2018
CABRI Programme – “Building PFM Capabilities”
Team Lesotho Final Report

PRESENTED AT:
THE PEER REVIEW SEMINAR

DAKAR, SENEGAL 10-12 DECEMBER 2018
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1. THE STARTING POINT IN MAY

What was the initial problem? Where did we decide to start?
Ministry of Finance does not know how much MDAs require or when cash is required
Non-reconciliation
Non-submission of spending plans
Strengthening of the liquidity management committee
Form technical team to the committee
MoF is unable to know the total cash that the government has
Inadequate communication between the MDAs and the MoF
Fiscal Dumping
IFMIS is inadequate and not fully utilized by MDAs
WHO DID WE INVOLVE?

» Principal Secretary and Deputy (Ministry of Finance)
  » Authorization

» MDAs
  » 7 pilot Ministries
  » Reconciliation & Reporting

» Colleagues at the MoF
  » Heads of Departments
  » Other staff
WHAT DID WE LEARN?

» Monitoring and communication between MoF and other MDAs remains a challenge
» Departments within ministries work in isolation
» Difficulty setting up meetings with the authorities
» There is still more work to be done to achieve the solution to our problem
ACHIEVEMENTS OF THE PROGRAM

What was done over the 7 months of the program?
ADJUSTMENT ON THE FISHBONE

Fishbone Diagram

Data Credibility
- unrealistic revenue estimates
- MDAs do not submit spending plans
- MoF is unable to know the total cash that the government has

Monitoring & Evaluation
- government is not able to monitor & audit the CBL
- Ministry of Finance is unable to know how much cash the government has (too many bank accounts)
- non-reconciliation

Poor revenue collection (tax & non-tax)

Ministry of Finance

Communication & Coordination
- inadequate communication between the debt department and CMU and Budget dept.
- there is lack of communication within the MDAs and MDAs have little trust in MoF

Expenditure Plans
- Some of the MDAs do not submit procurement & cash plans
- Unrealistic procurement & cash plans
- MDAs do not include all items into the original budget

Budget Issues (Formulation & Execution)
- Unrealistic budget as the data on previous year's budget against expenditure and revenue is incomplete
- MDAs exceed their budget
- March Final Arrears
- Expenditure of MDAs exceed their budget
- Unexpected extra budget expenditure
- Revenue declines while expenditure increases

MINISTRY OF FINANCE DOES NOT KNOW HOW MUCH CASH THE MDAs NEED OR WHEN IT IS NEEDED
ADJUSTMENTS ON THE ENTRY POINTS

» Non-reconciliation
» Non-submission of spending plans
» Strengthening of the liquidity management committee
» Form technical team to the committee
» MoF is unable to know the total cash that the government has
» Inadequate communication between the MDAs and the MoF
» Fiscal Dumping
» IFMIS is inadequate and not fully utilized by MDAs

» Non-reconciliation
» Expenditure Plans
» Strengthening of the liquidity management committee
» Bank accounts
» Monitoring and communication
EXPENDITURE PLANS – what was the problem?

» Non-submission
» Unrealistic
» How much money is needed
EXPENDITURE PLANS – what are the achievements?

» Pilot ministries (7)
» Improvement in submission of plans
  » More MDAs submit
  » Realistic plans submitted
» Improved relations between MDAs and MoF
  » Held meetings to address problems
EXPENDITURE PLANS – what are the achievements?

**Challenges**
- Most MDAs do not submit on time
- Unrealistic plans are still submitted

**Way-forward**
- Team will design guidelines
- Roll out to other ministries not in the pilot
The committee was meeting only when there was a problem
The team thought there was no technical committee
Lack of information sharing on funds available and funds needed
LIQUIDITY MANAGEMENT COMMITTEE – what are the achievements?

- Development of the ToRs
  - LMC and technical committee established
  - MoF is now the key driver
- Frequent meetings
  - At least once a week
- Sharing of information between relevant stakeholders
LIQUIDITY MANAGEMENT COMMITTEE - challenges and way-forward

**Challenges**
- Meetings not held during the absence of PS
- Data reliability (e.g. expenditure)

**Way-forward**
- Strengthening of the technical committee
  - Data matters
MONITORING & EVALUATION
MONITORING & EVALUATION – what was the problem?

- Poor revenue collection - Non tax revenue
- Lack of communication within MoF and MDAs
MONITORING & EVALUATION – what are the achievements?

» Developed TORs for monitoring and reporting unit
» Improved preparation of annual accounts
» Introduction of month-end closure
» Improved communication between the departments in MoF
» Sharing of different ideas and appreciation within MoF
Challenges

» Non-compliance by line ministries
» Unable to communicate with ministerial chief accounting officers

Way-forward

» Review of the PFMA Act-
inclusion of sanctions
BANK ACCOUNTS
BANK ACCOUNTS – what was the problem?

» Too many bank accounts
  » CBL and commercial banks
» Not able to know how much cash is available
BANK ACCOUNTS– what are the achievements?

» Developed manageable database of active bank accounts
» At least 178 bank accounts closed
» Improvement in disclosure of bank accounts by MDAs
Challenges
» Commercial banks allow for opening of bank accounts without authorization of AG

Way-forward
» Configuration of all donor funds bank accounts into the systems
» TSA bank accounts
» Revenue accounts will be centralised
NON-RECONCILIATION
NON-RECONCILIATION- what was the problem?

» Reconciliation was never done
» How much cash the government has
NON-RECONCILIATION- What are the achievements?

» **Accounts reconcile**
   » Recurrent- up to October 2018
   » Revenue – 64% of the MDAs reconcile
   » Development- up to May 2018
   » Consolidated Fund- up to October 2018
   » Commercial banks- up to October 2018
NON-RECONCILIATION - challenges and way-forward

Challenges at hand
» Referencing and introduction of new accounts (Salaries)
» Failure to capture revenue in the system

Way-forward
» Provide guidance and assistance for all other MDAs to reconcile
CLOSING REMARKS
» Improved reconciliation
» Availability of TORs of LMC
» Improved expenditure plans
» Improved bank accounts data base management
» Improved monitoring and communication
THANK YOU