MINISTRY OF FINANCE
REPUBLIC OF THE MARSHALL ISLANDS

Public Financial Management (PFM) Reform Roadmap Progress Report

Report Period: November 2015- June 2017

7/3/2017

Introduction

The PFM Roadmap sets out a program of actions to be taken over the medium-term to improve PFM Systems in RMI. The starting point for this analysis was the 2012 Public Expenditure and Financial Accountability (PEFA) study. The PEFA study reviewed the Government's PFM framework, assessed the strengths and weaknesses, and assigned ratings for each PFM area, in accordance with the international PEFA scoring methodology.

The PFM Roadmap was developed through detailed discussions with the key divisions of the Ministry of Finance and related stakeholders including the Office of the Chief Secretary, Public Service Commission, Parliamentary Committees, Auditor General, line ministries, local governments, NGOs and civil society organizations.

The Ministry of Finance (MOF) of the Republic of the Marshall Islands (RMI) has committed to improve and strengthen its public financial management capacity to contribute to the Good Governance goal stated in the National Strategic Plan 2015-2017 (NSP). After the formal adoption of Public Financial Management Reform Roadmap (PFM Roadmap) in August 2014, the MOF has led the effort in implementing its recommendations and targeted activities. With national efforts and external support from development partners, the MOF has initiated efforts in strengthening institutional framework, financial accountability, transparency and budget oversight, and aid coordination. However, these efforts continue to require consistent attention and action to realize the full benefit of the Reform Roadmap.

This report provides the latest activities and progress steps on implementation of the PFM Roadmap from November 2015 to December 2016. It highlights key progress and achievements under each component.

KEY PROGRESS ON THE FOUNDAMENTAL AREAS

1. PFM Reform as one of the National Priorities

The Ministry of Finance has been advocating stronger ownership at the national level to strengthen the effectiveness of PFM Reform delivery. Stronger ownership and support at the national level can be demonstrated in the following actions taken by the Cabinet. It also signifies renewed political and high-level commitment to the PFM Reform.

- The establishment of PFM National Steering Committee in April 2016.
- The authorization of the PFM Reform as one of the priority projects to be supported by the development partners, such as the World Bank, the Asian Development Bank, the European Union, and other relevant development partners.
- The extension of the current PFM Reform Roadmap to the year 2020.

2. Prioritization of PFM Roadmap Activities

Considering the broad coverage of the PFM Roadmap, the Ministry of Finance has been working and coordinating with development partners, such as the Asian Development Bank (ADB), the World Bank (WB), the Public Financial Technical Assistance Center (PFTAC), the European Union (EU), the U.S. Department of the Interior's Office of Insular Affairs (OIA), Australian Volunteers International (AVI), and other donor partners to assess and prioritize the PFM Roadmap actions.

Based on the assessments, the MOF has identified six (6) areas as the priorities: 1) accounting and accountability, 2) Medium Term Budgeting Framework and budgeting framework improvement, 3) procurement system improvement, 4) aid coordination and management improvement, 5) tax administration and non-tax revenue management improvement, and 6) State-Owned-Enterprises oversight and management improvement. In addition, the MOF has planned to address the cross-cutting human resources management issue through development of in-house human resources management plan in the context of performance-based evaluation.

3. PFM Assessment Missions

In 2016 and 2017, the MOF has worked with key development partners, including IMF, PFTAC, US Graduate School, ADB, and WB to carry out on-site assessments with respect to the development of PFM Reform and prioritization of activities. The following is the summary of key findings and recommendations provided by each of the development partners.

- **Graduate School USA**
  The Graduate School USA (GSUSA) was invited by the U.S Department of the Interior's Office of Insular Affairs (OIA) to undertake an assessment and to make recommendations in the form of a design named "Financial Management Improvement

Program." A team of consultants conducted a broad level assessment from April 16-22, 2016. This Assessment identifies three high-risk items within the MOF as listed below. The team also noted that the MOF has already initiated efforts to remediate the three high-risk items identified and the recommendations made by the GSUSA would be complimentary to nine of the PFM Reform Roadmap's thirty components.

- High-risk items:
    - Management deficiencies, staff turnover/vacancies, and staff morale
    - Compelling need to ensure a robust and rigorous FMIS acquisition process
    - Slipping deadlines for completion of the single audit
- Recommendations:
    - Strengthening of Professional Accounting Resources
        - Two external consultants are recommended
    - HR Development, training, and process improvement
        - One external consultant and one designated counterpart are recommended
    - System improvements
        - One external project manager and one designated counterpart are recommended to support the FMIS acquisition, installation, and implementation process

- **IMF Article IV Consultation Mission**
An International Monetary Fund (IMF) team visited the RMI from May 9-18, 2016 to conduct discussions for the 2016 Article IV consultation. The consultation focused on the economic and fiscal performance of the RMI. Also, PFM Reform was discussed in consideration of its linkage with the fiscal performance in the medium term. According to the report, "improving PFM will pay a critical role in implementing fiscal adjustment and safeguarding fiscal sustainability….. It is important to move expeditiously toward the full implementation of this reform, which is much needed given existing weakness in tax administration, budget execution, reporting, and planning that can hamper fiscal adjustment."

- **ADB**
An Asian Development Bank (ADB) scoping mission visited Majuro during Sep. 26- Oct. 05, 2016 to scope the institutional and technical environment for a planned $2 million public financial management (PFM) reform project investment. ADB team has recommended the following areas for further intervention:
- Utilization of ADB regional TA funds to recruit 2 qualified auditors to assist the government accountants to clear the single audit backlog.
- Development of accounting policies and regulations.

- Review of the chart of accounts, the treasury instructions, the budget classification, and the institutional arrangements.
- Establishment of an SOE monitoring function within MOF tasked to ensure that the government receives value-for-money from its fiscal support to the SOEs in order to help reduce the fiscal burden.

- **WB**

  A World Bank team conducted a scoping mission in Majuro during November 7-9, 2016. The objective of the scoping mission was to discuss potential support for public financial management activities, with an initial focus on the financial management information system (FMIS) and reporting processes. The findings and the recommendations are provided in the following section describing the progress with respect to the FMIS Improvement Project.

4. Financial Management Information System Improvement Project

The Government has been utilizing the 4Gov accounting system through US-based supplier Aptean since 2003. The system modules currently in use are budget, general ledger, accounts payables, accounts receivable, and payroll. The system is centralized within the MOF and all the financial documentation is being forwarded to the MOF for processing.

The MOF has identified a number of challenges in using the current system including the lack of training available for the users, lack of timely preparation of financial reports on use of the Compact grants provided by the US Department of Interior, long outstanding encumbrances, lack of some internal controls and problems of integration between the payroll and the general ledger.

The WB team has presented the key findings regarding the 4-Gov system as follows:

- There is an urgent need for training for the MOF staff on the use of the system. The training would need to cover the existing 4-Gov modules and knowledge on how the modules can be used to generate the required accounting and financial management information.
- The migration of legacy data is an extremely important activity and takes time when governments elect to upgrade FMIS, hence is important that the current system should be operating effectively before it feeds into any new system, so as to ensure a smooth transition.

The WB team is planning to conduct a more detailed diagnostic in subsequent mission during a project preparation phase which is tentatively scheduled in the first quarter of 2017.

5. Better Programmed PFM Reform Actions

The RMI PFM Reform Roadmap consists of 30 refrom components, including non-system measures for strengthening coordination and oversight and capacity building. The GRMI is committed to the PFM reforms, the Roadmap lacks systematic prioritization and sequencing which

decreases the effective implementation of the Roadmap by MOF with limited institutional capacity. Therefore, to ensure more effective implementation of PFM Roadmap, the MOF will first prepare a sequenced and prioritized action plan based on the Roadmap. The plan can provide a foundation for better coordination between development partners and the government on core PFM reforms such as improving the annual budgeting process, advancing the establishment of a medium term budgeting framework, strengthening public procurement, and capacity and organizational development.

ADB will support the RMI government through a project grant that will address the low institutional capacity of the MOF to implement PFM and SOE reforms effectively. The grant will equip the government to take prudent decisions in a fiscal environment that requires gradual adjustments, while safeguarding social spending for basic services. The impact will be more effective financial governance in the RMI, in alignment with the national strategic plan (para. 1). The outcome will be improved PFM systems and SOE efficiency. The outputs will be: (i) institutional capacity to implement PFM reforms in the areas of accounting, budgeting, human resources management, and treasury strengthened; and (ii) institutional capacity to implement SOE reforms strengthened by establishing SOE monitoring functions and costing and identifying Civil Services Obligations (CSOs). The total project cost is estimated to be 2.0 million and will be submitted for the Board review and approval in October 2017.

WB will support the Government of RMI through IDA 18 grant to achieve its medium-term objectives of systems improvement, including an improved FMIS and other capacity building activities related to the smooth transition and operation of the FMIS, as well as potential support for procurement systems improvement. The proposed scope and design includes: 1) enhance and build an integrated Financial Management Information System (FMIS) and the capacity to use it, 2) build robust PFM systems, processes and institutions, 3) strengthen external audit, 4) establish a holistic strategy for capacity building, and 5) enhance procurement systems.

Pacific Financial Technical Assistance Center will continue its support to the GRMI in terms of budgeting framework strengthening. Also, the GRMI is exploring the possibility to partner with PFTAC to review and re-introduce the tax reform.

KEY PROGRESS ON THE PFM REFORM COMPONENTS

Component 1- Strengthened PFM Legal and Policy Framework

No clear PFM legal or policy framework changes have been identified or deemed necessary at this point in time.

Component 2- Improved Budgeting Framework

Progress: The Economic Policy Planning and Statistics Office (EPPSO) has completed the first NSP Progress Report in 2016. Linkage of the NSP and sector planning projects is still in progress, with some ministries showing more progress than others. EPPSO has conducted the training to government personnel on how to report performance monitoring and evaluation results in November 2016 to establish the capacity of ministries. Also, reporting template has been developed.

MTBIF/FMM has been the focus in the reporting period. EPPSO is still working with MOF to prepare and update the MTBIF/FMM, which projects budgets over 3 year periods. This effort will help align the global budget with the NSP priorities, as well. PFTAC has provided the MTBIF training to government personnel in May 2016 with special attention given to MOF and EPPSO to strengthen the MTBIF capacity. This training is planned to be continued in February 2017. In addition, the Division of Tax and Division of Budget personnel have received the training on revenue forecasting and how to better align the revenue with the MTBIF in June 2016. With more training on the MTBIF, an increase of knowledge and institutional capacity can be further expected and the quality of budget proposal for FY2018 should be improved.

Component 3- Strengthened Accounting Systems

Progress: Monthly reconciliations and balance sheets are in place, and payment arrears are being recorded and reported. Monthly reconciliations have been rolled out to include Line Ministries (LMs). Compared to the last reporting period, the monthly reconciliations were completed in a more regular and timely manner during this reporting period.

Payment to suppliers has improved in terms of timeliness and accuracy. However, electronic payment of suppliers remains a challenge.

Component 4- Strengthened Fiscal Reporting

Progress: The Financial Management Information System (FMIS), 4Gov, remains a challenge. Also, the capacity on meeting the reporting requirements of donors needs to be further strengthened.

Component 5- Annual Reporting by LMs

Ministries provide annual reports at the end of each fiscal year.

Component 6- Creation of GRMI Web Portal and webpage for MOF and LMs

Progress: Originally, the completion of MOF website development was expected to be achieved in the first quarter of 2016. However, due to procurement difficulties, the MOF has to postpone the project implementation period. In November 2016, a Guam-based company was contracted to develop an official MOF website with the funding support from OIA. The MOF official website was created in May 2017 and the link is www.rmi-mof.com . The primary purpose of the official MOF website remains to publicize key fiscal information for public access, thereby addressing transparency, good governance, and budget oversight issues. Currently, the MOF is building its capacity to operate the website.

Component 7- Improved Cash Management

No actions reported.

Component 8- Strengthened Procurement Management

Progress: During the report period, MOF has been focusing on capacity building, such as conducing procurement trainings to line ministries and agencies, providing key procurement personnel with necessary trainings, and receiving technical assistance from the development partners. In addition, review of the Procurement Act and existing procurement practices and review of policy office is currently ongoing and the review report is expected to be finalized in the first quarter of 2017. The Office of Auditor General is conducting a procurement compliance audit to better understand the issues therein.

Component 9- Improved HR and Payroll Management

Progress: With the funding support from the ADB, the MOF has worked closely with the Public Services Commission (PSC) to establish the Human Resources Management Information System (HRMIS). The HRMIS has been successfully installed and implemented in 2016 at the PSC to enable the human resources personnel to effectively and efficiently manage personnel data and processes. The PSC staff is trained to operate and maintain the newly established HRMIS. Currently, the PSC staff is learning to be more familiar with the HRMIS and is planning to roll out the HRMIS to LMs. In addition, the PSC has engaged the PICPA to review the Pay Scale and the PSC regulations.

Component 10- Implement a Government-wide intranet system for email and automated FMIS/HRMIS workflow

No actions reported.

Component 11- Strengthened Asset Management

No actions reported.

Component 12- Strengthened Inventory Management

No actions reported.

Component 13- Automated Costing of Government Outputs, Outcomes, and Programs

No action reported.

Component 14- Introduction of a performance based management framework

Progress: Currently, trainings in performance-based budgeting were provided to line ministries and agencies. In preparation of the FY2017 budget proposal, all of the line ministries and agencies were requested to submit performance-based budget plans in alignment with sector strategic plans. It is estimated that 90% of line ministries and agencies have completed the performance-based budget plan for FY17.

In 2017, the MOF will continue working with the PAFTAC in improving the budget planning and budget analysis by utilizing the Medium-Term Fiscal Framework.

Component 15- Improved SOE Oversight

Progress: The RMI government adopted the State-owned Enterprises Act in 2015 and, thereby, established a robust legislative, governance, and monitoring framework. Implementation should substantially improve SOE financial and operational performance.

The MOF has coordinated with the ADB to continue its technical program designed to improve SOEs' performance of financial management and to facilitate achievement in reducing annual transfers. ADB is planning to provide funding support to enhance the institutional capacity of SOEs Monitoring Unit within the MOF in the areas of 1) SOEs monitoring and 2) Civil Services Obligations costing and identification.

Component 16- Improved LG Financial Management

Progress: With the funding support from ADB in December 2016, Kwajalein Atoll Local Government (KALGOV) has planned to install and implement its own Financial Management Information System (KALGOV FMIS) to strengthen the financial management capacity and address the heavily paper-based and manually operated financial management processes. The potential FMIS software has been identified (Abila MIP Fund Accounting System), and it is expected that the KALGOV FMIS Project will be completed by the end of 2017.

Component 17- Improving management of GRMI Embassy imprest accounts

Progress: MOF provided training on imprest accounts to MOFA embassy staff in September 2016. The Ministry of Foreign Affairs developed regulations and a manual of imprest account management and monitoring which has been endorsed by the Cabinet. In addition, the Office of

Auditor General has initiated the audit inspection on all of the imprest accounts, and it has completed about 80% of the inspection.

Component 18- Improved Tax Administration

No action reported.

Component 19- Strengthened Management of Non-tax and Special Revenues

Progress: The MOF is preparing a Technical Assistance proposal with funding support from the EU to strengthen management of non-tax and special revenues. It is expected that the recruitment of a short-term consultant will be completed in the first quarter of 2017.

Component 20- Improved Debt Management

No action reported.

Component 21- Strengthened management of trust funds and other managed financial investments

No action reported.

Component 22- Improved management of contingent liabilities

No actions reported.

Component 23- Review of Social Security framework

Progress: In April 2016, a Social Security Pension Workshop was conducted by the PFTAC to discuss social security issues, pension challenges, and explore optional solutions. The MISSA Reform Act was adopted by the Parliament in 2016.

Component 24- Establish Internal Audit function

Progress: During the report period, the MOF has developed the job descriptions for the Chief Internal Auditor and the Staff Internal Auditor within the MOF. Also, a Cabinet Paper to formally establish the positions was approved for further action. The MOF has planned to recruit the qualified candidates in the first quarter of 2017. In addition, the MOF has proposed to recruit an international consultant to establish the internal audit function and capacity.

Component 25- Strengthen external audit function

Progress: During the report period, the Office of Auditor-General (OAG) has maintained the training program to increase staff proficiency. The trainings received is provided as following:

- On-site trainings in the area of audit report writing

- Regional Communications Workshop for the Pacific auditors to develop a Communications Strategy and empower and equip auditors to prepare audit reports
- Regional Workshop on building capacity to effectively audit the management of public assets
- On-site trainings in the area of performance auditing

During the report period, the Office of Auditor-General (OAG) has commenced and completed the performance and financial audits to examine the government programs, functions, and operations. The following table outlines the status of audits that were commenced and/or completed.

Auditee	Type of Audit	Remarks
Environmental Protection Authority (EPA)	FY15 Financial/Compliance	Report completed
Aur Atill Local Government	FY11-13 Financial/Compliance	Report completed
Ministry of Internal Affairs	Performance	Report Completed
Kili/Bikini/Ejit Local Government	FY09-13 Financial/Compliance	Report drafted but additional tests are being performed
Majuro Atoll Local Government	FY09- 14 Financial/Compliance	Fieldworks completed but additional test are being performed
RMI Embassy in Tokyo, Japan	Inspection	Draft report completed and issued for comments
RMI Procurement	Compliance	Report in drafting stage
RMI Passport Division	Performance	Work plan completed and fieldworks to commence soon
Pacific Wellness Center	Inspection	Fieldworks currently in progress
RMI Embassy in Suva, Fiji	Inspection	Workplan completed and fieldworks to commence soon
RMI Consulate General Office in Honolulu, Hawaii	Inspection	Workplan completed and fieldworks to commence soon

Component 26- Strengthen oversight by Public Accounts Committee

Progress: The PAC has been conducting public hearings annually. These hearings allow inquiry into the budgets and expenditures of all government ministries and agencies. These hearings are broadcast live on V7AB, the government radio station. In addition, a plan to have the Office of Auditor-General serving as the Secretariat to the PAC has been discussed.

Component 27- Quarterly follow-up of IA, EA, and PAC recommendations

The Audit Resolution Committee was revived in April 2016 to resolve all of the questioned costs and to follow up on the recommendations made by the external auditor and the PAC. The Committee has met with concerned line ministries and agencies, and a more regular meeting schedule is planned by the MOF.

Component 28- Strengthened Aid Coordination

Progress: An institutional arrangement within the Ministry to marry the two operations of the Grant Writing Office (GWO) and the Office of International Development Aid (OIDA) in order to improve the overall aid coordination was approved by the Cabinet. The Division of International Development Assistance (DIDA) within the MOF was established in March 2016 to especially address the programs of the European Development Fund, the World Bank, and the Asian Development Bank (ADB).

In addition, with the funding support from ADB, a draft situation analysis of RMI current aid coordination situations and a draft of Development Assistance Policy were completed in December 2016 to propose a series of actions for improvement. A centralized coordination mechanisms and establishment of cross sector Development Assistance Commission to appraise the development project proposals and to monitor the effectiveness of development project implementation has been recommended as the first step towards better coordination at the national level.

At the Division level, DIDA is currently planning its strategic plan which aims to achieve a more effective aid coordination and management. The highlighted achievements are summarized as below:

- o Successful programming of EDF11th and WB IDA17
- o Better reporting on the development assistance by sectors
- o Better coordinated development project preparation and implementation
- o Better alignment with national priorities and strategic plans
- o Stronger Government engagement and country-driven ownership

Component 29- PFM Reform Project Governance

Progress: The formation of the National PFM Steering Committee was established in April 2016 and the Chairperson has called the first Committee meeting in early September to prepare the members for the PFM efforts monitoring and evaluation. The Steering Committee provides the management and coordination structure for the PFM reform in Government. The Terms of Reference of the PFM National Steering Committee was developed and adopted by the Cabinet in December 2016. In addition, special meetings were called to meet with the PFM assessment missions conducted by the ADB and the WB in the last quarter of 2016.

Component 30- PFM Reform Communication and Training

Progress: The PFM Reform Roadmap has been disseminated among the governmental entities to increase the awareness and support of the reform activities. Comments and suggestions from the Steering Committee have been focusing on broader communication to increase the support.

Proposed Medium-Term PFM Reform Roadmap for RMI

The PFM Roadmap Working Group formulated a proposed timeframe for the implementation of the key activities within each of the thirty PFM reform components. The proposed sequencing of the key activities within each of the reform components is set out in Table 1 below:

PFM Reform Yearly Work Plan						
Action	2013	2014	2015	2016	2017	2018
1. Strengthened PFM Legal and Policy Framework						
1.1 Review of PFM Legislation	▓					
1.2 Introduction of PFM regulations including Fiscal Responsibility Regulations	▓	▓				
1.3 Finalization and promulgation of PFM Policy and Operations Manual	▓	▓				
1.4 Review and updating of PFM systems User Guides	▓	▓				
2. Improved Budgeting Framework						
2.1 Development of a national strategic plan	▓	▓				
2.2 Introduce comprehensive corporate and sector planning processes	▓	▓	▓			
2.3 Linkage of strategic planning documents with budgets	▶——————————————————▶					
2.4 Integrate investment and recurrent budgets						
2.5 Implement Fiscal Responsibility Act						
2.6 Expand Budget classification to include functional and program/outcome/output dimensions. Possibly geographic dimension						
2.7 Improve Budget documentation including budget comparatives, forward year estimates, macroeconomic outlook, macro-fiscal targets and strategy, sector strategies, new policy initiatives, savings measures, fiscal risks, commitments, guarantees and other contingent liabilities, program objectives, performance indicators etc.	▶——————————————————▶					
2.8 Prepare a new schedule to the Budget summarizing funding for each LM and agency from each funding source.	▓					
2.9 Prepare a new schedule to the Budget summarizing funding for each LG from each funding source, including own revenues.	▓					
2.10 Expanded institutional coverage of the Budget, including extra-budgetary funds and accounts.	▓	▓				
2.11 Introduce Portfolio budgeting across GRMI	▶——————————————————▶					
2.12 LM and LG special and non-tax revenues to be included in budgets and fiscal reports	▓					
2.13 Introduction of a medium-term budgeting framework	▶——————————————————▶					
3. Strengthened Accounting Systems						
3.1 A monthly reconciliation checklist of all balance sheet items to be completed each month	▶——————————————————▶					
3.2 Electronic payment of suppliers and employees	▶——————————————————▶					
3.3 Automated bank reconciliations						
3.4 Payment arrears recording and reporting	▓					
4. Strengthened Fiscal Reporting						
4.1 Build capacity and systems for automated in-house production of monthly financial reporting	▓					
4.2 Build capacity and systems for automated production of annual financial statements	▓					
4.3 Include all extra-budgetary entities and transactions in fiscal reports, including SAGAs, trust accounts, special funds and donor projects.	▓					
5. Annual Reporting by LMs						
5.1 All LMs and agencies to table an annual report of operations and finances	▶——————————————————▶					
6. Creation of GRMI Website and Portal						
6.1 Creation of GRMI Portal for MOF and LMs.						
6.2 Creation of a MOF webpage on the GRMI Portal				▓	▓	

6.3 Publication of budget circulars, budget documents, fiscal reports, financial regulations, PFM policies and procedures and other information on the MOF website.						🟩
7. Improved Cash Management						
7.1 Build capacity in line Ministries to do monthly cash flow forecasting of receipts and payments.						
7.2 Build an automated cash flow forecasting system, integrated with the core IFMIS. he forecasting system would provide online access to line departments to submit their forecasts, and consolidation and reporting functionality for DFAT						
7.3 Review Government bank account group and set off arrangements (incl. extra budgetary funds) with the transactional banks to ensure that the Government's overnight cash position is maximized						
7.4 Build a system to perform a daily consolidation and reporting of the Government's overnight cash position						
7.5 Examine feasibility of maintaining a cash buffer, or automatically linkage to investments account (through overdraft group arrangements) to provide automatic funding for ST cash deficits and prevent accidental overdraft, and to offset poor forecasting by line departments						
7.6 Examine feasibility of introducing a 30 day payment policy						
8. Strengthened Procurement Management						
8.1 LMs and LGs to have online access to view status of individual procurement actions, at each stage of procurement cycle.						
8.2 Need automated generation of recurring POs and payments – need facility for electronic approval of contracts with fixed recurring payments e.g. landowner payments, leases, cleaning contracts, quarterly drawdowns to LGs etc.						
8.3 Need an automated commitment control system to support management and control of budget execution and maintain fiscal discipline.						
8.4 LMs and LGs to have online access to view status of each budget line: including original budget, revised budget, encumbrances, commitments, deliveries, invoices and payments, and available budget.						
8.5 Undertake MAPS assessment (OECD-DAC Methodology for Assessing Procurement Systems).						
8.6 Configure the electronic purchasing system to record classification of each procurement by procurement category: tender, single supplier, 3 Quotations, minor purchase (<$500).						
8.7 Record supplier performance in the purchasing system. Produce whole–of–Government supplier reports, including top 10 suppliers by value, top ten suppliers by sector, top ten by line item, supplier performance rating, top ten single suppliers by value, single suppliers by sector, by line item etc.						
8.8 Strengthening of procurement capacity through LM and LG procurement training and updated procurement procedures manuals.			🟩	🟩	🟩	🟩
8.9 Publication of contract awards						
8.10 Publication of procurement plans						
8.11 Introduction of appeals mechanisms for tenders.						
9. Improved Payroll Management						
9.1 Undertake a complete establishments audit of all GRMI agency organization structures, duty statements and salary levels						
9.2 Review feasibility of using 4Gov to support the Government's HR functions						
9.3 Implementation of an HRMIS. The HRMIS should automate all standard HRM processes and support the following functions:			🟩			
· Establishments and duties						
· Vacancies, applications and recruitment						
· Salary and allowances						
· Overtime						
· Higher duties allowance						
· Leave entitlements						
· Superannuation and pensions						
· Workers compensation						

· Promotions and salary increments						
· Transfers						
· Training and development						
· Performance contracts and appraisal						
· Succession planning.						
9.4 Automatic integration/interface between the HRMIS and the MOF payroll and accounting systems						
9.5 Automated reconciliation each fortnight between the HRMIS and MOF payroll/accounting systems						
9.6 Payroll audits to be conducted at least every six months						
10. Implement a Government-wide intranet system for email and automated FMIS/HRMIS workflow management						
10.1 Implement GRMI intranet system for email						
10.2 Integrate the FMIS (4Gov) and HRMIS systems with the email system to facilitate automated workflow (automatically sending and receiving procurement and HR requests/approvals via email).						
11. Strengthened Asset Management						
11.1 Automated asset registration and valuation, and recording of complete life cycle including acquisition, transfers, depreciation, maintenance and disposal.						
11.2 Examine feasibility of using 4Gov FA module						
11.3 Capital planning and budgeting for life cycle management, including asset maintenance, utilization, refurbishment and replacement						
12. Strengthened Inventory Management						
12.1 Automated inventory registration and valuation, and recording of complete life cycle including acquisition, transfers, usage and disposal.						
12.2 Capital planning and budgeting for life cycle management, including inventory optimal levels, re-order points, aging, utilization etc.						
13. Automated Costing of Government Outputs, Outcomes and Programs						
13.1 To provide the tools needed by LMs to undertake automated Program Costing (costing of Programs, Outcomes, Outputs, Activities etc.) using primary and secondary cost allocation methods:						
* Develop Program Costing (PC) implementation plan.						
* Confirm agreed Program Costing policies and methodologies, including agreed cost center structures, agreed cost drivers for allocation of LM support services and overheads, cost absorption methodologies, maintenance of primary and secondary cost views etc.						
* Document PC functional and technical requirements.						
* Develop and document PC system design.						
* Undertake PC system configuration.						
* Undertake testing of PC system.						
* Document PC system policies and procedures.						
* Conduct user training.						
14. Introduction of a Performance Based Management Framework						
14.1 Establish Performance Management Framework Working Group.						
14.2 Formulate and validate program structure for each LM.						
14.3 Formulation and validation of metric performance indicators for each LM program.						
14.4 Assign accountability for LM Program delivery (Outcomes, Outputs and Activities) to responsible organizational units within each LM.						
14.5 For each LM Program, agree on methodology for collection and validation of non-financial performance data.						
14.6 Formulate and sign performance agreements.						
14.7 Put in place formal systems for collection, validation and reporting of non-financial performance data.						
14.8 At the end of each year, assist LMs to prepare and publish a formal report of their activities and performance for the year, including financial statements.						

14.9 MOF to undertake regular and special Public Expenditure Reviews (PERs) to assess efficiency and effectiveness of LM Programs.						
14.10 Internal Audit function to undertake performance audits of MDA						
14.11 Central Audit Agency to further develop formal performance audit function						
14.12 Provide guidance to Parliamentary Committees oversighting public financial management and the Budget to conduct inquiries into MDA Program performance, using the performance plans published in the MDA PBSs and the MDA Annual Reports of operational performance and results.						
14.13 Establish framework for MOF to carry out a quarterly follow up of MDA implementation of CAA performance audit recommendations.						
14.14 MOF to use LM performance information to assist with budget allocation decisions during the Budget formulation process.				→→→		
15. Improved SOE Oversight						
15.1 MOF to establish an SOE Oversight Unit to provide advice to the RMI Government on SOE performance management.The Unit´s primary tasks in relation to SOEs would be to:					→→	
* provide strategic and analytical advice, by engaging with the SOEs, analysing their operations and their environment, and consulting with stakeholders;						
* action the Government's decisions on SOEs including communicating objectives; and						
* ensure that there is a robust and sound governance framework in place.						
15.2 MOF to put in place strengthened framework for SOE governance and oversight, including corporate governance policies, performance policy and targets, financial policy, dividend policy, risk management, reporting, monitoring and evaluation and accountability.					→→	
15.3 MOF to produce SOE performance management manual and guidelines for reviewing PE operating and capital budgets and financial statements, evaluating PE financial performance, capital structure, corporate governance, risk management etc.					→→	
15.4 To enable greater public accountability, SOEs will be required to prepare an annual corporate plan in consultation with Shareholder Ministers.The corporate plans will focus on the purpose and corporate outlook of an SOE, and expresses the plans of its management in relation to future financial and non-financial performance.				→→→		
15.5 MOF to put in place an improved framework for reporting and oversight of the financial and non-financial performance of the GBE; including reporting and accountability arrangements that facilitate active oversight by the shareholder;Under the accountability framework: SOE management autonomy will be balanced with regular reporting of performance to shareholders; and SOE boards are accountable to shareholders for SOE performance, and shareholders are accountable to Parliament and the public.					→→	
16. Improved LG Financial Management and Embassies						
16.1 Establish Local Administration and Embassy Financial Management Reform Working Group						
16.2 Put in place the technical platform required to support the implementation of an IFMIS at the LGs and embassies.						
16.3 Put in place national and local government communications platforms required to support connectivity of LG financial management systems across Local Administrations and across the country.						
16.4 Organise LG GFMIS implementation teams to undertake IFMIS Certification Training.						
16.5 Organise LG system administrators to undertake systems administration certification training - Database and Network Management Training.						
16.6 Design and deliver Advanced Financial Management training program for local administration staff.						
16.7 Enhance capacity in revenue policy and tax administration at LGs						
17. Improving management of GRMI Embassy Imprest Accounts						
17.1 Develop standardized imprest management arrangements, including Embassy financial management systems, procedures and standard forms.						
17.2 All RMI embassies to be trained on new systems, policies and procedures.						
18. Improved Tax Administration						
18.1 Implementation of new taxes (consumption tax, net profits tax, new income tax etc.)						
18.2 Undertake a complete survey of all RMI taxpayers and businesses						
18.3 Improved taxpayer registration						

18.4 Automation of tax and customs processes						
18.5 Strengthening of tax compliance, tax audit and data matching						
18.6 Strengthened tax arrears management						
18.7 Introduce an independent tax appeals mechanism						
19. Strengthened Management of Non-Tax Revenue						
19.1 Establish Non Tax Revenue Unit within MOF.						
19.2 Review legal framework for NTR administration, and amend as required.					➡	
19.3 Develop NTR Policies and Operating Guidelines					➡	
19.4 Develop standard forms and systems for NTR decision support, including a database of NTR submissions and decisions.					➡	
19.5 Develop methodologies and systems for costing of NTR activities.					➡	
19.6 Incorporate detailed NTR data into annual budget estimates and monthly forecasting frameworks and systems.					➡	
19.7 Make changes to Accounting and Reporting Framework. Changes will include: 1) processes and systems for separate classification of the different categories of NTRs e.g. commercial goods and services, commercial licences, fines and penalties, cost recovery fees, cost recovery levies etc. 2) processes for accounting and reporting of each individual NTR fee within each LM; and 3) processes and systems for production of activity statements for each NTR, showing activities undertaken, cost and charges collected, and surplus/deficit for each fee within each LM						
19.8 Undertake fundamental review of existing NTRSC in accordance with new NTR Policies and guidelines.						
The review should include:						
a. Determination of scope of activities within LMs and SOEs to be covered by the NTR.						
b. Assessment of the cost of the chargeable activities to be covered by the NTR.						
c. Establish policy intent for NTR.						
d. Determine funding model for each NTR – including determine scope of services to be charged using CR, levies, fines and penalties, general revenue budget, commercial licences, commercial charges etc.						
e. Examine case for change in fee structure on basis of cost and policy intent – including efficiency and effectiveness in achieving policy objectives.						
a. Examine case for abolition of fees.						
b. Examine case for rationalization of large numbers of small related charges.						
c. Examine potential for additional NTR bases.						
19.9 Formulate preliminary proposal for rebased NTR fees across each LM, and projected fiscal impact. Prepare formal NTR statements for each LM.						
19.10 For each NTR fee, determine how the recommended adjustment should be implemented e.g. immediately, or phased in over several years.						
19.11 Submit fundamental NTR review and price adjustment plan to Cabinet for approval.						
19.12 Design and deliver NTR Reform Communications and Training Strategy.						
19.13 Review whether special revenues should lapse at year-end						
19.14 Review revenue sharing arrangements with LMs						
20. Improved Debt Management						
20.1 Development of public debt policy and management framework						
20.2 Undertake debt sustainability analysis						
20.3 Closer linkage of debt management with forecasting and accounting processes.						
21. Strengthened management of trust funds and other managed financial investments						
21.1 Undertake review of asset allocation strategy, policy and practice.						
21.2 Review financial performance of the managed funds.						
21.3 Implement improved managed framework.						
22. Improved management of contingent liabilities						
22.1 Review of policy on contingent liabilities, including loan guarantees to LGs and SOEs, and issuance of indemnities.						
22.2 Strengthened registration and control of contingent liabilities.						
22.3 Assessment of insurable Government risks and development of policy on insurance of risks.						
23. Review of Social Security Framework						

Activity							
23.1 Conduct actuarial review of demographic and associated liability forecasts and valuations.							
23.2 Conduct actuarial review of asset forecasts and valuations.							
23.3 Formulate reform options for improving the financial position of the social security system over time.							
24. Establish Internal Audit function							
24.1 Establishment of an internal audit function, including performance auditing							
24.2 Establish internal audit charter, establishment of IA Unit, risk management approach, audit program setting, audit committee, reporting, follow-up, produce IA procedures manual etc							
25. Strengthened External Audit Function							
25.1 Strengthen independence of external audit (strengthen MOF capacity in accounting and financial report production to allow external audit to function independently of GRMI management processes).							
25.2 Gradually increase institutional scope of Auditor General's audit program							
25.3 Further development of the Audit Office performance audit program							
26. Strengthen oversight by Public Accounts Committee							
26.1 Improved effectiveness of the Public Accounts Committee, including hearings and reports on agency compliance, financial sustainability and efficiency and effectiveness of service delivery.							
26.2 Establish full-time PAC Secretariat function. Tasks will include planning and supporting an annual program of regular PAC inquiries into the Government's PFM framework and performance by LMs.							
26.3 The new secretariat could be initially supported by an attachment from an experienced PAC secretariat officer.							
27. Quarterly follow-up of IA, EA and PAC recommendations							
27.1 Establish secretariat within MOF to support the Audit Findings Resolution Committee							
27.2 Quarterly follow-up by MOF of recommendations of internal audit, external audit and PAC							
28. Improved Aid Coordination							
28.2 Improved integration of donor project planning and project commitments with central planning and budget processes.							
28.3 Improved monthly capture of donor planned projects, commitments and disbursements, including direct payments and in-kind projects							
28.4 Provide a legal mandate through the revised PFM legislation for MOF central coordination of donor projects and funding							
29. PFM Reform Project Governance							
29.1 Establish PFM Reform Program Steering Committee.							
29.2 Establish full-time dedicated Project Manager for the PFM Reform Program							
29.3 Establish Component Working Groups, and Component Implementation Teams.							
29.4 Put in place independent Quality Assurance arrangements							
29.5 Put in place structures, methodologies and processes for the efficient and effective planning, coordination, oversight and management of the PFM Reform Program							
29.6 Monthly reporting by Project Manager to Steering Committee of overall progress against project targets							
29.7 Monthly reporting by Component team leaders to Component Working Groups of achievement against project targets.							
29.8 Quarterly assessment and reporting by the independent quality assurance expert.							
30. PFM Reform Communications and training							
30.1 Design and implementation of a PFM Reform Program communications and training strategy							
30.2 Establishing Communications Unit							
30.3 Producing key PFM publications and materials							
30.4 Engage key stakeholders at political and executive levels							
30.5 Engaging senior staff at MoF and line ministries							
30.6 Raising awareness more broadly of PFM program: objectives and plans: LMs, LGs, Civil Society, donors, media.							

30.7 Conducting workshops and seminars progressively through implementation period					
30.8 Designing and updating MoF Website page on PFM Reform Program plans and progress					→