IFMIS IMPLEMENTATION IN SIERRA LEONE

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Introduction

The focus of this presentation is to:

1. Provide Information on GOSL PFM Reform process
2. Provide Information on GOSL move from FMAS to IFMIS
3. Illustrate the Benefits provided with IFMIS and why it is so far a success in S/L
4. Present the problems or difficulties experienced in implementing IFMIS in S/L
5. Present the challenges ahead with IFMIS
Sierra Leone

- Location - western part of Africa
- Population - about 5.0 million people
- Land area space - about 71,620 sq. km and a coastline of 402 km.
- Gained independence from the British in April 1961
- Official Language – English
- Vast amount of mineral resources, such as Diamonds, Gold, Rutile, Bauxite and Iron Ore, as well as agricultural and fisheries resources
- 10-11 year Civil War
- War officially ended January 2002
- Symbolic burning of arms
RECENT ECONOMIC PERFORMANCE

2006

*Macro economic variables*
- Estimated GDP at current market prices - about US$1.4 billion
- Per capita GDP of about US$280.0
- Exchange rate at the year end – about Le 3,000/US$
- Inflation at year end – 8.3%
- Level of foreign reserves of the central bank is currently at about 3 months of imports.

*On the fiscal side*
- a budget deficit (including grants) of 1.7% of GDP (10.0% of GDP excluding grants)
- Revenue collection - 11.8% of GDP
- Recurrent expenditure – 16.6% of GDP

STRINGENT FISCAL STANCE – Strict Cash Budget Management System amidst the many and diverse needs of sector ministries.
PFM Reforms in S/L

The Key Aspects of the PFM Reforms:

- Promote efficiency, transparency and accountability in public financial management through re-engineering the processes of budgeting and public expenditure management
- Strengthen the monitoring and evaluation capacity in public financial management
- Promote the timely dissemination of information for financial management
- Regulate financial management in the central and local governments
- Improve the efficiency and effectiveness of revenue collection
- Improve overall public service delivery
Main Components of Public Financial Management

- Mobilization of budgetary resources
- Management of public expenditure
- Management of Public debt
- Overall budget Process
- Procurement control
- Legal and Regulatory Framework
- Internal Control and Reporting Mechanisms
- Data Quality and reconciliation of data
- Integrated Financial Management Information system (IFMIS)
The FMAS, a bespoke system, was evaluated by an external firm of consultants (IMC Ltd), with support from DFID.

The FMAS - A number of major weaknesses identified after Diagnostic Study:

- Poor system design and inadequate functionality
- Incomplete development
- Lack of system data checks and controls
- Batch processing with reliance on front end processes and controls
- Lack of system design and maintenance documentation
- Poor system performance in terms of response times
- Lack of proper audit trail
- Weak security
- Inadequate link with Budget Bureau
- Lack of a comprehensive and integrated payroll database system
IFMIS is key

Financial management system boundaries

- Planning system
- Project appraisal
- Medium term plans, e.g. three year rolling plans
- Resource allocation
- Annual budgets Development, recurrent and revenue
- Fund release procedure, e.g... warranting
- Liquidity management
- Expenditure control
- Expenditure review
- Public expenditure review
- Accountability
- Audit system
- Post event review
- Reports and financial statements
- Monitoring & controlling
- Accounting for revenue and expenditure
- Information technology
  A core tool of integration

- National economy
- Government policy
- International donors organisations
- Stakeholder groups
- State enterprises
- Other State institutions
## Financial Coding Structure – New Chart of Accounts Created - from 11 to 27 digits

### Groups

<table>
<thead>
<tr>
<th>Organization</th>
<th>Fund</th>
<th>Program / Project</th>
<th>Location</th>
<th>Object</th>
</tr>
</thead>
</table>

### Annual Budget
(Control 1)

<table>
<thead>
<tr>
<th>Cost Center (7)</th>
<th>Fund Source (3)</th>
<th>PRSP Activities / Sub Comp (6)</th>
<th>District (2)</th>
<th>Object Code (4)</th>
</tr>
</thead>
</table>

### Quarterly Ceiling
(Control 2)

<table>
<thead>
<tr>
<th>Division / Dept. (5)</th>
<th>Fund Source (3)</th>
<th></th>
<th></th>
<th>Category (1)</th>
</tr>
</thead>
</table>

### Quarterly Allocations
(Financial Budget)

<table>
<thead>
<tr>
<th>Cost Center (7)</th>
<th>Fund Source (3)</th>
<th>PRSP Activities / Sub Comp (6)</th>
<th>District/Chiefdom (4)</th>
<th>Object Code (4)</th>
</tr>
</thead>
</table>

### General Ledger
(Commitments, Expense, Revenue & Journal Entry)

<table>
<thead>
<tr>
<th>Cost Center (7)</th>
<th>Fund Source (3)</th>
<th>Activities (8)</th>
<th>Ward (5)</th>
<th>Object Code (4)</th>
</tr>
</thead>
</table>

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Simplified diagram of centralized or distributed architecture

Centralized approach – Client Server System
- Higher Costs – Hardware and Software
- Lower risk – robust and sophisticated
- Inherent controls
- Data Commonality and access
IFMIS – FreeBalance Accountability Solutions

- Turnkey Solution – Hardware and Software Supplied

- The System is FreeBalance Accountability Solutions and the ‘Go Live’ date was 1st June 2005

- IFMIS (FreeBalance Accountability Solutions) foundations module installed on 1st June 2005 in the Accountant General’s Department (AGD) and extended to the Ministry of Finance and SL Police in January 2006

- HR/Payroll (Human Capital Accountability - HCA) installed at ESO and AGD in April 2006 but is experiencing technical difficulties as well as lack of valid data; both of which are receiving attention by FreeBalance and GoSL respectively

- Further Roll-out to Health, Education, Agriculture and Works after Proof of concept of wireless technology to interconnect MoF and the roll-out sites was pursued.

- Remote connection for the Audit Service will be considered after the proof of concept. Meanwhile, The Audit Service staff located in the AGD has received super user training and has view access to the IFMIS.
IFMIS – So far a Success?

- Great Desire for change
- Strong leadership – level of Minister
- Co-ordination and training – PFM Reform Unit
- Funding – mainly World Bank
- Capacity Strengthened – Local Technical Assistants (Chartered Accountants)
- Acceptable System with Inherent controls, appropriate facilities and reports – FreeBalance
- Implementation Approach – Much focused
Benefits of IFMIS

- Stringent and Inherent security controls
- Review of Business Processes
- Institute Segregation of Duties
- Automated Bank Reconciliation Facility - giving credibility to management reports
- Quick Access to Information – dissemination of user friendly management reports
- Publication of Quarterly Financial Performance Reports
- Update of Annual Public Accounts
- Audit Trail
Implementation of IFMIS Modules

- Financial Accountability
- Human Capital Accountability (HCA)
- Purchasing Module
- Inventory SIMMS Module
- Asset Module
- Performance Budgeting Module

- Mainly centralized processing in the AGD but Roll Out has started in MOF, Police and four other Ministries.
- Completely centralized processing in the AGD and fully operational but fraught with problems – FreeBalance expected to come up with an advance version.
- Operational in the AGD – To be extended to others.
- Same as Purchasing.
- AGD preparing to commence operation of this module.
- Budget Bureau to use this module for the 2008 Budget
The Human Capital Accountability (HCA) Payroll Module

The Human Capital Accountability Payroll Module (HCA) was introduced in April 2006 to replace the FMAS payroll which lacked certain controls and functionalities - System data checks and controls and Audit trail.

Payroll Data in the old FMAS migrated to HCA with limited data validation done - as a result, there are data inconsistency problems which undermine the integrity of the payroll.

Technical Difficulties experienced – Off the Shelf package adapted to suit our situation.
The Human Capital Accountability (HCA) Payroll Module (Contd.)

- The Establishment Secretary’s Office (ESO) now directly linked to the payroll system. Personnel records are now integrated with AGD payroll data thereby eliminating data duplication.

- The ESO handles employee and position files whilst the AGD takes care of the other pay issues, thereby promoting segregation of duties. With this, data consistency is assured through common database.

- Adequate controls now exist to ensure only validated data are inputted in the system as authority to change records and payroll results in audit trails in the system. Also, the business process for salary payments improved with the introduction of Amendment (Employee and Assignment) Forms.

- HCA is experiencing technical difficulties as well as lack of valid data; both of which are receiving attention by FreeBalance and GoSL respectively. An enhanced HCA version is to be implemented soon to address the difficulties. ESO is required to provide list of approved positions or designation and the relevant grades – this is a critical feature to guarantee the integrity of the payroll.
IFMIS Security Issues

- Backing up data
- Disaster Recovery
- Protection of Server Room
- Test Environment – Scripts from FreeBalance
- Data Input Controls
- Validation Checks
- Bank Reconciliation facility
IFMIS Implementation Challenges

- Capacity Building - Weak Human Capacity with poor remuneration and limited training - Human Errors
- Power Supply - Irregular - Generator and Inverter Batteries
- Availability of Spares – Locally?
- Need for Local Technical Support – PFMRU & FreeBalance (Go to my PC – Time Difference)
- System Infrastructure – Limited Space, Hardware Support, Cabling and wireless connections
- Change Requests – Capacity Problem? Procurement/Contractual Issue?
- Sustainable wireless connectivity – Location of MDAs, VSAT - expensive
IFMIS Roll-out to the remaining MDAs

- Further interconnectivity of all MDAs in Freetown will be pursued in due course.

- Roll-out needs extensive training and support.

- Necessary to learn from the implementation experience of the Roll-out to the 4 MDAs before venturing to the other MDAs and even to Local Councils.

- Plan to extend the roll-out to the Ministry of Defence (MoD) and the Audit Service by the end of 2007 or early 2008.

- Further roll-out should take into account the physical conditions required to support the functioning of the system, including Generator backup.
Further Challenges for IFMIS

- The use of manual procedures for commitment approval and control - the IFMIS commitment control and execution functions, which would provide for more predictable implementation of the cash budget, are being over-ridden to some degree. As a consequence, the IFMIS in place is not being fully utilized and it is not clear that priorities represented in the quarterly allocations are observed.

- It is also recommended that, in order to facilitate orderly budget execution, full use be made of the core IFMIS functions of commitment control and approval.

- Full use should also be made of the Purchasing, SIMMS and Asset Modules
VISION 2025 – SWEET SIERRA LEONE

Thank you for your attention