Act 2016, financial management regulations 2007; interviews with MoFED, Ministry of Works, Education, Health, and Agric; copies of internal audit reports; annual audit plans FY2016 |
|                                     | 26.2 Nature of Audits and Standards Applied          | Annual audit plans FY2016; internal audit reports  |
|                                     | 26.3 Implementation of Internal Audits and Reporting | Auditor-General audit reports 2014 and 2015; internal audit reports 2016   |
|                                     | 26.4 Response to Internal Audits                     | Auditor-General audit reports 2014 and 2015; internal audit reports 2016   |
| <b>VI. Accounting and reporting</b> |  |  |
| <b>27. Financial Data Integrity</b> | 27.1 Bank Account Reconciliation                     | Bank statements and reconciliation statements FY2016 and as at October 2017; Auditor-General's audit reports 2014 and 2015   |
|                                     | 27.2 Suspense Accounts                               | Consolidated annual financial statements 2014 to 2016; Auditor-General's reports 2014 and 2015   |
|                                     | 27.3 Advance Accounts                                | Consolidated annual financial statements 2014 to 2016; Auditor-General's reports 2014 and 2015   |
|                                     | 27.4 Financial Data Integrity Processes              | IFMIS functionality manual; IFMIS implementation strategy document; walk-through test of IFMIS functions; interviews with stakeholders;  |
| <b>28. In-Year Budget Reports</b>   | 28.1 Coverage and Comparability of Reports           | Quarterly in-year budget execution reports FY2016; IFMIS monthly reports   |
|                                     | 28.2 Timing of In-Year Budget Reports                | Quarterly in-year budget execution reports FY2016; IFMIS monthly reports   |
|                                     | 28.3 Accuracy of In-Year Budget Reports              | Quarterly in-year budget execution reports FY2016; IFMIS monthly reports; Auditor-General's audit reports 2014 and 2015  |
| <b>29. Annual Financial Reports</b> | 29.1 Completeness of Annual Financial Reports        | Consolidated annual financial statements FY2014 to FY2016  |
|                                     | 29.2 Submission of Reports for External Audit        | Transmittal letter from Accountant General; confirmation from Auditor-General  |
|                                     | 29.3 Accounting Standards                            | Consolidated annual financial statements FY2014 to FY2016  |



| Indicator  | Dimension  | Data used   |
|--|--|---|
| <b>VII. External Scrutiny and Audit</b>          |  |   |
| <b>30. External Audit</b>                        | 30.1 Audit Coverage and Standards                          | Audit Service Act 2014; Audit manual; Auditor-General's audit reports; interviews with officials of ASSL  |
|  | 30.2 Submission of Audit Reports to the Legislature        | Transmittal letter from Auditor-General to Parliament; confirmation from parliament   |
|  | 30.3 External Audit Follow-Up                              | Auditor-General audit reports 2014 and 2015;  |
|  | 30.4 Supreme Audit Institution Independence                | 1991 Constitution; Audit Service Act 2014; interview with Auditor-General   |
| <b>31. Legislative Scrutiny Of Audit Reports</b> | 31.1 Timing of Audit Report Scrutiny                       | Hansard/minutes from parliament; minutes from PAC; confirmation from CSOs; interviews with MoFED, Ministries of Works, Education, Health, and Agriculture |
|  | 31.2 Hearings on Audit Findings                            | Interaction with members of PAC; confirmation from CSOs; interviews with government officials from BUs  |
|  | 31.3 Recommendations on Audit by the Legislature           | Report of PAC for FY2014; interviews with PAC members; confirmation from CSOs   |
|  | 31.4 Transparency of Legislative Scrutiny of Audit Reports | Hansard/minutes from parliament; minutes from PAC; confirmation from CSOs; interviews with MoFED, Ministries of Works, Education, Health, and Agric       |

## ANNEX 4: COMPARISON WITH 2014 ASSESSMENT

| PFM Performance Indicator  | Scoring Method | 2014 | 2017 | Comparable (Y/N) | Justification for 2017 score  | Performance Change   |
|--|----------------|------|------|------------------|---|--|
| <b>1. Aggregate Expenditure Out-Turn Compared to Original Approved Budget</b>                                    | M1             | D    | C    | Y                | Variance was between 85% and 115% of budget in all three years  | Slight improvement   |
| <b>2. Composition of Expenditure Out-Turn Compared to Original Approved Budget</b>                               | M1             | D+   | D+   | Y                |   | No change overall  |
| 2 (i) Extent of the variance in expenditure composition during the last three years, excluding contingency items |                | D    | D    | Y                | Variance was less than 15% in only one year   | No change  |
| 2 (ii) The average amount of expenditure actually charged to the contingency vote over the last three years      |                | A    | B    | Y                | Actual expenditure charged against contingency vote is averaged at just over 3% of total central government expenditure | Slight deterioration   |
| <b>3. Aggregate Revenue Out-Turn Compared to</b>   | M1             | D    | A    | Y                | Aggregate revenue outturn was 105.2% of budget in 2014, 93.5% in 2015 and 100.6% in                                     | Both score and performance have improved significantly. The use of revenue forecasting |

| <b>PFM Performance Indicator</b>  | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>   | <b>Performance Change</b>  |
|---|-----------------------|-------------|-------------|-------------------------|---|--|
| <b>Original Approved Budget</b>   |                       |             |             |                         | 2016. In two out of three years (i.e. 2014 and 2016), the variance was between 97% and 106% of budgeted domestic revenue  | model (SLIMM) has to a large extent contributed to performance improvement   |
| <b>4. Stock and Monitoring of Expenditure Payment Arrears</b>   | M1                    | B+          | D           | Y                       |   | Decline in both score and performance. Data on stock of expenditure arrears is unreliable; no framework exists for monitoring expenditure arrears.                                 |
| 4 (i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock |                       | A           | D           | Y                       | The stock of expenditure arrears (based on available data) represents 14.2% of total government expenditure.  | Decline in both score and performance. According to the 2014 PEFA assessment, expenditure arrears were below 2% of total government expenditure.                                   |
| 4 (ii) Availability of data for monitoring the stock of expenditure payment arrears   |                       | B           | D           | Y                       | The data on the stock of expenditure arrears is unreliable (whereas domestic supplier expenditure arrears disclosed at 31st December 2015 stood at Le 10.452 billion, Le 137.201 bn was actually paid in 2016). Government officials have also confirmed there is no reliable data on stock of expenditure arrears. | Decline in both score and performance. Data used in 2014 was reliable as there was a verification (though not complete) exercise undertaken during the assessment period 2011-2013 |
| <b>5. Classification of the Budget</b>  | M1                    | C           | A           | Y                       | Both budget formulation and execution are based administrative, economic and sub-functional classification using GFS2001 standards  | Both score and performance have improved   |
| <b>6. Comprehensiveness of Information included in Budget Documentation</b>   | M1                    | A           | B           | N                       | Budget documentation submitted to parliament in 2016 for 2017 budget met 6 out of 9 assessment benchmarks (no.2, 3, 4, 6, 7 and 8)  | No change in performance. The previous assessment overrated this dimension as information element number 9 was not met   |

| <b>PFM Performance Indicator</b>  | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>   | <b>Performance Change</b>   |
|---|-----------------------|-------------|-------------|-------------------------|---|---|
| <b>7.Extent of Unreported Government Operations</b>   | M1                    | D           | D           | Y                       |   | No change   |
| 7 (i) The level of extra-budgetary expenditure (other than donor funded projects) which is unreported i.e. not included in fiscal reports   |                       | D           | D           | Y                       | At least 11.5% of revenue and expenditure from central government entities are not included in the consolidated annual financial statements   | No change   |
| 7 (ii) Income/expenditure information on donor-funded projects which is included in fiscal reports  |                       | D▲          | D           | Y                       | Annual financial statements disclose some information on donor funded projects. According to officials from the Donor Assistance Coordinating Office (DACO) of MoFED, less than 20% of donor financed projects are reported | No change. The arrow shown in 2014 was to acknowledge government's effort in ensuring that all non-tax revenue is brought into the consolidated fund. This is still work in progress as at 2017 |
| <b>8.Transparency of Inter-Governmental Fiscal Relations</b>  | M2                    | B           | A           | Y                       |   | Improvement in both score and performance due to improvement in dimension (ii)  |
| 8 (i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from central government (both budgeted and actual allocations) |                       | A           | A           | Y                       | At least 90% of horizontal allocations from central government to local councils are done transparently and are rule-based.   | No change   |
| 8 (ii) Timeliness of reliable information to SN governments on their  |                       | D           | A           | Y                       | Central government makes available to local councils reliable information on their annual allocations prior to the beginning of local   | Both score and performance have improved  |

| <b>PFM Performance Indicator</b>   | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>  | <b>Performance Change</b>   |
|--|-----------------------|-------------|-------------|-------------------------|--|---|
| allocations from central government for the coming year  |                       |             |             |                         | councils budget preparation process  |   |
| 8 (iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories |                       | B           | B           | Y                       | The Local Government Finance Department under MoFED collects annual financial statements from at least 75% of local councils from which a consolidated annual report is prepared within a year. Local councils use the PETRA accounting software which is consistent with central government accounting software - IFMIS | No change   |
| <b>9.Oversight of Aggregate Fiscal Risk from other Public Sector Entities</b>  | M1                    | C+          | C+          | Y                       |  | No change   |
| 9.(i) Extent of central government monitoring of AGAs and PEs  |                       | C           | C           | Y                       | Most public enterprises submit annual financial statements to the government through their parent ministries and oversight bodies (including Audit Service Sierra Leone) within 9 months after the end of the preceding year. That said, a consolidated fiscal risk report is not prepared                               | No change   |
| 9 (ii) Extent of central government monitoring of SN governments' fiscal position  |                       | A           | A           | Y                       | Local councils are closely monitors annually. A consolidated fiscal risk/contingency report is prepared annually. Again, the net effect of their borrowings (usually overdrafts) is not a threat to central government.  | No change   |
| <b>10.Public Access to Key Fiscal Information</b>  | M1                    | B           | B           | Y                       | Three out of the six criteria for assessment have been met; these are (i), (iii) and (iv)  | No change   |
| <b>11.Orderliness and Participation in the Annual</b>  | M2                    | C           | A           | Y                       |  | Improvement in both score and performance due to improvements in all dimensions |

| <b>PFM Performance Indicator</b>   | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>  | <b>Performance Change</b>  |
|--|-----------------------|-------------|-------------|-------------------------|--|--|
| <b>Budget Process</b>  |                       |             |             |                         |  |  |
| 11 (i) Existence of and adherence to a fixed budget calendar   |                       | C           | B           | Y                       | MoFED issues a clear and fixed budget calendar to all BUs for budget preparation. The calendar allows BUs six weeks to prepare and submit their budget proposals.                | Both score and performance improved. BUs now have more time to prepare and submit their budget proposals |
| 11 (ii) Clarity/ comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent) |                       | C           | A           | Y                       | A budget circular containing cabinet approved ceilings is issued to all BUs for budget preparation.  | Improvement in performance, Cabinet now approves the ceilings before the issue of the BCC.               |
| 11 (iii) Timely budget approval by the legislature or similarly mandated body (within the last three years)  |                       | C           | A           | Y                       | In all three years under review (FY2014, FY2015, and FY2016), parliament passed the Appropriations Act in December, before the start of the new fiscal year                      | Improvement in both score and dimension; the budgets have been approved on time                          |
| <b>12. Multi-Year Perspective in Fiscal Planning, Expenditure Policy and Budgeting</b>   | M2                    | C           | C           | Y                       |  | No change  |
| 12 (i) Preparation of multi - year fiscal forecasts and functional allocations   |                       | C           | C           | Y                       | Government (MoFED) prepares medium-term fiscal aggregates (Fiscal Strategy Statement). However, differences in linkages between current year and rolling years are not explained | No change  |
| 12 (ii) Scope and frequency of debt sustainability analysis  |                       | A           | A           | Y                       | MoFED undertakes annual debt sustainability analysis separately from that conducted by IMF. The latest DSA relates to FY2016   | No change  |
| 12 (iii) Existence of sector   |                       | D           | D           | Y                       | Sector strategies were communicated to the   | No change  |

| <b>PFM Performance Indicator</b>  | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>   | <b>Performance Change</b> |
|---|-----------------------|-------------|-------------|-------------------------|---|---------------------------|
| strategies with multi-year costing of recurrent & investment expenditure                |                       |             |             |                         | team only for health which represents around 10% of total government expenditure  |                           |
| 12 (iv) Linkages between investment budgets and forward expenditure estimates           |                       | D           | D           | Y                       | The recurrent budget relating to capital investment projects is done separately; there is no linkage between forward linked recurrent budget and capital investment cost  | No change                 |
| <b>13. Transparency of Taxpayer Obligations and Liabilities</b>                         | M2                    | B           | B           | Y                       |   | No change                 |
| 13 (i) Clarity and comprehensiveness of tax liabilities                                 |                       | B           | B           | Y                       | The legal and regulatory framework governing most taxation in Sierra Leone is comprehensive, simple, and clear. The laws make provision some limited discretionary powers   | No change                 |
| 13 (ii) Taxpayer access to information on tax liabilities and administrative procedures |                       | A           | A           | Y                       | NRA has a functional website; it is user friendly and has most of the information required by taxpayers. There is also a functional client service unit across all NRA offices that provide useful information to taxpayers. Further, NRA uses media campaigns and town hall meetings for tax education | No change                 |
| 13 (iii) Existence and functioning of a tax appeals mechanism                           |                       | D           | D           | Y                       | There is no administrative functional tax appeal body even though the legal framework makes provision for it. At present, all tax appeals are handled up to the Commissioner-General's level and then to the law courts.  | No change                 |

| <b>PFM Performance Indicator</b>  | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>  | <b>Performance Change</b>  |
|---|-----------------------|-------------|-------------|-------------------------|--|--|
| <b>14. Effectiveness of Measures for Taxpayer Registration and Tax Assessment</b>   | M2                    | B+          | B           | N                       |  | No change; dimension (i) appears to be overrated in 2014   |
| 14 (i) Controls in the taxpayer registration system   |                       | B           | C           | N                       | NRA has a database for taxpayers; this is updated at least annually through annual tax audits and fraud investigations. At present, there is no direct linkage between NRA taxpayer database and financial institutions.                       | No change in performance; this dimension appears to be overrated in 2014 as there is no direct linkage between NRA taxpayer database and other financial institutions. |
| 14 (ii) Effectiveness of penalties for non-compliance with registration and declaration obligations   |                       | B           | B           | Y                       | The legal framework governing penalties for all types of taxes (customs, GST, income tax) is stringent; however, administration of these penalties is not done to the latter due to discretionary powers.                                      | No change  |
| 14 (iii) Planning and monitoring of tax audit and fraud investigation programs  |                       | A           | A           | Y                       | NRA prepares annual tax audits and fraud investigations plan; it carries out these audits and prepares annual execution reports. It adopts risk-based approach for selection of most taxpayers; self-assessment is the main assessment method. | No change  |
| <b>15. Effectiveness in Collection of Tax Payments</b>  | M1                    | B+          | D+          | N                       |  |  |
| 15 (i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year |                       | A           | A           | Y                       | Tax arrears were 1.2% of total tax revenues over the assessment period   | No change  |



| <b>PFM Performance Indicator</b>  | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>   | <b>Performance Change</b>  |
|---|-----------------------|-------------|-------------|-------------------------|---|--|
| (average of the last two fiscal years)  |                       |             |             |                         |   |  |
| 15 (ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration  |                       | B           | B           | Y                       | NRA transfers all tax collections to the Treasury within one week   | No change  |
| 15 (iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury |                       | A           | D           | N                       | There is no complete reconciliation including reconciliation of arrears with assessments and collections. This has not changed since 2014 | No change; this dimension appears to be overrated in 2014 as reconciliation, though quarterly, is only between NRA collections and deposits in the Treasury. |
| <b>16. Predictability in the Availability of Funds for Commitment of Expenditures</b>   | M1                    | D+          | D+          | Y                       |   | No change in overall score even though there is improvement in dimension (i)   |
| 16 (i) Extent to which cash flows are forecast and monitored  |                       | C           | B           | Y                       | MoFED prepares a consolidated cash flow each year; this is updated quarterly based on actual inflows and outflows                         | There is improvement in both score and performance   |
| 16 (ii) Reliability and horizon of periodic in-year information to BUs on ceilings for expenditure commitment                             |                       | C           | D           | Y                       | MoFED issues half-yearly expenditure commitment warrants (allocations) to each BU, but BUs cannot rely on those allocations               | Decline in performance (cash crisis).  |
| 16 (iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of BUs          |                       | D           | D           | Y                       | BUs do request for in-year budget virements; these virements are very frequent and significant  | No change  |

| <b>PFM Performance Indicator</b>   | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>  | <b>Performance Change</b>   |
|--|-----------------------|-------------|-------------|-------------------------|--|---|
| <b>17. Recording and Management of Cash Balances, Debt and Guarantees</b>                  | M2                    | C+          | B           | Y                       |  | Improvement in both score and performance as a result of improvement in dimension (ii)                  |
| 17 (i) Quality of debt data recording and reporting  |                       | C           | C           | Y                       | The records for both domestic and foreign debts are complete; an annual public debt bulletin is prepared by MoFED. Complete reconciliation is done yearly with creditors. There are occasional reconciliation challenges as a result of mis-postings, missing documents, and/or exchange rate differences. | No change   |
| 17 (ii) Extent of consolidation of the government's cash balances                          |                       | C           | B           | Y                       | All treasury-managed bank accounts are consolidated daily with the exception of BU own revenue and donor projects accounts that remain outside the daily consolidation system.   | Improvement in both score and performance.  |
| 17 (iii) Systems for contracting loans and issuance of guarantees                          |                       | B           | B           | Y                       | The Minister of Finance is the sole public officer authorised by law to contract loans and issue guarantees on behalf of government. These loans and guarantees are contracted within approved limits granted by parliament  | No change   |
| <b>18. Effectiveness of Payroll Controls</b>   | M1                    | D+          | D+          | Y                       |  | No change   |
| 18 (i) Degree of integration and reconciliation between personnel records and payroll data |                       | D           | C           | Y                       | HRMO maintains a database of personnel. This data is reconciled at least twice a year with payroll data maintained by Accountant General's Department. There is also an annual manpower plan undertaken to further reconcile data as part of the budget preparation process                                | Both score and performance improved; at least half-yearly payroll and personnel database are reconciled |

| <b>PFM Performance Indicator</b>   | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>  | <b>Performance Change</b>  |
|--|-----------------------|-------------|-------------|-------------------------|--|--|
| 18 (ii) Timeliness of changes to personnel records and the payroll                           |                       | C           | D           | Y                       | Changes to personnel and payroll often take over three months to be fully executed.  | Apparent deterioration of performance  |
| 18 (iii) Internal controls of changes to personnel records and the payroll                   |                       | B           | C           | Y                       | Controls exist with HRMO personnel database and IFMIS payroll database; only authorised staff are granted access through the use of passwords and changes result in an audit trail, but controls are inadequate to ensure full integrity of the data.                          | Apparent deterioration of performance.   |
| 18 (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers      |                       | C           | C           | Y                       | At least one partial payroll audit has been undertaken within the last three years; this involved physical verification and capturing of biometric data of employees   | No change  |
| <b>19. Transparency, Competition and Complaints Mechanisms in Procurement</b>                | M2                    | C           | C           | N                       |  | Cannot be compared; no reliable data on use of competitive procurement methods |
| 19 (i) Transparency, comprehensiveness and competition in the legal and regulatory framework |                       | A           | A           | Y                       | The Public Procurement Act 2016 meets all six benchmarks for assessing this dimension, which is concerned with the framework not its implementation. In fact, the new Act has been strengthened; it gives more powers to NPPA in terms of monitoring, evaluation and reporting | No change  |
| 19 (ii) Use of competitive procurement methods   |                       | D           | D           | N                       | No reliable data on procurement methods  | Cannot be compared   |

| <b>PFM Performance Indicator</b>   | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>   | <b>Performance Change</b>   |
|--|-----------------------|-------------|-------------|-------------------------|---|---|
| 19 (iii) Public access to complete, reliable and timely procurement information                    |                       | C           | C           | Y                       | Bidding opportunities and contract awards are published.  | No change   |
| 19 (iv) Existence of an independent administrative procurement complaints system                   |                       | D           | D           | Y                       | The legal framework makes provision for an independent administrative appeals body; this body has not been reconstituted since its dissolution in 2014  | No change   |
| <b>20. Effectiveness of Internal Controls for Non-Salary Expenditure</b>                           | M1                    | C           | C+          | Y                       |   | Improvement in both performance and score due to improvement in dimension (ii)  |
| 20 (i) Effectiveness of expenditure commitment controls  |                       | C           | C           | Y                       | IFMIS functionality is capable of limiting expenditure commitments; however, significant levels of expenditure are committed outside IFMIS mostly through Presidential orders (Article 114 of the 1991 Constitution), thereby creating huge expenditure arrears, the quantum of which is unknown. | No change   |
| 20 (ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures |                       | C           | B           | Y                       | Parliament has passed a new PFM Act 2016; the new Act is more comprehensive and clear. Some provisions of the law are too bureaucratic and could lead to staff inefficiencies   | Both score and performance improved. New PFM Act 2016 promulgated to strengthen and clarify financial management provisions |
| 20 (iii) Degree of   |                       | C           | C           | Y                       | The use of simplified procedures for expenditure commitment and payment are   | No change   |

| PFM Performance Indicator   | Scoring Method | 2014 | 2017 | Comparable (Y/N) | Justification for 2017 score   | Performance Change  |
|---|----------------|------|------|------------------|--|---|
| compliance with rules for processing and recording transactions   |                |      |      |                  | frequent, mostly by Presidential orders; that said, most of the PFM rules and regulations are complied with  |   |
| <b>21. Effectiveness of Internal Audit</b>                        | M1             | D+   | C    | Y                |  | Both score and performance have improved due to improvement in dimension (iii)  |
| 21 (i) Coverage and quality of the internal audit function        |                | C    | C    | Y                | Most BUs have functional internal audit units. At least 20% staff time is used on systemic issues. General international standards are not met   | No change   |
| 21 (ii) Frequency and distribution of reports                     |                | B    | C    | N                | Internal audit reports are distributed with copies to auditee BU and MoFED but not to the Auditor General  | No change; this dimension appears to be overrated in 2014 since copies of internal audit reports are not submitted to the Auditor-General routinely; they are only made available on request during external audits |
| 21 (iii) Extent of management response to internal audit findings |                | D    | C    | Y                | The executive takes actions on audit recommendations but with significant delays   | Both score and performance improved; the executive is taking action on audit recommendations, albeit very slowly.   |
| <b>22. Timeliness and Regularity of Accounts Reconciliation</b>   | M2             | B    | B    | N                |  | No change on dim (i). Dim (ii) is NA.   |
| 22 (i) Regularity of bank reconciliations                         |                | B    | B    | Y                | All bank accounts managed by the Treasury are fully reconciled monthly within 4 weeks after the end of the month. There are 1,004 BUs/donor project bank accounts that are not supervised by AGD | No change   |
| 22 (ii) Regularity of reconciliation and clearance                |                | B    | NA   | N                | There are no suspense or advance accounts;   | The 2014 assessment treated staff loans as  |

| <b>PFM Performance Indicator</b>   | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>  | <b>Performance Change</b>   |
|--|-----------------------|-------------|-------------|-------------------------|--|---|
| of suspense accounts and advances  |                       |             |             |                         | the only 'advances' are 3-year staff loans, which are reconciled monthly and systematically cleared  | advances. No real change.   |
| 23.Availability of Information on Resources Received by Service Delivery Units       | M1                    | C           | D           | Y                       | No PETS conducted during the assessment period 2014 to 2016. Further, there is no financial management system that tracks resources allocated to and received by primary service delivery units. | Both score and performance declined. A PETS was conducted within the 2014 assessment period; this was not the case during the 2017 assessment period.   |
| <b>24.Quality and Timeliness of In-Year Budget Reports</b>                           | M1                    | B+          | D+          | N                       |  | There is decline in both score and performance. Dimensions (ii) appears to have declined and it appears dimension (iii) was overrated in 2014   |
| 24 (i) Scope of reports in terms of coverage and compatibility with budget estimates |                       | B           | D           | Y                       | Monthly reports do not provide details for the main administrative headings (BUs). Actual expenditure of extra-budgetary entities also is not included.  | Apparent decline in performance. In 2014, BUs were sent individual reports.   |
| 24 (ii) Timeliness of the issue of reports   |                       | A           | D           | N                       | In-year budget reports are prepared and issued monthly, but with more than eight weeks delay   | Apparent decline in both score and performance, but 2014 score was not evidenced  |
| 24 (iii) Quality of information  |                       | B           | C           | N                       | There are concerns over data quality and integrity; however, they do not affect the general and fundamental usefulness of the financial data   | No change; this appears to have been overrated in 2014 since the same IFMIS is used to generate in-year budget reports and there has not been any extra quality assurance framework recently introduced |
| <b>25.Quality and Timeliness of Annual Financial</b>                                 | M1                    | D+          | C+          | Y                       |  | There is improvement in overall score as a result of improvement in dimension (i) on  |

| PFM Performance Indicator  | Scoring Method | 2014 | 2017 | Comparable (Y/N) | Justification for 2017 score   | Performance Change   |
|--|----------------|------|------|------------------|--|--|
| <b>Statements</b>  |                |      |      |                  |  | completeness of annual financial statements  |
| 25 (i) Completeness of the financial statements                                |                | D    | B    | Y                | The quality and completeness of annual financial statements have improved. The reports now include information on revenue, expenditure, financial assets and liabilities. Fixed assets are not disclosed | Both score and performance have improved   |
| 25 (ii) Timeliness of submission of the financial statements                   |                | A    | A    | Y                | In all three years, annual financial statements were submitted to the Auditor General in March after the end of the preceding financial year.  | No change  |
| 25 (iii) Accounting standards used   |                | C    | C    | Y                | The annual financial statements were produced using government accounting standards which were disclosed.  | No change  |
| <b>26.Scope, Nature and Follow-Up of External Audit</b>                        | M1             | C+   | C+   | Y                |  | No change in overall score even though there is decline in dimension (iii) which relates to evidence of follow up in audit recommendations |
| 26 (i) Scope/nature of audit performed (incl. adherence to auditing standards) |                | B    | B    | Y                | The Auditor General audits about 88% of total government expenditure and revenues. The audit identifies systemic and financial weaknesses and generally meets INTOSAI standards                          | No change  |
| 26 (ii) Timeliness of submission of audit reports to legislature               |                | C    | C    | Y                | In all three years under review, the Auditor General submitted the audit reports to parliament 12 months after the end of the fiscal year; the reports are submitted to parliament in December.          | No change  |

| PFM Performance Indicator   | Scoring Method | 2014 | 2017 | Comparable (Y/N) | Justification for 2017 score   | Performance Change  |
|---|----------------|------|------|------------------|--|---|
| 26 (iii) Evidence of follow up on audit recommendations   |                | B    | C    | Y                | The Auditor General issues audit recommendations to the executive but there is little evidence of follow up.   | Both score and performance have declined. There is less executive action and follow up on audit recommendations |
| <b>27. Legislative Scrutiny of the Annual Budget Law</b>  | M1             | D+   | C+   | Y                |  | Both score and performance have improved due to improvements in all four dimensions                             |
| 27 (i) Scope of the legislature's scrutiny  |                | C    | B    | Y                | Parliament reviews the fiscal strategy statement (FSS) for the budget year; the FSS contains government's fiscal policies and aggregate ceilings. Parliament also reviews the current's years revenue and expenditure estimates  | Both score and performance have improved as a result of widened legislative review of budget documents          |
| 27 (ii) Extent to which the legislature's procedures are well-established and respected   |                | C    | A    | Y                | The Finance committee of parliament undertakes comprehensive review of the executive budget in accordance with the legislative standing orders, which are well established and respected. Parliament also benefits from technical assistance during the budget review process. Further, sector committees peruse sector budget and makes recommendations for necessary adjustments | Both score and performance have improved. Standing orders have been developed to guide review processes         |
| 27 (iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for |                | D    | B    | Y                | In all three years under review, Parliament had at least one month to review the budget proposals. The budgets were submitted late October or early November and passed on or before 31st December each year   | Both score and performance have improved as a result of more time for Parliament to review the budget           |



| <b>PFM Performance Indicator</b>  | <b>Scoring Method</b> | <b>2014</b> | <b>2017</b> | <b>Comparable (Y/N)</b> | <b>Justification for 2017 score</b>   | <b>Performance Change</b>   |
|---|-----------------------|-------------|-------------|-------------------------|---|---|
| all stages combined)  |                       |             |             |                         |   |   |
| 27 (iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature                          |                       | D           | C           | Y                       | Clear rules are prescribed in the PFM Act for legislative approval of supplementary budgets. Further, the Constitution Section 114(2)(c) allows for budget expansion without parliamentary approval | Both score and performance have improved. Clear rules exist for in-year budget amendment but they allow for administrative budget expansion |
| 28. Legislative Scrutiny of External Audit Reports  | M1                    | C+          | D+          | Y                       |   | Both score and performance have declined due to slippages in dimensions (i) and (ii)  |
| 28 (i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years) |                       | C           | D           | Y                       | There are significant delays in legislative review of audit reports of at least 14 months after receipt of these reports from the Auditor General   | Both score and performance have declined; more than 12 months for PAC to review audit reports   |
| 28 (ii) Extent of hearings on key findings undertaken by the legislature  |                       | A           | B           | Y                       | PAC summoned some BUs with adverse audit findings for hearing as opposed to 2014 where all BUs were summoned for hearings   | Both score and performance declined. Not all BUs with adverse findings were summoned for hearing  |
| 28 (iii) Issuance of recommended actions by the legislature and implementation by the executive                         |                       | C           | C           | Y                       | PAC issues recommendations on audit reports but the executive fails to implement these recommended action   | No change   |

**ANNEX 5: CALCULATION OF PI-1 AND PI-2 VARIANCES**

**Table 1 - Fiscal years for assessment**

|          |      |
|----------|------|
| Year 1 = | 2014 |
| Year 2 = | 2015 |
| Year 3 = | 2016 |

All amounts in Le millions

**Table 2**

| administrative head                               | Data for year = 2014 |             | adjusted budget | deviation | absolute deviation | percent |
|---|----------------------|-------------|-----------------|-----------|--------------------|---------|
|   | budget               | actual      |                 |           |                    |         |
| 301 Ministry of Education, Science and Technology | 598,482.6            | 568,461.2   | 654,071.9       | -85,610.7 | 85,610.7           | 13.1%   |
| 408 Ministry of Works, Housing and Infrastructure | 283,137.2            | 377,427.8   | 309,436.0       | 67,991.8  | 67,991.8           | 22.0%   |
| 201 Ministry of Defence                           | 176,708.7            | 230,076.2   | 193,122.0       | 36,954.1  | 36,954.1           | 19.1%   |
| 304 Ministry of Health                            | 217,672.8            | 239,138.8   | 237,891.1       | 1,247.7   | 1,247.7            | 0.5%    |
| 206 Sierra Leone Police                           | 171,462.2            | 203,424.5   | 187,388.2       | 16,036.2  | 16,036.2           | 8.6%    |
| 128 Ministry of Foreign Affairs & Int'l Coopn     | 82,259.4             | 98,483.0    | 89,899.9        | 8,583.1   | 8,583.1            | 9.5%    |
| 411 Sierra Leone Roads Authority                  | 126,026.8            | 109,854.7   | 137,732.6       | -27,877.9 | 27,877.9           | 20.2%   |
| 342 Government contribution to Social Security    | 108,613.2            | 108,589.0   | 118,701.6       | -10,112.6 | 10,112.6           | 8.5%    |
| 701 Transfers to Local Councils                   | 99,735.6             | 73,305.0    | 108,999.4       | -35,694.4 | 35,694.4           | 32.7%   |
| 341 Pensions, Gratuities and Retirement Benefits  | 55,328.0             | 88,048.7    | 60,467.1        | 27,581.7  | 27,581.7           | 45.6%   |
| 129 Min of Finance and Econ Dev't                 | 64,795.8             | 70,549.9    | 70,814.3        | -264.4    | 264.4              | 0.4%    |
| 404 Ministry of Transport and Aviation            | 14,680.8             | 34,310.0    | 16,044.4        | 18,265.6  | 18,265.6           | 113.8%  |
| 110 Office of the Secretary to the President      | 58,071.3             | 66,277.9    | 63,465.2        | 2,812.7   | 2,812.7            | 4.4%    |
| 101 Charged Emoluments                            | 70,370.5             | 64,980.6    | 76,906.8        | -11,926.2 | 11,926.2           | 15.5%   |
| 130 National Revenue Authority                    | 65,466.5             | 67,176.6    | 71,547.3        | -4,370.7  | 4,370.7            |         |
| 207 Prisons Department                            | 43,008.9             | 53,972.5    | 47,003.7        | 6,968.8   | 6,968.8            | 14.8%   |
| 203 National Civil Registration Authority         | -                    | 0.0         | -               | -         | -                  | -       |
| 401 Ministry of Agric, Forestry and Food Security | 51,383.5             | 57,772.0    | 56,156.1        | 1,615.9   | 1,615.9            | 2.9%    |
| 134 National Electoral Comm'n of Sierra Leone     | 24,346.7             | 26,337.6    | 26,608.1        | -270.5    | 270.5              | 1.0%    |
| 133 Ministry of Information and Comm'ns           | 18,634.7             | 26,160.3    | 20,365.6        | 5,794.7   | 5,794.7            | 28.5%   |
| All other heads                                   | 478,965.0            | 505,728.0   | 523,453.1       | -17,725.1 | 17,725.1           | 3.4%    |
| allocated expenditure                             | 2,809,150.1          | 3,070,074.5 | 3,070,074.5     | 0.0       | 387,704.8          |         |
| Interest  | 339,742.0            | 222,215.0   |                 |           |                    |         |
| Contingency                                       | 5,012.0              | 196,419.0   |                 |           |                    |         |
| total expenditure                                 | 3,153,904.1          | 3,488,708.5 |                 |           |                    |         |
| aggregate outturn (PI-1)                          |                      |             |                 |           |                    | 110.6%  |
| composition (PI-2.1) variance                     |                      |             |                 |           |                    | 12.6%   |
| contingency share of budget                       |                      |             |                 |           |                    | 6.2%    |

**Table 3**

| administrative head                               | Data for year = 2015 |         | adjusted budget | deviation  | absolute deviation | percent |
|---|----------------------|---------|-----------------|------------|--------------------|---------|
|   | budget               | actual  |                 |            |                    |         |
| 301 Ministry of Education, Science and Technology | 714,583              | 597,105 | 815,710.8       | -218,606.2 | 218,606.2          | 26.8%   |
| 408 Ministry of Works, Housing and Infrastructure | 148,374              | 466,266 | 169,371.5       | 296,894.8  | 296,894.8          | 175.3%  |
| 201 Ministry of Defence:                          | 179,215              | 191,181 | 204,577.4       | -13,396.5  | 13,396.5           | 6.5%    |
| 304 Ministry of Health and Sanitation             | 239,790              | 297,706 | 273,724.9       | 23,981.4   | 23,981.4           | 8.8%    |
| 206 Sierra Leone Police                           | 225,316              | 209,756 | 257,202.6       | -47,446.5  | 47,446.5           | 18.4%   |
| 128 Ministry of Foreign Affairs & Int'l Coopn     | 77,277               | 108,864 | 88,212.9        | 20,651.5   | 20,651.5           | 23.4%   |
| 411 Sierra Leone Roads Authority                  | 114,374              | 119,802 | 130,559.8       | -10,757.6  | 10,757.6           | 8.2%    |

|   |           |           |             |            |           |        |
|---|-----------|-----------|-------------|------------|-----------|--------|
| 342. Government contribution to Social Security   | 126,651   | 118,709   | 144,574.7   | -25,865.2  | 25,865.2  | 17.9%  |
| 701 Transfers to Local Councils                   | 104,371   | 154,270   | 119,141.3   | 35,128.7   | 35,128.7  | 29.5%  |
| 341. Pensions, Gratuities and Retirement Benefits | 50,785    | 56,825    | 57,972.1    | -1,147.3   | 1,147.3   | 2.0%   |
| 129 Min of Finance and Econ Dev't                 | 60,484    | 96,378    | 69,043.4    | 27,334.9   | 27,334.9  | 39.6%  |
| 404 Ministry of Transport and Aviation            | 15,907    | 61,226    | 18,158.1    | 43,067.8   | 43,067.8  | 237.2% |
| 110 Office of the Secretary to the President      | 64,108    | 81,792    | 73,180.4    | 8,611.6    | 8,611.6   | 11.8%  |
| 101 Charged Emoluments                            | 68,074    | 66,425    | 77,707.9    | -11,282.5  | 11,282.5  | 14.5%  |
| 130 National Revenue Authority                    | 55,727    | 66,315    | 63,613.3    | 2,701.5    | 2,701.5   | 4.2%   |
| 207 Prisons Department                            | 56,857    | 67,114    | 64,903.4    | 2,210.6    | 2,210.6   | 3.4%   |
| 203 National Civil Registration Authority         | 6,290     | 2,476     | 7,180.6     | -4,704.6   | 4,704.6   | 65.5%  |
| 401 Ministry of Agric, Forestry and Food Security | 73,903    | 60,463    | 84,362.2    | -23,898.9  | 23,898.9  | 28.3%  |
| 134 National Electoral Comm'n of Sierra Leone     | 26,367    | 22,635    | 30,098.2    | -7,463.5   | 7,463.5   | 24.8%  |
| 133 Ministry of Information and Comm'ns           | 15,447    | 26,207    | 17,632.5    | 8,574.9    | 8,574.9   | 48.6%  |
| All other heads                                   | 618835    | 601824    | 706,412.7   | -104,588.7 | 104,588.7 | 14.8%  |
| allocated expenditure                             | 3,042,732 | 3,473,341 | 3,473,340.6 | 0.0        | 938,315.1 |        |
| Interest  | 228,233   | 174,330   |             |            |           |        |
| Contingency                                       | 46,170    | 48,462    |             |            |           |        |
| total expenditure                                 | 3,317,135 | 3,696,133 |             |            |           |        |
| aggregate outturn (PI-1)                          |           |           |             |            |           | 111.4% |
| composition (PI-2.1) variance                     |           |           |             |            |           | 27.0%  |
| contingency share of budget                       |           |           |             |            |           | 1.5%   |

**Table 4**

| Data for year =                                    |           | 2016      |                 |            |                    |         |
|--|-----------|-----------|-----------------|------------|--------------------|---------|
| administrative head                                | budget    | actual    | adjusted budget | deviation  | absolute deviation | percent |
| 301 Ministry of Education, Science and Technology  | 639,029   | 664,953   | 698,807.9       | -33,855.1  | 33,855.1           | 4.8%    |
| 408 Ministry of Works, Housing and Infrastructure  | 167,499   | 470,325   | 183,168.1       | 287,156.4  | 287,156.4          | 156.8%  |
| 201 Ministry of Defence:                           | 199,939   | 267,506   | 218,642.3       | 48,863.7   | 48,863.7           | 22.3%   |
| 304 Ministry of Health and Sanitation              | 305,247   | 266,065   | 333,802.2       | -67,737.0  | 67,737.0           | 20.3%   |
| 206 Sierra Leone Police                            | 213,541   | 220,303   | 233,517.4       | -13,214.3  | 13,214.3           | 5.7%    |
| 128 Ministry of Foreign Affairs & Int'l Coopn      | 102,590   | 138,937   | 112,186.6       | 26,750.7   | 26,750.7           | 23.8%   |
| 411 Sierra Leone Roads Authority                   | 150,074   | 131,434   | 164,113.0       | -32,678.6  | 32,678.6           | 19.9%   |
| 342. Government contribution to Social Security    | 131,170   | 130,156   | 143,440.2       | -13,284.3  | 13,284.3           | 9.3%    |
| 701 Transfers to Local Councils                    | 101,733   | 112,027   | 111,249.3       | 778.0      | 778.0              | 0.7%    |
| 341. Pensions., Gratuities and Retirement Benefits | 69,576    | 106,058   | 76,084.6        | 29,973.2   | 29,973.2           | 39.4%   |
| 129 Min of Finance and Econ Dev't                  | 67,450    | 101,884   | 73,760.0        | 28,124.2   | 28,124.2           | 38.1%   |
| 404 Ministry of Transport and Aviation             | 47,470    | 95,001    | 51,911.2        | 43,089.5   | 43,089.5           | 83.0%   |
| 110 Office of the Secretary to the President       | 75,425    | 92,617    | 82,480.8        | 10,135.9   | 10,135.9           | 12.3%   |
| 101 Charged Emoluments                             | 58,776    | 80,009    | 64,274.6        | 15,734.2   | 15,734.2           | 24.5%   |
| 130 National Revenue Authority                     | 69,275    | 68,675    | 75,755.5        | -7,080.4   | 7,080.4            | 9.3%    |
| 207 Prisons Department                             | 53,842    | 67,412    | 58,878.4        | 8,533.3    | 8,533.3            | 14.5%   |
| 203 National Civil Registration Authority          | 46,042    | 57,436    | 50,348.9        | 7,087.1    | 7,087.1            | 14.1%   |
| 401 Ministry of Agric, Forestry and Food Security  | 78,528    | 48,355    | 85,873.6        | -37,518.1  | 37,518.1           | 43.7%   |
| 134 National Electoral Comm'n of Sierra Leone      | 46,087    | 39,410    | 50,398.2        | -10,988.2  | 10,988.2           | 21.8%   |
| 133 Ministry of Information and Comm'ns            | 21,889    | 36,578    | 23,936.8        | 12,640.9   | 12,640.9           | 52.8%   |
| Sum of rest  | 788,293   | 559,524   | 862,035.1       | -302,511.1 | 302,511.1          | 35.1%   |
| allocated expenditure                              | 3,433,475 | 3,754,664 | 3,754,664.5     | 0.0        | 1,037,734.1        |         |
| Interest   | 299,620   | 204,124   |                 |            |                    |         |
| Contingency  | 26,744    | 50,928    |                 |            |                    |         |

|                               |           |           |        |
|-------------------------------|-----------|-----------|--------|
| total expenditure             | 3,759,839 | 4,009,716 |        |
| aggregate outturn (PI-1)      |           |           | 106.6% |
| composition (PI-2.1) variance |           |           | 27.6%  |
| contingency share of budget   |           |           | 1.4%   |

**Table 5 - Results Matrix**

| Year | for PI-1<br>total exp.<br>outturn | for PI-2.1<br>composition<br>variance | for PI-2.3<br>contingency<br>share |
|------|-----------------------------------|---------------------------------------|------------------------------------|
| 2014 | 110.6%                            | 12.6%                                 |                                    |
| 2015 | 111.4%                            | 27.0%                                 | 3.0%                               |
| 2016 | 106.6%                            | 27.6%                                 |                                    |

Source: Accountant General

| PI-2.2 Expenditure composition by economic type (Le. billions)  |                |                |                 |            |                    |              |
|---|----------------|----------------|-----------------|------------|--------------------|--------------|
| 2014  |                |                |                 |            |                    |              |
|   | Budget         | Actual         | adjusted budget | deviation  | absolute deviation | percent      |
| Wages and salaries  | 1,360.9        | 1,440.6        | 1,416.6         | 24.0       | 24.0               | 1.7%         |
| Goods and services  | 590.8          | 776.8          | 615.0           | 161.8      | 161.8              | 26.3%        |
| Transfers   | 321.4          | 220.4          | 334.6           | -114.2     | 114.2              | 34.1%        |
| Interest  | 339.7          | 222.2          | 353.6           | -131.4     | 131.4              | 37.2%        |
| Other recurrent   | 0.0            | 48.6           | 0.0             | 48.6       | 48.6               |              |
| Capital expenditure and net lending   | 536.1          | 569.2          | 558.0           | 11.2       | 11.2               | 2.0%         |
| <b>Total</b>  | <b>3,148.9</b> | <b>3,277.8</b> | <b>3,277.8</b>  | <b>0.0</b> | <b>491.1</b>       | <b>15.0%</b> |
| 2015  |                |                |                 |            |                    |              |
|   | Budget         | Actual         | adjusted budget | deviation  | absolute deviation | percent      |
| Wages and salaries  | 1,580.6        | 1,571.8        | 1,736.7         | -164.9     | 164.9              | 9.5%         |
| Goods and services  | 686.9          | 708.4          | 754.8           | -46.4      | 46.4               | 6.1%         |
| Transfers   | 345.3          | 352.4          | 379.4           | -27.0      | 27.0               | 7.1%         |
| Interest  | 228.2          | 174.3          | 250.7           | -76.4      | 76.4               | 30.5%        |
| Other recurrent   | 0.0            | -21.3          | 0.0             | -21.3      | 21.3               |              |
| Capital expenditure and net lending   | 430.0          | 808.5          | 472.5           | 336.0      | 336.0              | 71.1%        |
| <b>Total</b>  | <b>3,271.0</b> | <b>3,594.1</b> | <b>3,594.1</b>  | <b>0.0</b> | <b>672.1</b>       | <b>18.7%</b> |
| 2016  |                |                |                 |            |                    |              |
|   | Budget         | Actual         | adjusted budget | deviation  | absolute deviation | percent      |
| Wages and salaries  | 1,650.7        | 1,784.9        | 1,762.1         | 22.8       | 22.8               | 1.3%         |
| Goods and services  | 795.0          | 879.0          | 848.7           | 30.3       | 30.3               | 3.6%         |
| Transfers   | 374.4          | 383.5          | 399.7           | -16.2      | 16.2               | 4.0%         |
| Interest  | 299.6          | 204.1          | 319.8           | -115.7     | 115.7              | 36.2%        |
| Other recurrent   | 0.0            | 21.3           | 0.0             | 21.3       | 21.3               |              |
| Capital expenditure and net lending   | 613.4          | 712.3          | 654.8           | 57.5       | 57.5               | 8.8%         |
| <b>Total</b>  | <b>3,733.1</b> | <b>3,985.1</b> | <b>3,985.1</b>  | <b>0.0</b> | <b>263.8</b>       | <b>6.6%</b>  |
| Source: : Budget data from Budget Books for respective years. Actual data from Consolidated Fund Accounts |                |                |                 |            |                    |              |
| The data exclude contingency items (heads 501 and 601)  |                |                |                 |            |                    |              |

## ANNEX 5A CALCULATION OF PI-3 VARIANCES

|  | 2014             |                  |                  |                   |
|--|------------------|------------------|------------------|-------------------|
|  | Orig. budget     | Adjusted budget  | Actual           | Absolute variance |
| Income tax   | 909,945          | 957,455          | 895,681          | 61,774            |
| Customs and excise   | 523,412          | 550,740          | 506,816          | 43,924            |
| Goods and services tax   | 650,378          | 684,335          | 459,095          | 225,240           |
| Mineral resources  | 261,541          | 275,196          | 209,413          | 65,783            |
| Fisheries  | 15,632           | 16,448           | 14,929           | 1,519             |
| Other departments, incl. sale of goods & services*   | 107,521          | 113,135          | 274,678          | 161,543           |
| Road user charges**  | 112,861          | 118,754          | 87,616           | 31,138            |
| Other  | 0                | 0                | 5,999            | 5,999             |
| Grants   | 639,568          | 672,961          | 934,797          | 261,836           |
| <b>Total revenue</b>   | <b>3,220,858</b> | <b>3,389,024</b> | <b>3,389,024</b> | <b>858,757</b>    |
| <p>* Note: Revenue in GFS classification is not available. Revenues from sale of goods and services are not always classified separately from other departmental revenues. They are combined here which reduces overall variance.</p> <p>**Fuel tax and vehicle licence fees</p> |                  |                  |                  |                   |
| PI-3.1 Actual revenue/budget %   | 105.2%           |                  |                  |                   |
| PI-3.2 Variance in revenue composition %   | 25.3%            |                  |                  |                   |
| <b>Reconciliation with Public Accounts</b>   |                  |                  |                  |                   |
| Total receipts in 2014 per 2015 Public Accounts  |                  |                  | 8,166,931        |                   |
| less: borrowings   |                  |                  | 4,763,786        |                   |
| less: staff loans and advances recovered (deficit financing item)  |                  |                  | 641              |                   |
| less: privatisation receipts (deficit financing item)  |                  |                  | 13,480           |                   |
| <b>Revenue</b>   |                  |                  | <b>3,389,024</b> |                   |

|  | <b>2015</b>      |                  |                  |                   |
|--|------------------|------------------|------------------|-------------------|
|  | Orig. budget     | Adjusted budget  | Actual           | Absolute variance |
| Income tax   | 920,938          | 861,440          | 906,118          | 44,678            |
| Customs and excise                                 | 520,216          | 486,607          | 550,824          | 64,217            |
| Goods and services tax                             | 494,681          | 462,722          | 595,652          | 132,930           |
| Mineral resources                                  | 231,426          | 216,474          | 94,209           | 122,265           |
| Fisheries  | 40,129           | 37,536           | 31,546           | 5,990             |
| Other departments, incl. sale of goods & services* | 82,338           | 77,018           | 156,928          | 79,910            |
| Road user charges**                                | 100,250          | 93,773           | 80,838           | 12,935            |
| Other  | 0                | 0                | 6,018            | 6,018             |
| Grants   | 796,524          | 745,064          | 558,501          | 186,563           |
| <b>Total revenue</b>                               | <b>3,186,502</b> | <b>2,980,634</b> | <b>2,980,634</b> | <b>655,507</b>    |

|  |       |
|--|-------|
| PI-3.1 Actual revenue/budget %           | 93.5% |
| PI-3.2 Variance in revenue composition % | 22.0% |

| <b>Reconciliation with Public Accounts</b>                        |                  |
|---|------------------|
| Total receipts in 2015 per 2016 Public Accounts                   | 6,184,428        |
| less: borrowings  | 3,185,326        |
| less: staff loans and advances recovered (deficit financing item) | 659              |
| less: privatisation receipts (deficit financing item)             | 17,809           |
| <b>Revenue</b>  | <b>2,980,634</b> |

|                        | <b>2016</b>  |                 |           |                   |
|------------------------|--------------|-----------------|-----------|-------------------|
|                        | Orig. budget | Adjusted budget | Actual    | Absolute variance |
| Income tax             | 920,523      | 926,005         | 1,271,017 | 345,012           |
| Customs and excise     | 694,568      | 698,705         | 563,097   | 135,608           |
| Goods and services tax | 634,980      | 638,762         | 658,635   | 19,873            |
| Mineral resources      | 76,433       | 76,888          | 155,287   | 78,399            |

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Fisheries   | 43,601    | 43,861    | 60,341    | 16,480    |
| Other departments, incl. sale of goods & services*                | 75,731    | 76,182    | 159,394   | 83,212    |
| Road user charges**   | 113,503   | 114,179   | 86,543    | 27,636    |
| Other   | 0         | 0         | 7,771     | 7,771     |
| Grants  | 798,083   | 802,836   | 415,333   | 387,503   |
| Total revenue   | 3,357,422 | 3,377,418 | 3,377,418 | 1,101,494 |
| PI-3.1 Actual revenue/budget %                                    | 100.6%    |           |           |           |
| PI-3.2 Variance in revenue composition %                          | 32.6%     |           |           |           |
| <b>Reconciliation with Public Accounts</b>                        |           |           |           |           |
| Total receipts 2016 per 2016 Public Accounts                      |           |           | 6,542,924 |           |
| less: borrowings  |           |           | 3,159,980 |           |
| less: staff loans and advances recovered (deficit financing item) |           |           | 652       |           |
| less: privatisation receipts (deficit financing item)             |           |           | 4,874     |           |
| Revenue   |           |           | 3,377,418 |           |

## ANNEX 6 TABLE OF CORE PFM FUNCTIONS

The minimum target scores for core PFM functions are derived from PEFA (2013) Guidance Note on Sequencing Reforms, Background Paper 2. The Core PFM Functions, by Daniel Tommasi. [https://pefa.org/sites/default/files/asset/study\\_document/v1-The Core PFM Functions and PEFA Performance Indicators paper 2 %28Tommasi January 2013%29 1.pdf](https://pefa.org/sites/default/files/asset/study_document/v1-The Core PFM Functions and PEFA Performance Indicators paper 2 %28Tommasi January 2013%29 1.pdf) These scores are based on the PEFA 2011 Framework. The analysis has not been updated for the PEFA 2016 Framework.

Shortfalls in Sierra Leone performance in 2017 are highlighted in yellow.

| Description of Core PFM Functions  | PEFA Indicator/ Description   | Target Score | Sierra Leone 2017 | If Sierra Leone score < Target Score, identify gap   | Reform Strategy reference*   |
|--|---|--------------|-------------------|--|------------------------------|
| <b>Realistic budgeting</b> -OUTCOME: Budget outturn is close to budget approved ex ante  |   |              |                   |  |                              |
| <ul style="list-style-type: none"> <li>Revenue forecasts are realistic, based on detailed analysis of revenue bases and macroeconomic developments -</li> <li>Expenditures are fully costed, with adequate allowance for inflation, exchange rate movements, recurrent costs of completed investments</li> </ul> | PI-5: Classification of budget  | C            | A                 |  |                              |
|  | PI-11: Orderliness & participation in the annual budget process   | B            | B                 |  |                              |
|  | PI-12: Multi-year perspective   | C            | C                 |  |                              |
| <ul style="list-style-type: none"> <li>Commitments are controlled as well as cash</li> <li>Budget is comprehensive, and makes adequate provision for contingencies</li> </ul>  | PI-2 (ii):<br>The average amount of expenditure actually charged to the contingency vote over the last three years. | B            | B                 |  |                              |
|  | PI-4 (ii) Availability of data for monitoring the stock of expenditure payment arrears.                             | B            | D                 | B score requires a system that generates annual data on the stock of arrears                       | Not mentioned in Theme 2 AFR |
|  | PI-18: Effectiveness of payroll controls  | C+           | D+                | C+ score would require significant reduction in delays in changes to personnel records and payroll |                              |



| Description of Core PFM Functions   | PEFA Indicator/ Description   | Target Score | Sierra Leone 2017 | If Sierra Leone score < Target Score, identify gap   | Reform Strategy reference*                                 |
|---|---|--------------|-------------------|--|--|
|   | PI-6: Comprehensiveness of information included in budget documentation           | A            | B                 | An A score requires additional information in budget documentation   |  |
|   | PI-7: Extent of unreported government operations                                  | B            | D                 | B score requires that EBAs' and donor-funded projects' expenditure outside the IFMIS each be less than 5% of total expenditure | Theme 2 AFR activity 1.3 covers this PFMA 2016 requirement |
| <ul style="list-style-type: none"> <li>• Tax administration has capacity to enforce tax laws –</li> <li>• Continual analysis and follow-up of revenue collections versus estimates</li> </ul>   | PI-13: Transparency of taxpayer obligations and liabilities                       | C+           | B                 |  |  |
|   | PI-14: Effectiveness of measures for taxpayer registration and tax assessment     | C+           | B                 |  |  |
|   | PI-15: Effectiveness in collection of tax payments                                | C+           | D+                | C+ requires reconciliation of assessments and arrears as well as collections and deposits                                      |  |
|   | PI-16: Predictability in the availability of funds for commitment of expenditures | C+           | D+                | B score requires that all budget adjustments are included in a Supplementary Estimate each year                                | Required by PFMA but no reform mention                     |
| <ul style="list-style-type: none"> <li>• Accounting is comprehensive and timely</li> <li>• Reliable and timely bank reconciliation in place –</li> <li>• Reports can be produced with minimal delay so budget execution can be tracked and public sector monitored</li> </ul> | PI-22: Timeliness and regularity of accounts reconciliation                       | B            | B                 |  |  |
|   | PI-24: Quality and timeliness of in-year budget reports                           | C+           | D+                | C+ requires that monthly reports show revenue and expenditure by budgetary unit  |  |

| Description of Core PFM Functions  | PEFA Indicator/ Description   | Target Score | Sierra Leone 2017 | If Sierra Leone score < Target Score, identify gap   | Reform Strategy reference*   |
|--|---|--------------|-------------------|--|--|
|  | PI-25: Quality and timeliness of annual financial statements                          | C+           | C+                |  |  |
|  | PI-23(i): Availability of information on resources received by service delivery units | D            | D                 |  |  |
|  | PI-9(i): Extent of central government monitoring of AGAs and PEs.                     | B            | C                 | B score requires that all major EBAs and PEs submit annual audited financial statements to MoFED, and that EPRU produces a FSS that includes fiscal risk on them | No mention of fiscal risk management   |
| <ul style="list-style-type: none"> <li>• Use of a Treasury Single Account (or consolidated fund concept) –</li> <li>• Minimize number of bank accounts and cash transactions</li> </ul>  | PI-17: Recording and management of cash balances, debt and guarantee                  | B            | B                 |  |  |
| <ul style="list-style-type: none"> <li>• Administrative internal controls in place in all government departments –</li> <li>• Procurement is transparent with well-defined regulations –</li> <li>• Internal audit functions adequately</li> </ul> | PI-19: Competition, value for money and controls in procurement                       | C+           | C                 | Insufficient reliable information on BU contracts. Need stronger procurement audit function and sanctions for mis-procurement.                                   | NPPA draft is a bid for more staff and training. No mention of review of system to generate substantial and reliable coverage. |
|  | PI-20: Effectiveness of internal controls for non-salary expenditure                  | C+           | C+                |  |  |

| Description of Core PFM Functions  | PEFA Indicator/ Description                           | Target Score | Sierra Leone 2017 | If Sierra Leone score < Target Score, identify gap   | Reform Strategy reference* |
|--|---|--------------|-------------------|--|----------------------------|
|  | PI-21: Effectiveness of internal audit                | C            | C                 |  |                            |
| <ul style="list-style-type: none"> <li>External audit addresses financial irregularities with timely reports to the legislature –</li> <li>Strong legislative scrutiny and follow-up on audit reports</li> </ul> | PI-26: Scope, nature and follow-up of external audit  | C+           | C+                |  |                            |
|  | PI-27: Legislative scrutiny of the annual budget law  | B            | C+                | In 2016, the rules allowed extensive in-year re-allocation and expansion of total expenditure. Since 2017, re-allocations capped by PFM Act.                     | No mention in Theme 5.     |
|  | PI-28: Legislative scrutiny of external audit reports | C+           | D+                | PAC reports too late (14 months after Auditor General's Report, which itself is 12 months after the end of the FY). C+ score needs PAC reports within 12 months. | Theme 5, PCs, activity 1.2 |
|  | PI-10: Public access to key fiscal information        | B            | B                 |  |                            |

\* Based on 2018-21 PFM Reform Strategy, draft at 7 November 2017.

## ANNEX 7 ACCOUNTANT GENERAL DEPARTMENT- ORGANOGRAM 2017

