KINGDOM OF LESOTHO

Ministry of Finance

PUBLIC FINANCE MANAGEMENT REFORM ACTION PLAN 2012 – 2017/18

FOREWORD

It is with great pleasure that I present to you the Kingdom of Lesotho's Public Financial Management (PFM) Reform Action Plan 2012-2017/18. An effective PFM system aims at economic growth, poverty reduction and improved service delivery through improved policy-based budget management and resource allocation, accountability for results and independent audits. Strengthening Lesotho's PFM system is therefore a pre-condition for implementing its development agenda.

The Plan has been designed around eight key strategic components that cover the primary dimensions of public financial management. It is the result of collaboration, dialogue and consultation both within Government and with development partners. The focus of the Action Plan is on strengthening key PFM dimensions so that by the end of 2017/18 and beyond, Lesotho has in place an improved PFM system that is efficient, effective and transparent.

The Action Plan is aimed at providing strategic direction, addressing capacity constraints and empowering responsible government officials to implement and monitor the progress in key identified areas. It builds on the commitment and initiative of this Government to deliver its services more efficiently and effectively to the people of Lesotho in a transparent and accountable manner.

Reforms of this nature have far reaching implications and as a Government, we are committed to the Action Plan and will give all necessary political support and leadership to ensure that overall objectives of the reforms are realised in the medium-term.

I would like to thank everyone who has been involved in formulating this Action Plan and look forward to achieving its strategic objectives as we move into the implementation phase of this Plan.

Dr. LeketeketeKetso
Minister of Finance

2

1. INTRODUCTION

The Government of Lesotho's (GOL) overall development aims have been articulated in its 'Vision 2020' that states that by 2020 "Lesotho shall be a stable democracy, a united and prosperous nation at peace with itself and its neighbours. It shall have a healthy and well-developed human resource base, a strong economy, a well-managed environment and an established technological base". Towards realising this vision the GOL has adopted the National Strategic Development Plan (NSDP) in March 2012. An overall Public Financial Management (PFM) Reform agenda of GOL has been enunciated in the NSDP. The proposed reforms include; (i) definition of core responsibilities and procedures in the Public Financial Management and Accountability Act 2011; and (ii) the introduction of a medium-term expenditure framework (MTEF) approach to budgeting to promote operational cost efficiency and facilitate greater certainty over resource flows in the medium-term. The NSDP recognises that these objectives, reflecting on-going initiatives, have not yet been fully realised.

This document details the Government PFM Reform Action Plan, describing the overall strategy, background and rationale for these reforms, identifies the key components of reform along with the strategic actions and responsibilities for implementation, key outputs and specific actions required for the achievement of these outputs. It also addresses issues of sequencing, implementation and coordination mechanisms and provides a monitoring and evaluation framework that will be used to assess the progress of PFM reform over 2012-17/18.

The plan is the result of collaborative efforts of Government and development partners and has been formulated in extensive consultation and dialogue with departmental heads / teams within the Ministry of Finance and Ministry of Development Planning responsible for the respective components/actions. The plan also provides indicative broad costs for the respective components over the period and will form the basis for coordinating possible development partner support for PFM reform in Lesotho.

This document is intended to provide the outline of the GOL's PFM reform agenda. Detailed activity-based plans and costing will be validated by Component Leaders and will be update on a rolling 6-monthly basis to form the primary means for monitoring and evaluation of progress of implementation

2. CONTEXT

2.1 Recent and On-going Reforms

A Public Service Improvement and Reform Programme (PSIRP) was initiated by the GOL in 2001/02 to improve the delivery capacity, effectiveness, accountability and transparency of public services. PSIRP had a three pronged strategy that included (i) Improving Public Financial Management and Accountability focusing on strengthening macroeconomic analysis and forecasting linked to fiscal policy, budget performance and monitoring, integrated planning and budgeting processes, modern procurement systems, integrated accounting, revenue and expenditure management systems, strong independent oversight bodies and mechanisms, capacity building to support and sustain reform initiatives; (ii) Improving service delivery through decentralisation and (iii) Improving Public Service Management.

The second major intervention was in the form of the Capacity Building for Economic Planning (CBEP) Programme intended to strengthen the capacity of the then Ministry of Finance and Development Planning in macro-economic management, the collection and analysis of statistics, sector policy analysis, programme budget training and support to the Accountant General and IFMIS. By this time, PFM reforms were being supported by various development partners, including the EU, World Bank (Lesotho Institute of Accountants), DfID, UNDP (Bureau of Statistics and M&E framework) and the IMF. Concurrently with CBEP, the AfDB was implementing a similar capacity building programme and Irish Aid was supporting the Centre for Accounting Studies.

The programme funded by EU was followed by CBEPII that focused on improved transparency and accountability in GOL's revenue and expenditure management; development of an overarching planning/development plan in place for the period 2012-2016; strengthened capacity for planning and budgeting at national and sector levels; increased accuracy and reliability of National Accounts and statistical data produced by BOS to underpin the national development planning document/process; strengthened capacity in MFDP for macroeconomic policy formulation and model building; strengthened capacity within MFDP for Population Modelling & Manpower Planning and improved aid coordination and effective implementation of EC and other donor support.

In addition GOL has also received budget support for the PFM reform agenda. Under EDF 10 the EU provides general budget support for Poverty Reduction Budget Support programmes I and II together with the World Bank (Poverty Reduction Support Credits I and II) and the African Development Bank with their Poverty Reduction Support Programme. The PFM reform strategic action plan will substantially strengthen Government's ability to perform against targets and fully benefit from budget support programmes.

2.2 Situational Analysis

The GOL is aware of the number of challenges with its PFM framework and the serious capacity constraints. A series of recent PFM assessments undertaken by the development partners (Lesotho Public Expenditure Review, 2012; Lesotho Public Investment Management Review, 2012 and the PEFA Assessment (2012) have also confirmed the same. The PEFA Report 2012 has identified a number of areas requiring further reform. These include the need for: (i) strengthening policy focus, political ownership and participatory approach in the budget formulation process; (ii) better design and sequencing of MTEF; (iii) improved ownership of MTEF at senior/political levels particularly in respect of outer year plans; (iv) more strategic use of budget ceilings in policy implementation; (v) improvement in budget execution controls; (vi) enhanced analysis of fiscal risks such as the volatility of mineral and SACU revenues; (vii) timely and comprehensive production of in-year and year-end financial reports; (viii) strengthening financial management systems; (ix) delays in the submission of the external audit reports; and (x) more complete coverage of externally financed programmes. A summary of the scores on PFM performance indicators as per the PEFA assessment of 2012 is placed at Annex I.

The PEFA assessment has revealed that the overall progress in the improvement of PFM is both slow and mixed. Despite the persistent weaknesses in the aspects of the PFM framework, there has been progress on some fronts, most notably with the budgetary process, macro-economic forecasting and introduction of a regulatory framework viz. Public Procurement Regulations (2007) and the Public Financial Management and Accountability Act (2011). However, GOL recognises the need to revitalise the PFM reform agenda and enhance PFM outputs as a basis for strengthening fiscal consolidation, enhanced economic growth and service delivery outcomes.

In response to the PEFA and other similar diagnostics, GOL is committed to move to a new phase of PFM reforms that will in the medium terms also lead to improved scores against the PEFA assessment framework. In preparation for this new phase, GOL and the development partners have been working together through the PFM Improvement and Reform Steering Committee (IRSC), on creating a credible PFM reform programme. The PFM Reform Action Plan is one outcome of this process. GOL and development partners are committed to support implementation of the PFM Reform Action Plan.

3. PUBLIC FINANCE MANAGEMENT REFORM ACTION PLAN

The PFM Reform Action Plan is needed to improve government's capacity to utilise public resources towards meeting the NSDP targets and ultimately those of Vision 2020. It will require building human resource capacity, putting in place systems and procedures for effective financial management and reporting, strengthening institutional framework that is transparent and ensures accountability in the public sector.

3.1 Guiding Principles

The following principles have guided the development of the PFM Reform Action Plan:

a) Political leadership and commitment shall be crucial for the accomplishment of objectives of the plan and sustaining the momentum for reforms.
b) It is necessary to prioritize and sequence the reform initiatives in a realistic manner to maximize the probability of their success. In particular the action plan should be based on a proper appreciation of the existing capacity and other constraints; it should ensure that the building blocks of a sound but basic PFM system are in place before the more advanced reforms are pursued; and sequencing prioritises reforms that are critical e.g., for accountability, fiscal discipline, and safeguarding public funds.
c) The design of the reform action plan is based on a comprehensive approach to cover all core dimensions of public financial management in a sustainable manner.
d) The reform agenda should include strong governance and project management arrangements for coordination amongst component leaders and development partners.
e) There should be ownership and necessary support for the Action Plan at the level of senior management and departmental heads (component leaders).
f) The Action Plan should have an appropriate framework for monitoring and evaluation of progress under the Action Plan.

3.2 Structure and Content

The Action Plan (Annexure II) has identified the following:

- Strategic Actions and responsibilities for implementation;
- Key outputs;
- Specific key actions in the medium term (2012-17/18)
- Monitoring and evaluation framework to assess the progress

At the strategic level the plan has identified the following eight key elements (components):

1. Modern PFM Regulatory Framework Implemented
2. Transparency and effectiveness of policy orientation of the budget assured
3. Cash flow forecasts a major determinant of internal debt and financial investment
4. Internal controls ensure strengthened operational efficiency and effectiveness
5. Accounting and fiscal reporting fully compliant with the regulatory framework and accounting standards
6. Public Procurement aligns with international best practice in efficiency and transparency
7. External audit and oversight compliant with INTOSAI standards (ISSAI)
8. Governance and institutional management of PFM reforms improved to facilitate ownership, monitoring and evaluation of progress

These strategic actions have been linked to key performance indicators with reference to the associated PEFA indicators. The PFM reforms will focus on these eight components, each one comprising of a number of key outputs as reflected below:

Component / Output

Modern PFM regulatory framework implemented
1. Regulatory framework updated to underpin PFM reforms
2. Capacity developed to implement and sustain the PFM regulatory framework
Transparency and effectiveness of policy orientation of the budget assured
1. Demonstrable links between development plans, fiscal strategy and budget appropriations
2. Budget process redesigned to provide space for enhanced engagement by policymakers
3. Effectiveness of macro-fiscal management enhanced
4. Comprehensiveness and quality of information included in budget documentation progressively improved
Cash flow forecasts a major determinant of internal debt and financial investment
1. Cash Management Unit and Liquidity Committee established
2. Access to consolidated information on government cash balances
3. Cash forecasts accurate to 90%
Internal Controls ensure strengthened operational efficiency and effectiveness
1. Ex-ante controls on non-salary expenditures compliant with contextually relevant components of the COSO framework
2. Compensation of employees and pension payments consistent with employee/pensioner number and entitlements
3. Internal audit compliant with COSO and IIA controls and standards
Accounting and fiscal reporting fully compliant with the regulatory framework and accounting standards
1. Government accounting cadre reform implemented
2. Accounting systems and application software upgraded to comply with regulations and standards
3. In-year and annual fiscal reports published in accordance with regulations and standards
Public Procurement aligns with international best practice in efficiency and transparency
1. Legislative and regulatory framework revised and upgraded
2. Management and operations of the public procurement system re-engineered and reconfigured
3. Public procurement achieves transparency through outreach to public and suppliers
4. Human resource capacity within public procurement is significantly increased
External audit and oversight compliant with INTOSAI standards (ISSAI)
1. Legal and regulatory framework updated to comply progressively with international standards
2. HR capacity to deliver on prescribed external audit mandate established
3. Legislature empowered to perform oversight functions
Governance and institutional management of PFM reforms improved to facilitate ownership, monitoring and evaluation of progress
1. Management of PFM reform institutionalised

These identified outputs are underpinned by associated key actions that need to be undertaken in the medium-term to achieve these outputs. The detailed component plans are activity based indicating the activities that need to be carried out over the period of the plan. These activities have also been linked to their associated deliverables.

The sequencing of activities prioritises those that are critical in the immediate and short term and are based on a realistic assessment of existing capacity and other constraints in MOF and MDAs thereby increasing the probability of their success. The sequencing will ensure that the building blocks of a sound but basic PFM system are in place before Lesotho progresses to more advanced reforms. Activities in the action plan are sequenced in a coordinated manner to reflect GOL's priorities over the medium term as well as inter-dependencies between activities.

These detailed action plans for each component, going forward will provide the basis for development of annual work plans, annual budgets and procurement plans that will be coordinated by the PFM Reform Secretariat and supervised by the IRSC. Considering that component activity-based plan would be a dynamic one, subject to review and revision depending on the progress achieved in the intervening period, the detailing is more elaborate for the first three years with some indicative activities being provided for the two outer years (2015-17/18).

The key performance indicators at the strategic level and deliverables for the detailed activity under each key output/component would together constitute the monitoring and evaluation framework to assess the progress on PFM reform. They can be used for monitoring purposes both by the senior management in MOF at a strategic level and by component leaders at the operational level.

4. COMPONENTS OF THE ACTION PLAN

Component 1: Modern PFM Regulatory Framework Implemented

PFM reforms are not sustainable unless they are rooted in a robust PFM regulatory framework. The Public Financial Management and Accountability (PFMA) Act, 2011, was a significant step in this direction. The PFMA Act decentralized key PFM responsibilities to line ministries but the supporting enabling regulatory framework is yet to be fully established. The government has reviewed the Act with support from development partners. The review suggests that there are PFM regulatory areas that need further strengthening. GOL is in the process of finalizing the Treasury Regulations that will address some of these weaknesses and enforce financial discipline across line ministries.

The past experience of reforms in Lesotho demonstrates that PFM reforms have a better chance of succeeding when they are supported by a regulatory framework that is transparent, unambiguous, accepted, widely understood and enforceable. The aim of this component is to update the PFM regulatory framework to underpin the PFM reforms and build capacity across MDAs to support and sustain the implementation of the PFM regulatory framework.

Component 2: Transparency and effectiveness of policy orientation of the budget assured

The Government of Lesotho remains committed to strengthening the medium term fiscal and budget frameworks (MTFF/MTBF) and budget formulation process. It is also keen to establish linkages between the development plans, fiscal strategy and budget appropriations. GOL has adopted the ‘Budget Framework Paper’ (BFP) as an instrument for policy-based budgeting and ministries are preparing the BFPs which project their current and capital expenditure over a medium term expenditure (MTEF) period of three years. However, there is a need to strengthen the links between the BFPs and overall MTFF aggregates or projections. Further, there are challenges in ensuring consistency between the cabinet collective decision on the overall MTFF, line ministry ceilings and the submissions made by individual ministers. A realistic budget calendar will allow more time and space for adequate consultations and meaningful policy analysis and ensure convergence between ministry budget and national policy priorities. There is also a need to develop a common monitoring and evaluation framework for NSDP/MTEF and build capacity in monitoring and evaluation at the level of MDAs. Overall capacity needs to be built amongst stakeholders in the budget formulation process to understand the implications of MTEF, in costing of strategies and in appraisal and approval of capital investment projects.

A sound macro fiscal strategy is essential for ensuring that the GOL's medium term budget expenditure framework is consistent with macro-economic fundamentals and policies. Considerable progress has been made in the development of macro-fiscal management tools and related analytical capacity. Using a toolset incorporating macro-economic, programming and forecasting models a macroeconomic framework is now produced annually by the MOF. The forecasting performance at the aggregate level in respect of both revenue and expenditure is satisfactory; however there remains a significant degree of variation in the composition of expenditure outcomes compared to forecast which suggest room remains for further improvements. The current economic scenario also highlights the need to determine and mitigate the impact of fiscal risks arising from customs union dependency, volatile extractive industry revenues, government guarantees, state owned enterprise, sub national government or extra budgetary unit operations.

Programme Based Budgeting (PBB) was piloted by GOL in FY 2010/11, replacing the previous activity based system, and has now been extended to all ministries. Extensive training has been provided to line ministries to support the implementation of PBB. The Budget Department recognises that PBB requires a long term development effort. The challenges that will need to be addressed going forward include definition of programmes, performance indicators and associated monitoring of expected outcomes; ensuring reliable budget execution data to inform the review of programmes' effectiveness; greater attention to the development of reports for programme expenditure monitoring and analysis; developing capacity in the IFMIS unit to generate such reports; integration of donor funded activities and the requirement for further skills development to support programme monitoring and evaluation.

There have been improvements in the quality of budget documentation over the previous years. The budget documents include comparable historical data on budget performance for the preceding year along with summary information on anticipated domestic and external financing, detailed information on the composition of public debt and anticipated composition of deficit financing. However, there is need to improve the coverage and comprehensiveness of budget documentation and provide public access to these documents.

This component aims to establish linkages between the NSDP, fiscal strategy and budget appropriations, address capacity constraints in the budget formulation and budget challenge processes, re-orientate the budget process to provide space for enhanced engagement by policy makers, strengthen skill in macro-fiscal management and improve the quality of budget documentation in line with internationally accepted good practices.

Component 3: Cash flow forecasts a major determinant of internal debt and financial investment

Cash management has not been a priority for GOL given the cash surplus in the past. However, given the global economic downturn and the volatility in the SACU revenues, cash planning and management has become important. Accordingly, cash management has been incorporated as an important function in the proposed Treasury regulations that are under finalization. The GOL realises that cash planning and management will help reduce its borrowings, provide returns on surplus cash thereby adding value to budgetary management through consolidation of cash, improved forecasting and better prioritization. The MOF has already initiated steps towards consolidation of its cash balances. A census of government accounts held by different Ministries in banks has been conducted and MDAs have been advised to reconcile these accounts held in both the commercial banks and the Central Bank of Lesotho.

The government has also has approved the establishment of a Cash Management Unit (CMU) in the office of the Accountant General. The staffing process for this unit has been initiated and it is anticipated that the CMU will be in place by the end of March 2013.This will also entail reorienting the institutional roles and responsibilities of each entity involved in the cash planning and management process.

This component aims to strengthen cash management through consolidation of government accounts including reforms in government's banking arrangement; improvements in forecasting methodology for revenues and expenditures and strengthening the coverage and institutional arrangement and work processes for the soon to be established Cash Management Unit CMU.

Component 4: Internal controls ensure strengthened operational efficiency and effectiveness

The commitment control in GOL has improved with the implementation of IFMIS. Purchase orders can be registered through IFMIS only if the amounts are within the budget allocation. The majority of GOL expenditures are now committed in IFMIS before they are processed for payment. IFMIS and budget execution reports contain information on commitments as well as payments. However, there are weaknesses in uniform application of commitment controls that need to be addressed and MOF is aware that purchase orders outside of the IFMIS can circumvent the commitment process, vitiate cash planning and can possibly generate arrears.

IFMIS provides for end-of-period /end-of-year financial procedures and system reports and a close monitoring and enforcement of these is required to address issues relating to ex-ante controls. One of the reasons for these weaknesses in internal controls is the low appreciation of commitment procedures and lack of adequate sensitization / training of Chief Accounting Officers and Financial Controllers in line Ministries.

MOF is committed to instilling financial discipline and enhancing transparency and accountability in the public financial management cycle of Lesotho. Accordingly the plan aims to institute a robust internal control environment, building capacity for implementation and ensuring enforcement of the internal controls in line with the COSO framework.

GOL has around 49,000 employees whose payroll data is processed centrally by the Treasury Department in MOF through a computerized application called ‘Unique’. Personnel records are maintained in the line Ministries and the Ministry of Public Service. These records are in the form of paper records and not conducive to effective manpower planning, establishment control and personnel management. Delays have been reported in authorizing and processing personnel changes (arising out of promotions, transfers and retirements) and eventually pension payments. GOL is aware that these delays could lead to arrears in the payment of salaries and pensions.

Considering that salary and pension payments comprise a significant portion of government expenditure it is important to address these weaknesses and institute a system where these payments are consistent with employee/pensioner number and entitlements. There is thus a need for an integrated database of personnel and payroll information, regular audit of payroll and periodic updating and verification of employee service documents. Accordingly, GOL has started the process of acquiring an automated Human Resource and Payroll application that will be fully integrated with IFMIS. The action plan provides for procurement and implementation of the HR application, regular reconciliation of payroll, payroll audit and associated training and capacity building.

The internal audit function has been decentralized in GOL and is still evolving. The Director of Internal Audit Department (IAD) in MOF is responsible for coordinating the Internal Audit function for the government. Internal Audit has also been incorporated in the proposed Treasury regulations that are under finalization. Internal Auditors have been placed only in 17of the 28 ministries and they report to the respective Principal Secretaries / Chief Accounting Officers on auditing matters. Internal Audit of line ministries is carried out by the IAD in MOF. IAD’s plan for setting up of internal audit units with appropriately qualified staff in all Ministries is being considered by the Government.

Despite these constraints the internal audit function is in the process of improving its coverage and range of work in various ministries including payroll audit and audit of stock of domestic arrears. The GOL is keen to establish a structure for internal audit that will not only ensure its professional independence but also enhance its impact on financial management in government. IAD has formulated a strategic action plan and a Training Needs Analysis has been completed with support from development partners. Accordingly, this plan aims to improve the effectiveness of internal audit by establishing and strengthening internal audit units, professionalizing the internal audit practice in line with COSO and IIA controls and standards and improving the scope, coverage and quality of internal audit in GOL.

Component 5: Accounting and fiscal reporting fully compliant with the regulatory framework and accounting standards

Government has begun to address the identified key structural challenges facing PFM reforms in Lesotho**.** The restructuring of Treasury Department has been recently approved by the government to support implementation of the on-going PFM reforms. The restructured Treasury functioning under the Accountant General will include the following sections (i) Revenue Management; (ii) Cash Management; (iii) Expenditure Management; (iv) Financial System Support Group and (v) Financial Performance Monitoring. It is expected that these new sections will be adequately staffed by the end of FY 2012/13. Capacity challenges are a major constraint to effective and sustainable PFM processes in Lesotho. Accordingly, MOF is in the process of formulating HR policies for managing the accounting cadre across government. The currently on-going PFM capacity building efforts will require continuous support for many years and the Action Plan aims at enhancement of both professional skills and development of other necessary management or specialist skills through accreditation programmes in partnership with the Lesotho Institute of Accountants and the Centre of Accounting Studies.

IFMIS was introduced in 2009 at the level of the central government in Lesotho to improve the efficiency and effectiveness of financial management, control and accounting and reporting. It provides, despite implementation constraints, the framework within which most of the public financial management operates. However, the GOL is far from realizing the full benefits from the system as all the functionalities of the current IFMIS (based on Epicor version 7.3.5) are not fully operational. There have also been concerns about the effectiveness of IFMIS implementation considering that GOL has not been able to produce annual accounts and financial statements of the quality and in the time frame prescribed by the regulatory framework.

Apart from weaknesses in internal controls that have an impact on IFMIS implementation and are being addressed through Component 4 of the Action Plan, there is an urgent need to address weaknesses in operational management of the existing version by enforcing adherence to IFMIS documented procedures. In addition there is also a need in the short-term to stabilize the functionalities of the current version through sustained training and capacity building. This is also borne out in the recent evaluation of IFMIS conducted with support from the EU. GOL has accordingly, identified substantial in-service training needs for the effective implementation of IFMIS and has developed an extensive training plan. This component of the action plan focuses on strengthening the capacity in Financial Systems Support Section of MOF so that they are able to provide substantive operational support to users in line Ministries. It also aims to provide training for IFMIS end-users, particularly Financial Controllers and accounting personnel in line Ministries.

In addition, GOL plans to upgrade IFMIS to Epicor 9 as the existing version is tied to Windows 2003 which is outdated and vendor support going forward is likely to be limited.

The upgrade is intended to address key functional issues identified during the implementation process of Epicor 7.3.5 including : (i) central payment processing; (ii) central management of suppliers and customers; (iii) one database for all government business units of IFMIS; (iv) central processing of salaries journals and payments; (v) upgrade database management system to benefit from offered functionalities and improve data replication between primary and backup data centres, and (vi) interfaces with Payroll, CS-DRMS and CBL. MOF however, aims to consider the transition in realistic and strategic terms and wants to conduct a business process review of IFMIS and prepare additional functional specifications as required for such upgrades so that the full benefits of the upgrade can be secured. The plan is to extend the upgraded IFMIS to central government offices at the district level that are not connected to the existing version of IFMIS. It would involve implementing change management and deployment strategy and addressing training and capacity building needs in relation to the core team and the key end-users.

The MOF has been implementing IT based financial management systems for some time now. However, the way these systems have evolved in their implementation has meant that these systems being used for budget preparation, budget execution, payroll, accounting and debt management are fragmented and are not easily able to provide a comprehensive view of financial operations of GOL. The action plan provides for seamless interfacing of these stand-alone financial management applications viz. Treasury/CBL, IRMS, CSDRMS and 'Unique' with the core IFMIS.

Budgetary and financial reporting is one of the main outputs of PFM systems. PFM reforms would be ineffective and incomplete unless they can address systemic issues resulting in fragmented, inaccurate, and delayed reporting of government budgetary operations. One of the most fundamental challenges facing the MOF is delays of up to three years in the production of consolidated central government budget out-turn and financial statements. MOF has, however, recently submitted the accounts for FY 2009/10 to OAG and is committed to submitting the accounts for FY 2010/11 and 2011/12 by the end of March 2013.

In the short and medium-term there is an urgent need to strengthen budgetary and financial reporting in order to improve accountability and oversight. The government is committed to eliminate the capacity and systems impediments so that the annual financial statements in subsequent years are produced in accordance with the provisions of the PFMA Act. The proposed Treasury Regulations also have enforcing provisions relating to financial reporting by the MDAs.

The Action plan aims at eliminating the backlog in the production of annual financial statements, and increasing the scope of financial reporting to include the sub-national governments, Autonomous Government Agencies and Public Enterprises. The objective in the medium-term is to prepare and publish in-year and annual financial statements in a timely manner and gradually move towards compliance with cash based IPSAS. All this would require a greater focus on consistent and sustainable capacity building of the accounting and financial management staff of line ministries and agencies.

Component 6: Public Procurement aligns with international best practice in efficiency and transparency

Over recent years, significant reforms have been made to improve the way the system operates in Lesotho. Public procurement is coordinated by the Procurement Policy and Advice Directorate (PPAD) in the Ministry of Finance and this has led a programme of change including the decentralization of most procurement activity to procurement units in line ministries. The World Bank provided assistance by conducting a Country Procurement Assessment Review (CPAR) in 2008 and since then a number of reforms have been introduced, some of them operational, some of them legislative and some addressing capacity issues. However, public procurement is in early stages of development and GOL acknowledges that there are significant issues relating to the regulatory framework, processes, structure, capacity and public disclosure of information.

The aim of the public procurement component under the Action Plan include (i) Strengthen the legal and regulatory framework to create and efficient, effective and transparent system. This would involve identifying and addressing the shortcomings in current procurement legislation (leading, if necessary to a new Procurement Act) and finalize and promulgate the draft public procurement regulations. (ii) Across the board improvements in the way public procurement is operated. This aspect of the plan will look at how public procurement is managed in Lesotho by examining various facets of its activities from day-to-day operations right up to high level issues of policy and communication. Existing procedural manuals and standard procurement documents will be revamped and new ones added as necessary, with ICT support systems being reviewed, update and re-equipped. Attention will also be given to the way public procurement is managed and in particular to addressing issues of communication between centralized and decentralized aspects of the sector. (iii) Significant enhancements to the transparency of public procurement through outreach to suppliers and members of the public. Public procurement not only needs to be carried out openly and transparently but also to be seen be so. A new Procurement Tribunal is already in the course of being established and operationalized, and beyond that the GOL, through this plan, expects to set up procedures and institutional arrangements to facilitate access to public procurement information, and a broad and continuous dialogue with suppliers, both actual and potential, and members of the public. (iv) A substantial increase in the competence and professionalism of procurement practitioners. GOL expects to address the need for more skilled and better qualified public procurement staff. Existing human resource management practices in the sector will be evaluated and updated and staff development needs – in respect of both job-related and professional skills and competences - will be defined and addressed. Particular attention will be given to enhancing the professionalization programme already in existence by improving the relevance of the qualifications on offer and linking professional development more closely to practical procurement work.

Component 7: External audit and oversight compliant with INTOSAI standards (ISSAI)

The independence of the Office of Auditor General (OAG) is provided for in Article 117 of the Constitution with the Audit Act 1973 specifying its powers and duties. The Act has been reviewed by the GOL and there is a new legislation proposed to enhance the powers and independence of the OAG.As the new legislation gets approved there would be a need to prepare the regulations that will support the implementation of this new Act.

The government is also aware of the inability of the OAG to provide an opinion on the accounts as part of its statutory duty considering the delays in the preparation of the annual financial statements by the MOF. The audit of the annual statutory accounts is three years behind due to delays in receipt of accounts from the Accountant General. However, the OAG has continued to conduct audit of ministries and offices annually, including performance audit. The delay in the preparation of accounts and submission of audited financial statements has also been adversely affecting legislative scrutiny. Thus there is an urgent need to establish normal audit cycles in Lesotho.

The organization, in recent times has had limited support from the development partners and is faced with serious capacity constraints. Apart from institutional strengthening there is a need to build sustainable capacity amongst the staff in the areas of IT, performance and procurement audit. There is also a need for dissemination of the provisions of the new Act as and when it is approved.

This component focuses on strengthening external audit and legislative oversight in Lesotho. This would include improving the operational efficiency of OAG through establishment of an updated legal and regulatory framework, augmenting human resource capacity, upgrading IT infrastructure in the organization and wider dissemination of audit reports. It also provides for capacity development of the Public Accounts Committee members for effective engagement.

Component 8: Governance and institutional management of PFM reforms improved to facilitate ownership, monitoring and evaluation of progress

Reforms in the PFM framework present enormous challenges as they involve many government functions and institutions. In Lesotho for example, the implementation of reforms will impact the way a range of functions and operations are undertaken including, planning, budget formulation and execution, accounting and reporting, and external oversight. These also involve many institutions, including the National Assembly, Cabinet, MOF, MDP, Auditor General and MDAs. The involvement of these wide ranging functions and institutions requires strong governance and institutional arrangements for communication, coordination and management. This component relates to the governance and institutional management of PFM reforms that are aimed at facilitating ownership, monitoring and evaluation of progress under the Action Plan.

PFM reforms shall be driven by the Minister of Finance with MOF as the lead agency for the reform programme. The GOL has established an overarching PFM Improvement and Reform Steering Committee (IRSC) chaired by the Principal Secretary, MOF, with representation from MOF and key MDAs and key development partners. The steering committee will be in the shape of a high-level management and coordination body providing strategic direction and oversight to the PFM reform process.

Considering the experience of PFM reforms in other countries, GOL recognizes that the success of the reforms depend on robust project management arrangements. GOL has accordingly decided to establish a PFM Reform Secretariat, situated within the Planning Unit of the MOF, to support the coordination and monitoring of the reform across a wide range of stakeholders. The Secretariat will comprise of a PFM Reform Coordinator, and another two officials, all three seconded by MOF. The Secretariat will be supported by an internationally recruited TA. The Secretariat will be responsible for the management, coordination and monitoring the technical implementation of the PFM Reform Action Plan and would report to the PS, MOF in his capacity as the chairperson of the IRSC. Additional and/or ad-hoc expertise will be co-opted into the Reform Secretariat as and when required.

The PFM Reform Secretariat will be responsible for the following:

i. Developing a coordination framework for PFM reform;
ii. Developing a monitoring and evaluation framework based on the outputs / deliverables that are part of the Action Plan
iii. Establishing an electronic information exchange platform to share reform implementation details with component leaders, IRSC members and other stakeholders;
iv. Coordinating capacity building initiatives under the Action Plan including capacity building of the national staff of the Secretariat;
v. Consolidation of quarterly progress reports against the Action Plan submitted by the component mangers and reporting to the IRSC;
vi. Assist IRSC in review of the progress and updating of the Action Plan
vii. Developing policies related to effective use of TA employed under the Action Plan;
viii. Assist in the annual evaluation of the PFM reform programme;
ix. Disseminate information on the progress of the reform process.

In addition the component focuses on building and retaining capacity across government departments by appropriately addressing human resource management issues.

The Action Plan provides strategic outputs and deliverables that will form the basis of performance monitoring of the PFM Reform Action Plan. The component leaders will be responsible for adequate quality control, monitoring and evaluation arrangements at the component level. This will feed into the programme level arrangements through quarterly progress reports submitted by the component leaders against each activity defined for the programme. The PFM Reform Secretariat would produce consolidated reports and quarterly update the key results matrix and place it before the IRSC as part of the monitoring process. The reform action plan will be subject to annual external evaluation and a more in-depth mid-term evaluation.

5. SUMMARY OF INDICATIVE COSTS

The estimated cost (USD) for implementation of the strategic actions plan is indicated below.

Component / Output	2012/13	2013/14	2014/15	2015/18	Total
Modern PFM regulatory framework implemented	240,000	95,000	41,000	45,000	421,000
Transparency and effectiveness of policy orientation of the budget assured	3,300	4,100,000	1,781,000	832,000	6,716,300
Cash flow forecasts a major determinant of internal debt and financial investment	16,500	105,000	62,000	2,500	186,000
Internal Controls ensure strengthened operational efficiency and effectiveness	1,486,000	1,281,000	630,000	478,000	3,875,000
Accounting and fiscal reporting fully compliant with the regulatory framework and accounting standards	1,282,000	5,500,000	778,000	920,000	8,480,000
Procurement aligns with international best practice in efficiency and transparency	0	630,000	1,430,000	335,000	2,395,000
External audit and oversight compliant with INTOSAI standards (ISSAI)	0	755,000	50,000	235,000	1,040,000
Governance and institutional management of PFM reforms improved to facilitate ownership, monitoring and evaluation of progress	480,000	1,500,000	1,200,000	800,000	3,980,000
Grand Total	**3,507,800**	**13,966,000**	**5,972,000**	**3,647,500**	**27,093,300**

The main cost drivers include: (i) technical assistance; (ii) HR capacity development; (iii) IT based financial management systems; (iv) development and strengthening of PFM institutions and coordination of reforms.

These costs are estimates and indicative in nature, based on the information currently available with MOF. They are based on detailed activity-based action plans that are not part of this document. These would get further refined based on the inputs from development partners and during the formulation of annual work plans, budget and procurement plans. This detailed costing will eventually also take into account the actual committed funds available from the development partners for the Reform Action Plan.

6. IMPLEMENTATION FRAMEWORK

This section of the document describes the institutional framework for implementation of the PFM Reform Action Plan. In designing the implementation framework GOL has been guided by the following principles: (i) direct participation of the highest level would be required to provide strategic direction and control; (ii) promoting direct involvement of operational managers for ensuring wider ownership and participation in the reform process; (iii) continued engagement of development partners to achieve sustained support for the reform programme; (iv) coordinating role for the PFM Reform Secretariat and; (v) as far as possible use management structure that are embedded in the MOF and avoid creation of new or parallel structures.

6.1 Strategic direction and oversight

The existing PFM Improvement and Reform Steering Committee (IRSC), chaired by Principal Secretary, Ministry of Finance will continue to provide strategic direction and oversight to the implementation of the PFM Reforms in Lesotho. The composition of the committee embraces components leaders and includes major stakeholders. Its purpose is mainly linked to driving the reform process, to inform the relevant partners and raise support for the reform and to decide on critical conceptual issues and recommendations related to PFM reform. MOF will review the terms of reference and membership of the Committee to ensure wider and focused engagement of stakeholders in the reform process. The PFM Reform Coordinator (Planning Unit, Ministry of Finance) will serve as a Secretary to the Steering Committee. Responsibilities of the IRSC include the following:

a) Approve the overall vision and strategy of the PFM Reform Action Plan.
b) Monitor implementation of the action plan against targets and indicators on a quarterly basis.
c) Provide strategic guidance to implementation;
d) Resolve any coordination issues arising between stakeholders.
e) Facilitate dialogue with development partners.
f) Review and approve annual action plans and budget along with re-allocations if any.
g) Decide on additional financial requests during the period of plan.
h) Review progress reports received from different component leaders.
i) Make recommendations on major institutional, legal issues relating to PFM reform.
j) Facilitate periodic review of plan implementation.
k) Ensure political support for and ownership of the PFM Reform Action Plan

6.2. Coordination and project management

PFM Reform Secretariat placed in the Planning Unit, Ministry of Finance will coordinate the PFM Reform Action Plan and perform functions associated with project management. The composition, roles and responsibility of the Secretariat has been described earlier in the document.

6.3 Implementation at Component Level

Programme implementation (by component) has been decentralised to agency/department with the objective of ensuring efficient and effective implementation of the Action Plan. Strategic actions, outputs and activities against each component have been detailed in the form of a matrix (Annexure II). GOL will nominate a Component Leader for each component who will have overall responsibility for co-opting departments/agencies into the implementation of a component as necessary in the PFM reform process. These Component Leaders will participate in this activity in addition to their line responsibilities and would be responsible for the execution of the action plan in respect of their components. They would also be responsible for reporting on the progress against the action plan and will work closely with the PFM Reform Secretariat in this regard. This will ensure greater ownership and sustainability of the reform programme.

The Component Leaders will be supported by Technical Assistance (TA) in areas identified under the Action Plan. Component Leaders will coordinate the TA activity in relation to their respective component and will be responsible for (i) drawing up the Terms of Reference for the recruitment; (ii) supervise and review the output of TA activity and provide feedback on the quality of technical assistance and; (iii) coordinate the capacity building activity in respect of their component. These arrangements will apply uniformly, irrespective of the funding source, to ensure that technical assistance is well-managed and directed to the appropriate area.

6.4 Implementation arrangements

The implementation arrangement seeks to move away from the traditional approach of creating isolated project coordination units, towards integrating implementation responsibilities with regular operations of the respective implementing agencies in the MOF and MDP. While the Component Leaders will be responsible for monitoring the budgeting, accounting, procurement and financial reporting function of their respective components, these functions will be performed as per the national rules and procedures and using existing national systems so that reform activities are mainstreamed.

6.5 Risks and Mitigation

The successful implementation of PFM reform programme usually takes several years and presents numerous challenges. There are also a number of factors that can influence the risk of failure. PFM literature has identified these inter-related dimensions as (i) the large number of institutions involved; (ii) the time required for implementation; (iii) scope of reform actions; (iv) the degree of behaviour change implied; and (v) the degree of visibility in the final results. In addition there is the issue of overall reform environment, top level political commitment and organizational and HR factors that often impose constraints on the extent of progress. The experience of PFM reforms in other countries suggests that reform agenda can suffer from a loss of direction and momentum as the initial enthusiasm wanes and the initiators and champions of reform move on to other areas.

The GOL is aware of these risks and is committed to addressing them by a PFM Reform Action Plan that is appropriately designed and sequenced and has strong coordinating mechanisms in place as part of the implementation framework. The following mitigating measures are part of the reform design:

i. Ownership is evidenced in the recent focus of this government on PFM reform in developing this Action Plan in constant dialogue with the development partners;
ii. The reforms are being led at the highest level in government, by PS, MOF with political support from the Ministers of Finance and Development Planning;

iii. The actions detailed in the plan have been sequenced and prioritized keeping in mind the institutional and HR absorptive capacity and will serve in minimizing the over-all risk. The sequencing of activities will be regularly reviewed so that mid-course corrections can be made if needed;
iv. Decentralization of implementation responsibility and mainstreaming of the implementation arrangements within existing structures is expected to generate ownership for reform at the level of government officials;
v. A monitoring and evaluation framework that requires the component manager to report periodically on deliverables and targets will help sustain the engagement of stakeholders and enforce accountability. The dissemination of these reports is expected to provide visibility to the progress and achievements reform process and encourage support for the reform agenda;
vi. Adequate supporting technical assistance where required. These TA experts will work in close collaboration with the national counterparts and their terms of engagement will ensure transfer of skills;
vii. Change management support through TA experts, institutional strengthening and sustained capacity building efforts;
viii. A strong coordinating mechanism in the IRSC and the PFM Reform Secretariat that will provide strategic direction and technical support respectively.

Annex I
Lesotho: Summary of PEFA Scores (2012)

PFM Performance Indicators		**2012**
	PFM OUT-TURNS: Credibility of the budget	
PI 1	Aggregate expenditure out-turn compared to original approved budget	**B**
PI 2	Composition of expenditure out-turn compared to original approved budget	**C+**
PI 3	Aggregate revenue out-turn compared to original approved budget	**B**
PI 4	Stock and monitoring of expenditure payment arrears	**NR**
	KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	
PI 5	Classification of the budget	**B**
PI 6	Comprehensiveness of information included in budget documentation	**B**
PI 7	Extent of unreported government operations	**D+**
PI 8	Transparency of inter-governmental fiscal operations	**B**
PI 9	Oversight of aggregate fiscal risk from other public sector entities	**D+**
PI 10	Public access to key fiscal information	**D**
	BUDGET CYCLE	
	Policy-based Budgeting	
PI 11	Orderliness and participation in the annual budget process	**B+**
PI 12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	**B**
	Predictability and Control in Budget Execution	
PI 13	Transparency of taxpayer obligations and liabilities	**D+**
PI 14	Effectiveness of measures for taxpayer registration and tax assessment	**B**

PI 15	Effectiveness in collection of tax payments	**D+**
PI 16	Predictability in the availability of funds for commitment of expenditure	**D+**
PI 17	Recording and management of cash balance, debt and guarantees	**B**
PI 18	Effectiveness of payroll controls	**D**
PI 19	Competition, value for money and controls in procurement	**D+**
PI 20	Effectiveness of internal controls for non-salary expenditure	**D+**
PI 21	Effectiveness of internal audit	**D+**
	Accounting, Recording and Reporting	
PI 22	Timeliness and regularity of accounts reconciliation	**D**
PI 23	Availability of information on resources received by service delivery units	**D**
PI 24	Quality and timeliness of in-year budget reports	**D+**
PI 25	Quality and timeliness of annual financial statements	**D**
	External Scrutiny and Audit	
PI 26	Scope, nature and follow-up of external audit	**D+**
PI 27	Legislative scrutiny of the annual budget laws	**C+**
PI 28	Legislative scrutiny of external audit reports	**D+**
	DONOR PRACTICES	
D I	Predictability of Direct Budget Support	**D+**
D 2	Financial information provided by donors for budgeting and reporting on project and programme aid	**NR**
D 3	Proportion of aid that is managed by use of national procedures	**D**

Annex II
PFM REFORM ACTION PLAN: MATIRX OF STRATEGIC OBJECTIVES AND KEY PERFORMANCE INDICATORS

	Strategic Actions	Responsibility	Key outputs	KEY ACTIONS 2012-13	2013-14	2014-15	Key Performance Indicators (PEFA reference)
1	**Modern PFM Regulatory Framework implemented**	PS MOF & PS MODP	1. PFM regulatory framework updated to underpin PFM reforms	PFMA Act reviewed and new Treasury Regulations submitted for approval	PFMAA amendments legislated, Treasury Regulations issued and synchronized with components of other regulations	Implementation of the PFM regulatory framework reviewed and implementation impediments mitigated	**PFMA Act, Treasury regulations approved and implemented. Regulatory framework reviewed for implementation. (All)**
			2. Capacity developed to implement and sustain the PFM regulatory framework	Workshops and other capacity building events scheduled	Capacity building events completed for all stakeholders and NA committees sensitized to the changes in the PFMAA	Sensitization of MDA staff in their PFM roles and responsibility expanded to the middle management and sub-national governments	**Capacity built to sustain implementation of regulatory framework (All)**
2	**Transparency and effectiveness of policy orientation of the budget assured**	PS Finance & PS MODP /Budget, MFU/NMES	1. Demonstrable linkages established between development plans, fiscal strategy and budget appropriations	Joint line ministry BFP annual workshops instituted	Budget Framework Paper based on macro-economic projections, fiscal strategy, and medium term development plans	Budget ceilings linked to MTEF forward estimates	**Clear links between NSDP, MTFF, BFP and multi-year recurrent and capital expenditure allocations established (PI-12)**
		PS Finance / Budget	2. Budget process redesigned to provide space for enhanced engagement by policymakers	Budget calendar comprehensive and rescheduled to provide space for discussions at every stage of budget review	Capacity developed in MOF, MDAs and Budget Committees for enhancing the quality of budget discussions	Cabinet approval obtained for MTEF forward ceilings and parliament informed	**Annual budget process progressively improved. NBFP/MTEF reconciled early in the fiscal year. (PI-11)**
		PS MODP / MFU	3. Effectiveness of macro fiscal management enhanced	Macro fiscal forecasting capability enhanced through training and adoption of improved forecasting methodology	Fiscal risks to MTFF determined and appropriate mitigation measures instituted	Accuracy of macro-fiscal forecasts analysed and corrective measures taken to address causes of deviation	**Realistic MTFF informs MTEF and Budget (PI-12)**

				KEY ACTIONS			
	Strategic Actions	**Responsibility**	**Key outputs**	**2012-13**	**2013-14**	**2014-15**	**Key Performance Indicators (PEFA reference)**
		PS Finance / Budget and CAOs/ACU	4. Comprehensiveness and quality of information included in budget documentation progressively improved	Responsibility for preparing budget documents , their purpose, their content, and their dissemination clearly articulated in instructions/ manuals	Capacity developed in MOF, MDAs and Budget Committees for preparation, review and submission of budget documents	Budget documentation conforms with good practice in ensuring transparency and comprehensiveness of the budget	**Budget documentation progressively improved (PI-6,10 & 11)**
3	**Cash flow forecasts a major determinant of internal debt and financial investment**	PS Finance	1. Cash Management Unit and Liquidity Committee established	CMU staff selected and trained; nominated LC members complete orientation program.	CMU and LC recommendations ensure availability of cash to meet government liabilities.	CMU and LC recommendations result in accurate targeting of government cash balances.	**Cash management function incorporated in Treasury Regulations and CMU established (PI-16)**
		Accountant General	2. Access to consolidated information on government cash balances	Census of government bank accounts completed	Superfluous bank accounts closed and cash balances consolidated in MRA	Any fund balances required to be ring-fenced for policy purposes maintained as ledger accounts with Treasury	**Bank accounts reviewed, rationalised and reconciled regularly. Float in the banks reduced. (PI-17)**
		Accountant General / Budget,MFU,LRA	3. Cash forecasts accurate to 90%	Prescribed cash management manual includes forecasting procedures for MDAs.	Training provided to MDA staff in cash planning.	Accuracy of cash forecasts monitored through IFMIS and incentives instituted for accurate forecasts	**Cash forecasts are received quarterly. Include capital expenditure. Forecasts are 90% accurate. (PI-16)**
4	**Internal controls ensure strengthened operational efficiency and effectiveness**	Budget/ Accountant General/ CAOs	1. Ex-ante controls on non-salary expenditures compliant with contextually relevant components of the COSO framework	Ex-ante control systems developed to ensure monitoring compliance of expenditures with the regulatory framework	Manuals issued, systems upgraded and capacity building phased in.	Procedures, systems and capacity available to ensure a robust internal control environment.	**IFMIS used fully for controlling, committing and monitoring budget. Non-compliance sanctions enforced for regulations and controls. (PI-20, PI-4)**
		IAD / MPS	2. Compensation of employees and pension payments consistent with employee/ pensioner numbers and entitlements	Payroll and pension payments subject to commitment procedures and reconciled with MDAs/ PSC	UNIQUE upgraded to an automated HR and Payroll System	Annual payroll audit implemented and HR and Payroll System stabilised	**Internal payroll controls progressively improved and monitored (PI-18)**

				KEY ACTIONS			
	Strategic Actions	Responsibility	Key outputs	2012-13	2013-14	2014-15	Key Performance Indicators (PEFA reference)
		IAD	3. Internal audit compliant with COSO and IIA controls and standards.	Strategic plan approved for strengthening internal audit.	IAD organizational structure, staffing, procedures revised in accordance with the strategic plan	Basic regulatory audit implemented annually for all MDAs and special audits conducted using a risk based approach	**IA function supported by appropriate legal/institutional framework established across government (PI-20)**
5	**Accounting and fiscal reporting fully compliant with the regulatory framework and accounting standards.**	Accountant General	1. Government accounting cadre reform implemented	Implement the AGO cadre reform and continue with accreditation program.	HR policies for managing accounting cadre implemented and accreditation program continued	Accounting cadre reform fully implemented and staff trained	**Account cadre reform fully implemented. Number of staff with professional qualification. (PI-22, PI-24 & PI-25)**
		Accountant General	2. Accounting systems and application software upgraded to comply with regulations and standards	Business process gap analysis completed and systems specifications developed for upgrading procedures and systems.	Upgraded systems procured and revised accounting and user manuals issued.	Upgraded accounting systems implemented with data cleaned and migrated from earlier systems.	**IFMIS implementation hindrances addressed. Compliance to IFMIS processes monitored. Upgraded IFMIS implemented. (PI-22, PI-24 &PI-25)**
		Accountant General	3. In-year and annual fiscal reports published in accordance with regulations and standards	Backlog of annual financial statements eliminated	Accounts of sub-national governments and donor funded projects included in financial statements and in-year reports	Annual financial statements and in-year budget execution reports prepared in accordance with PFMAA (Sec. 35) and Treasury Regulations (Chapter 17)	**Outstanding annual financial statements finalised. Financial reporting requirements for SN/AGA/PE/PIU enforced. (PI-24)**
6	**External audit and oversight compliant with INTOSAI standards (ISSAI).**	Auditor General	1. Legal and regulatory framework updated to comply progressively with international standards	New audit act legislated establishing independence of OAG and institutional roles and responsibilities	Supporting regulations and procedural manuals issued and workshops conducted to develop implementation capacity	Statutory audits are comprehensive and performed in compliance with the Audit Act. Performance audits are implemented progressively using a risk based approach	**Legal and regulatory framework approved and implemented (PI-26)**

				KEY ACTIONS			
	Strategic Actions	Responsibility	Key outputs	2012-13	2013-14	2014-15	Key Performance Indicators (PEFA reference)
		Auditor General	2. HR capacity to deliver on prescribed external audit mandate established	Auditor General's cadre reviewed and HR management strategy approved	Staffing augmented as required and Induction and in-service training programs institutionalized	Staff recruitment, training, career planning and capacity development for specialized audits implemented in accordance with approved HR strategy	**Capacity built to sustain delivery of external audit mandate (PI-26)**
		National Assembly	3. Legislature empowered to perform oversight functions	Parliamentary rules of business harmonized with the new Audit Act	Parliamentary financial committee members trained in oversight procedures and techniques through specialized training programs and peer-to-peer study visits	Parliamentary oversight implemented through rigorous follow-up mechanisms and supported by appropriate sanctions for executive lapses	**Time taken for examination of audit reports. In-depth hearing on key audit findings (PI-27, PI-28)**
7	**Governance and institutional management of PFM reforms improved to facilitate ownership, monitoring and evaluation of progress.**	Minister of Finance	1. Management of PFM reforms institutionalized	Terms of reference of IRSC reviewed to enable focus on strategic guidance and oversight	PFM Reform Secretariat set up, monitoring and evaluation procedures prescribed and capacity developed	PFM reform program rigorously monitored and evaluated and results widely disseminated	**Governance and institutional arrangements implemented and evaluated (All)**

Note: (i) Public Procurement reforms need to be included in this matrix.

Note: (ii) This PFM reform strategic action plan is underpinned by a monitoring and evaluation framework.