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SAMOA

Report on the Observance of Standards and Codes (ROSC)
Fiscal Transparency Module

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February 18, 2005

EXECUTIVE SUMMARY

This report provides an assessment of fiscal transparency practices in Samoa, as at the end of November 2003, in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency* based on discussions with the authorities and other organizations, the authorities' response to the IMF fiscal transparency questionnaire, and other sources of information. The IMF *Manual on Fiscal Transparency* (http://www.imf.org/external/np/fad/trans/manual/) should be consulted for further explanation of the terms and concepts discussed in this report.

As a result of reforms over a number of years, Samoa has made substantial progress in improving fiscal transparency and now meets the standards in the Fiscal Transparency Code in a significant number of areas. There is a comprehensive and modern legal framework for fiscal management. The central bank has effective independence. The budget is comprehensive and reliable, the Public Accounts are timely and comprehensive, and there is quite extensive reporting of non-cash items. In recent years considerable efforts have gone into modernizing the legal framework, in some instances in line with international best practice. Government spending is increasingly focused on accountability and performance.

However, there is a lag in the implementation of recent legislation, for example on governance of state-owned enterprise. Not all of the enhanced budget information and fiscal reporting required by law is being presented to Parliament. The macroeconomic framework for budget preparation is still qualitative in nature and does not include medium-term budgetary projections. The latest publicly available report of the controller and chief auditor on the Public Accounts is for the year ended 30 June 1999, which is a serious breakdown of the accountability framework.

There are a number of areas where Samoa needs to further strengthen current practices:

In the short-term *(1–2 years)*: update Treasury Regulations and instructions consistent with the new PFMA; improve the quality of budget documentation, through enhanced fiscal balance and expenditure information, medium-term fiscal forecasts, and simplified reporting of fiscal risks and tax expenditures; progressively establish a more arms length relationship with state owned enterprises; improve the quality and timeliness of fiscal reporting; re-establish the Parliamentary accountability process; strengthen the capacity and independence of the controller and chief auditor; and improve the transparency of the tax system.

In the medium-term: in budget documents, introduce a medium-term revenue strategy and expenditure framework, present a full statement of fiscal risks, and progressively quantify the impact of tax expenditures; strengthen the capability of the accounting system; eliminate remaining un-funded Community Service Obligations of public enterprises, and remove all remaining public officials from public body boards; and re-establish the legal independence of the controller and chief auditor.

The authorities have advised that since undertaking the ROSC, the authorities have developed a Financial Management Improvement Project 2003–2008 Implementation Plan to address many of these issues.

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Abbreviations and Acronyms

CSO	Community Service Obligation
FMIS	Financial Management Information System
GDDS	The General Data Dissemination System of the IMF
GFS	Government Finance Statistics—a standard for government statistical reporting and analysis as defined by the IMF
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MoR	Ministry of Revenue
NPF	National Provident Fund
NRB	National Revenue Board
PAC	Public Accounts Committee of Parliament
PFI	Public Financial Institution
PFMA	Public Finance Management Act 2001
PFTAC	Pacific Financial Technical Assistance Centre
PS Act	Public Service Amended Act 2002
Public Bodies Act	Public Bodies (Accountability and Performance) Act 2001
QER	Quarterly Economic Review
ROSC	Report on the Observance of Standards and Codes
SDS	Strategy for the Development of Samoa (formerly referred to as the Statement of Economic Strategy)
VAGST	Value added goods and services tax

Websites

Ministry of Finance, Samoa	http://www.mof.gov.ws
Central Bank of Samoa	http://www.cbs.gov.ws

Samoa : Basic Data

Type of government: A unitary state, with a Parliamentary democracy and unicameral legislature.
Fiscal year: From 1 July to 30 June
Unit of currency: tala (dollar). As at 23 Jan 2004 1 tala = US$0.3616
Population (2003): 170,000
Real GDP (2002): 698.6 million tala
Government Debt/GDP (2002): 54%

I. INTRODUCTION[1]

1. This report provides an assessment of fiscal transparency practices in Samoa, as at the end of November 2003, against the requirements of the IMF *Code of Good Practices on Fiscal Transparency.* The assessment has two parts. The first part is a description of practice, prepared by the IMF staff on the basis of discussions with the authorities and their responses to the fiscal transparency questionnaire, and drawing on other available information. The second part is an IMF staff commentary on fiscal transparency in Samoa.

II. DESCRIPTION OF PRACTICE

A. Clarity of Roles and Responsibilities

2. **General government is defined according to international standards.** Samoa is a unitary state, and the central government budget corresponds with the general government sector. There is no sub-national government in Samoa.[2] The central government comprises fourteen ministries and five constitutional offices. The public sector comprises, in addition, twenty nine public bodies listed in a schedule to the Public Finance Management Act 2001 (PFMA). The general government sector is defined in accordance with GFS 1986. The gross revenues and expenditures of trading activities conducted within departments (such as the Government Printing Office and Treasury Stores) are excluded from fiscal statistics reported on a GFS basis.

3. **Some of the community service obligations (CSOs) of enterprises are now financed by transfers included in the government's budget.** The new Public Bodies (Performance and Accountability) Act 2001 contains a comprehensive framework for transparency and accountability of CSOs, but full implementation of this law is still ongoing. In recent years the annual budget has contained some transfers to enterprises to recognize the cost of CSO delivery. For instance, the 2003–04 budget contains a grant for CSOs to the Samoa Water Authority and the Electric Power Corporation. Efforts are being made to explicitly relate the size of the transfers to the cost of conducting CSOs, and to make them subject to meeting specific performance measures. It is intended that

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[1] Discussions on fiscal transparency were held in Apia during April 2001, and November 17–29, 2003. The team for both missions comprised Messrs. Tom Wilson (PFTAC financial management advisor until October 2003, and member of the IMF's Panel of Fiscal Experts) and Murray Petrie (IMF panel expert). In November 2003, the mission met with the Prime Minister, the Deputy Prime Minister and Minister of Finance, the Leader of the Opposition, the Chairman of the Public Accounts Committee of Parliament, an Opposition member of the Public Accounts Committee, the Deputy Governor of the Reserve Bank of Samoa, the Clerk of the Legislative Assembly, officials from the Office of the Auditor General, and a wide range of staff in the Ministry of Finance. Meetings were also held with officials in the Ministries of Agriculture, Commerce Industry and Labour, and Revenue, and with the Public Service Commission. In addition the mission met with the President, Vice President, and members of the Executive of the Samoa Chamber of Commerce, the President and other officers of the Samoa Umbrella for Non Governmental Organizations, the Co-Managing Director of KVA Consult Ltd., the Director of the Institute of Samoan Studies at the National University of Samoa, and the Australian and New Zealand High Commissions. Toward the end of the mission, the mission gave a presentation on the Fiscal Transparency Code and the mission's preliminary findings. All those whom the mission had met were invited to attend.

[2] At the village level, some public services are provided in-kind (e.g., land for public schools), but essentially all general government expenditures are covered in the central government budget.

CSOs will in future be conducted in terms of legally enforceable contracts between the government and the individual public bodies concerned.[3] The Public Bodies Act establishes that the principal objective of public trading bodies is to be a successful business, defines CSOs, provides that the responsible minister may only direct a public body to conduct a CSO under certain circumstances, sets out a procedure for issuing such a direction, and establishes as an offence the unlawful direction of a director or board to conduct a CSO. All public bodies are to include details of all CSOs in their annual reports, including those financed from operating activities rather than a budget appropriation.

4. **Ministers and officials currently chair or serve on numerous Boards of Directors of public bodies, although the extent of this is being reduced.** It has long been the practice in Samoa that ministers and officials sit on numerous public body boards, and in many instances chair such boards.[4] The Public Bodies Act specifies criteria for selection and procedures for the appointment of Directors, including establishment of an ad hoc Independent Selection Committee appointed by Cabinet. The Act stipulates that no member of Parliament, public servant or constitutional officer shall be appointed or reappointed as a director unless Cabinet has certified that they have particular qualifications and experience that cannot be found elsewhere. The Act also stipulates that the replacement of all ex-officio Board members shall be made within five years of the Act coming into effect; and that public servants should not be paid allowances for attending Board meetings. The Independent Selection Committee has yet to be established, and the cessation of attendance allowances for public servants has yet to occur.

5. **The Central Bank of Samoa has effective independence in the conduct of monetary policy, and does not play a fiscal role.** The Central Bank Act 1984 requires the Bank to pursue low inflation, external balance, and economic growth; in practice the Bank targets the inflation rate and external balance. It has effective independence in the conduct of monetary policy, using open market operations to manage monetary conditions. Under an amendment to the Central Bank Act in 2001 the Governor chairs the Bank's Board of Directors. The Bank is allowed to make advances to the government through an overdraft facility. Any overdraft must be repaid by the end of the financial year and is limited in size to 25 percent of General Fund revenue collections in the previous year. The overdraft is to be used only in anticipation of current budget revenue (or in respect of any payment relating to membership in any international financial institutions). The Bank does not conduct quasi-fiscal operations. In recent years the cost of open market operations has been met from the government budget, drawing on Asian Development Bank financing under a financial sector development loan, although neither

[3] The authorities commented that such agreements have subsequently been established with all trading enterprises as part of the 2004–05 Budget. However, the full operationalization of the Act is dependent on the Companies Act 2001 coming into force, which is currently under review.

[4] In recognition of the conflicts of interest this can create, the prime minister has recently removed himself from the chairmanship of two of the largest public enterprises (Polynesian Airlines Ltd. and Samoa Tel) and appointed replacements from the private sector. He has indicated publicly that he expects his Cabinet colleagues to follow his example.

the government grant nor the cost of open market operations has been shown in the central bank's financial statements.[5]

6. **Government is a shareholder in a number of private companies, and these shareholdings are publicly reported.** The PFMA requires all financial statements to include a Statement of Investments showing the nature or type of investments broken down into current and non-current investments. In practice, the Statement of Investments in the Public Accounts identifies for each investment the percentage of government ownership, and the historical cost of acquisition. The Public Accounts disclose new investments and capital injections, doubtful investments, and any sale/disposal of investments.

7. **The regulatory framework for the public and private sectors has been made more consistent, though there is a need to improve the clarity and certainty of regulation of the private sector in some important areas.** Prudential regulation of the non-bank financial institutions—such as the National Provident Fund (NPF) and the Samoa Development Bank—has been strengthened and brought into line with prudential regulation of the banking sector since 2001 by assigning responsibility for this task to the central bank. Some labor market regulation is now applied uniformly across the public and private sectors. The definition of sectors to be included in the foreign investment reserved and restricted list needs to be clarified and codified to provide more certainty to participants, and Regulations issued under the Foreign Investment Act 2000. The certainty of the regulatory framework also needs to be clarified in other areas. For example, to assist concluding negotiations regarding the expiration of a supplier's exclusive petroleum supply contract, the government passed legislation (that ultimately was not used) that would have allowed the government to expropriate some of the supplier's assets.

8. **The legal framework sets out clearly the fiscal roles of the executive, legislative, and judicial branches.** The Constitution and the Standing Orders of Parliament clearly set out the roles of the different branches of the government in fiscal management. The PFMA further codifies the specific responsibilities of the various stakeholders in fiscal management. The budget must be presented to the Parliament by the Executive before the start of the fiscal year. Except with the consent of the Head of State on the advice of the Executive, the Parliament may only vote to reduce expenditure in the Budget presented by the government, and may not increase expenditure or revenue, or transfer funds from one vote to another. The Constitution provides for expenditure in anticipation of appropriation if the budget has not been passed by the first day of the financial year, and the PFMA contains further provisions to give effect to this provision. Judges salaries are statutory expenditures not subject to annual appropriation by Parliament. Many decisions of government are subject to judicial review.

[5] A Memorandum of Understanding (MOU) between the central bank and the government to take effect from 2005 will see the Bank assume responsibility for meeting the cost of open market operations, and for the management of all of Samoa's foreign exchange reserves (at present around one third of these are managed by the ministry of finance). The MOU also contains initiatives to strengthen the balance sheet of the central bank through a waiver for an undefined period of the transfers to the government required under the Central Bank Act of a share of the Bank's net profit and of the balance in the Revaluation Account.

9. **There is some blurring of the roles of the legislature and executive.** A dual role has been played by some members of parliament since 2001 as both departmental under-secretaries, and therefore members of the executive government, and members of parliamentary select committees scrutinizing the actions of the executive government and their departments. There is also a lack of clarity about the role played by Undersecretaries of departments in relation to the role of ministers, on the one hand, and the role of Chief Executives of the same departments on the other. Some Undersecretaries attend Board meetings chaired by the minister as observers, and it is unclear what role they play in these instances. Some Undersecretaries are even members of the Parliamentary Select Committee responsible for oversight of their own department. For example, the Undersecretary of Finance is the Deputy Chair of the Public Accounts Committee of Parliament charged with oversight of the ministry of finance and the public finances more generally.[6]

10. **Fiscal management is defined by a comprehensive legislative framework, but this framework is not yet fully implemented.** The Constitution provides that except in strictly limited circumstances related to emergency and unforeseen expenditures, government moneys cannot be spent except in accordance with an existing legal appropriation. The PFMA provides a comprehensive framework for effective fiscal management. All public money is to be paid into the General Revenue Fund, and it may only be removed as provided for by the Constitution or the PFMA. The minister of finance has the ability to exercise effective control over economic policy and fiscal management, with specific responsibilities for budget formulation and supervision of the finances of the State and of public bodies and the primacy of the minister of finance in fiscal issues has been given practical effect.

11. **The PFMA gives the minister of finance control over government borrowing and lending, and the granting of guarantees, when authorized by Parliament or Cabinet.** Under the Public Bodies Act 2001, the minister of finance is the shareholding minister in all public bodies (except those where he is the responsible minister). The financial secretary (the chief executive of the ministry of finance) is responsible, inter alia, for advice on and oversight of all public spending (capital and current), monitoring of public enterprises, is chair of the Revenue Board, and has power to obtain access to all records relating to public money or public property. The PFMA also sets down the financial management responsibilities of all heads of departments and defines (in Part XV) a comprehensive penalty and enforcement for handling public moneys that seems to be operational.

12. **To date, the subordinate Treasury Regulations and Instructions have not been revised to reflect the PFMA, while some of the PFMA's requirements are yet to be implemented.[7]** The unimplemented provisions are primarily those related to the content

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[6] The authorities advised that in early 2004 a member of parliament replaced the undersecretary as the deputy Chair.

[7] The authorities advised that a Financial Management Improvement Project (FMIP) 2003–08 Implementation Plan has been endorsed by the CEO of Finance, the focus of which is on the operationalization of the PFMA. In support of this, work has commenced on the development of the subordinate regulations and instructions, which is expected to be completed by the end of 2005 to tie in

(continued...)

of budget and outturn reporting. For example, publication of forward estimates of outputs to be supplied by departments, and of the government debt servicing obligations; details of fiscal risks; and the timeliness of annual reports of public bodies. On all these issues implementation is still pending.

13. **There are no extra-budgetary funds, capital spending and donor-funded expenditure are fully integrated into the budget.** There are no social security institutions in Samoa or funds outside the budget that conduct fiscal activities and whose expenditures are financed other than through appropriations, except for some small spending (e.g., purchase of books) financed by small fees charged by public schools. In addition to the Treasury Fund, there are three other Funds established within the General Revenue Fund for specific purposes—the National Loans Sinking Fund, the Insurance Fund, and the Special Purpose Funds. The PFMA specifies that temporary transfers may be made between certain of these funds, but the particulars must be reported in the Public Accounts. There is no separate development budget, and capital spending and aid-financed expenditures are integrated into the annual budget. Payments to statutory authorities as an operational subsidy and/or to finance CSOs are separately identified in the budget appropriations. However, quasi-fiscal activities (or unfinanced CSOs) undertaken by statutory authorities from internally generated revenues are only required to be reported in the reports of those statutory authorities.

14. **The legislative basis for taxation is reasonably clear for most taxes, but there is a need to improve clarity and remove discretion in the Income Tax Act.** The Constitution provides that no taxation shall be imposed except by parliament. The Income Tax Act 1974 and the Income Tax Administration Act 1974 are poorly structured, to some extent internally inconsistent, and not in line with best practice. There is a need to modernize them, improve clarity, and to review the appropriateness of tax exemptions. There are also elements of discretion in the Customs Act, for example provision for deferral of duty payment, which is used actively by the Comptroller under delegated authority. The PFMA establishes a National Revenue Board (NRB), chaired by the Financial Secretary, to advise the minister on all matters pertaining to revenue policy, and to consider all departmental proposals for revenue policy changes. Wherever any Revenue Act provides discretion to a minister concerning the imposition of taxes, duties, or fees, the minister shall exercise that discretion only after he has consulted the NRB. The Income Tax Administration Act 1974 makes the Commissioner of Inland Revenue subject to the control of the minister in his administration of the Act, and does not provide the Commissioner with specific statutory independence in the assessment of tax liabilities.

15. **Customs administration has been strengthened in recent years, and the creation of the new ministry of revenue in 2003 is intended to bring about much needed improvements in tax administration.** An institutional strengthening project in Customs has resulted in a number of approved importers inputting data directly to the Customs computerized information system, which has minimized opportunities for irregularities and resulted in faster import clearance. On the tax side, compliance with the Value Added

with the implementation of a new Financial Management Information System (FMIS) and development of procurement instructions.

Goods and Services Tax (VAGST) is considered low but improving. There is a stock of overdue VAGST refunds (on which no interest is payable), although no estimates are available of the amounts involved. The creation of the new ministry of revenue (MoR) in mid-2003 through the merger of tax and customs administration functions is intended to improve tax payer compliance and administration, for instance through creating a combined tax and customs data base. There is an internal auditor responsible for monitoring the internal control environment in the ministry. Customs and tax officials are subject to specific codes of conduct.

16. **Initiatives are under way to improve taxpayer services, but there is no low-cost independent mechanism for resolving disputes.** Many taxpayers are not fully aware of their obligations, particularly with respect to the VAGST. The 2003–04 budget for the ministry of revenue includes funding for Income Tax and VAGST advisory services, the latter including provision for seminars, media announcements, and distribution of pamphlets aimed at improving taxpayer awareness. At present, tax-payers may object to an assessment by writing to the Commissioner or Comptroller, but their only recourse beyond that is through the courts. A Service Charter for the ministry of revenue is being developed. There is no low cost system of independent administrative review such as a taxation tribunal.

17. **The Public Service Act requires merit-based appointment, and establishes public service values and a Code of Conduct.** The PSC has conducted both internal and external surveys on public service conduct. All departmental vacancies are publicly advertised, and there is an independent appeals mechanism. Ministries are also required to develop and disseminate a Service Charter that spells out in detail what the public can expect when dealing with them, including identification of mechanisms for dealing with any complaints about breaches of those charters. To date, about one third of ministries and constitutional offices have completed their Service Charter.

B. Public Availability of Information

18. **The budget documents and public accounts cover all central government fiscal activities, donor financed off-budget expenditure is also presented.**[8] There are no extrabudgetary funds and, in general terms, all moneys collected by ministries and their agencies are treated as public moneys and may only be expended in accordance with an appropriation. In his annual report on the 1999 Public Accounts—which is the most recent audit annual report publicly available—the controller and chief auditor stated that expenditures financed from school fees that were held in a Special Purpose Account were not appropriated by Parliament, and should have been (see also paragraph 13).[9] With this minor exception, all government expenditures are covered in the central government

[8] The budget documents comprise the Budget Address, the Economic Statement to Support the Budget, the Statement of Economic Strategy, the Estimates of Receipts and Payments, and the Appropriation. This is complemented by a three year statement of the government's priorities, the Strategy for the Development of Samoa 2002–2004.

[9] While identified as book fees, the proceeds of these collections can be, and are, used from time to time to finance other educational services. These expenditures, amounting to $700,000 in 2001–02 (or about 0.2 percent of total government spending), have been reported in the Public Accounts in recent years but remain undisclosed in the budget documents.

budget. Information on off-budget government expenditures financed directly by aid donors is provided in the budget documents. The 2003–04 Estimates disclosed estimated utilization of foreign project aid by sector and individual project, and the estimated utilization of foreign soft term loans by individual loan agreement. At the departmental level the Estimates showed expenditures on outputs financed by donor cash and by soft loans, but (with the exception of one department) did not show donor aid-in-kind.

19. **The budget documents disclose the main fiscal aggregates for the year prior to the budget year, but no information is presented for the year(s) following the budget year.** The PFMA provides that financial statements must show comparative amounts for the corresponding previous reporting period. In practice, the budget documents disclose the main fiscal aggregates, and details of departmental estimates by output, sub-output and type,[10] for the year prior to the budget year. Sometimes the prior year's numbers are the original budget estimates for that year, at other times they are the estimates after allowance for Supplementary Estimates, and it is not always clear which basis of comparison is being used. No detailed information is presented in the budget documents on the current estimated outturn for the year prior to the budget year. While the PFMA requires a projection of expenditures and revenues for the budget year and the following two years, this has not been provided in the 2002–03 or 2003–04 budget documents.

20. **No contingent liabilities are disclosed in the budget documents—although government guarantees are reported in the final accounts—and no information is published on tax expenditures.** The PFMA requires disclosure of fiscal risks with all fiscal forecasts, quantified where possible. The Public Accounts disclosure on government guarantees includes the face value of each guarantee in the previous and current reporting period, and details of calls made on individual guarantees during the year. The statements also show the value of contingent obligations to international financial institutions. They do not provide, however, any estimates of the likely costs to the government, nor do they include all contingent liabilities, such as legal action against the government. Estimates have been produced for Cabinet of the fiscal impact of some new tax expenditures introduced in recent years, but these are not publicly available.

21. **Quasi-fiscal activities are being reduced through incorporation of Community Service Obligations in the budget**. For a number of years some grants to public bodies have been included in the government budget, with no specification of the purpose of the transfers. Attempts are now being made to explicitly relate the former to the cost of providing non-commercial services, and to set performance targets for these services and grants for some CSOs were included in the 2002 budget. As noted, the Public Bodies Act contains a comprehensive framework to incorporate all CSOs of public bodies in the government budget. In the past the NPF has been directed to lend to state-owned enterprises with a government guarantee. This quasi-fiscal activity is reported in the Public Accounts Statement of Contingent liabilities. Most state-owned enterprises remain exempt from income tax.

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[10] These categories do not align comprehensively with either the 1986, or 2001 GFS standards.

22. **There is regular reporting of information on public debt, but quality and timeliness could be improved.** The Estimates book contains a schedule of external debt—there is no internal public debt—showing for each individual loan the amount of interest and principal, but not the currencies in which loans are denominated. Total estimated external debt servicing for the budget year is disclosed, including a sum to allow for currency fluctuation. While the PFMA requires a three-year projection of the government's debt management responsibilities, this has not been provided. During the year there is quarterly reporting of external debt and debt servicing in MoF's Quarterly Economic Review (QER), which is published around four months after the end of the quarter.

23. **There is no information on financial assets or liabilities of the government in the budget documents.**[11] However, the Public Accounts do include a schedule of cash balances and receivables, and of payables and unexpended aid project funds. The PFMA requires all financial statements to include a Statement of Borrowings showing total debt (broken down by current and non-current), opening and closing balances, and the nature of the movement during the reporting period. Similar requirements apply to disclosure of information on loan balances available for draw down to repay debt, and for balances in the Special Purpose Fund. In practice, the Public Accounts contain a Statement of Foreign Term Debts showing the tala amount owing under each individual loan, and the corresponding amount for the previous period. The Public Accounts also include schedules of the balances and annual flows of the various government Funds, such as the National Loans Sinking Fund and the Insurance Fund.

24. **There is a legislative framework for the publication of fiscal information.** The PFMA sets out requirements for the content and periodicity of within-year and end of year fiscal reporting. Quarterly summaries of receipts and payments are to be published within one month of the end of each quarter. The audited final accounts (certified by the controller and chief auditor) must be presented to the Legislature within six months of year-end. The Financial Secretary is required by law to certify the financial statements as to whether they present fairly the matters required by the PFMA. The controller and chief auditor is required to prepare a report annually on his operations, including identification of any irregularities found.

25. **In the provision of fiscal information to the public, the authorities rely mainly on Parliament and the free press.** Reflecting the primacy of the Parliament, little government fiscal information is released to general public until it has been tabled in the Parliament. The primary focus in recent years has been on getting more and better information tabled in the Parliament whence it can be transmitted to the public at large through the press. Both the MoF and the central bank have up to date websites with quite a deal of fiscal data on that website and the website of the central bank. In addition, most documents are publicly available against a cost recovery fee. However, internet and other costs are not inconsequential when considered against local incomes. Hence the priority on making fiscal information at relatively low costs.

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[11] The authorities commented that the recognition and disclosure of all assets and liabilities across the government is a performance indicator in the MoF Corporate Plan for 2004–07.

26. **Samoa advised the IMF in November 2003 that it will join the Fund's General Data Dissemination System (the GDDS)**. Participation in the GDDS entails, inter alia, a commitment to provide advance release calendars of fiscal reports during the year. Samoa currently exceeds the standards for in-year fiscal reporting in the GDDS, but falls somewhat short on in-year reporting on public debt. The GDDS requires quarterly reporting on public debt within a quarter of period end, whereas the debt reporting in the QES appears approximately four months after the end of the quarter. Samoa has also participated in the OECD/ADB anti-corruption initiative, and has submitted a country Action Plan. There is no freedom of information legislation in Samoa.

C. Open Budget Preparation, Execution, and Reporting

27. **The government has announced fiscal targets, but there is no explicit discussion of fiscal sustainability in the budget documents.** The Strategy for the Development of Samoa 2002–2004 (SDS) identifies the achievement and maintenance of stable macroeconomic conditions as the government's primary strategic objective. The SDS was prepared following consultations with a wide range of stakeholders outside government. The budget strategy for the period is to maintain a surplus between current revenue and current expenditure of no less than 3.5 percent of GDP, and an overall deficit of no more than 3.5 percent of GDP on a GFS basis. These fiscal rules are presented as a means to ensure fiscal sustainability, and actual performance against them is reported in the SDS. However, there is no explicit discussion of fiscal sustainability in the SDS or the annual budget documents, nor any medium-term fiscal forecasts or longer-term debt servicing projections that would facilitate an assessment of sustainability.[12] The Public Accounts 2001–02 do contain a balance sheet of the Treasury Fund which provides some additional stock information generally found in accrual accounts that is relevant to assessing fiscal sustainability.

28. **The budget is presented on the basis of a qualitative macroeconomic framework, but no medium-term economic forecasts are presented.** A statement of the government's medium-term macroeconomic objectives is included in the SDS, and cross-referenced in the annual budget documents. Within the Economic Statement to Support the 2003–04 Budget there is a largely qualitative assessment of the major macroeconomic parameters for the budget year, including discosure of some, but not all the significant economic forecasting assumptions required to be disclosed under the PFMA. There are no medium-term economic forecasts.[13]

29. **New initiatives are often identified in the Budget Address, but their fiscal impact is not always disclosed in the budget nor clearly distinguished from the ongoing costs of government policies.** The 2003–04 Budget Address outlined a number of expenditure priorities and revenue measures contained in the budget. In some instances the fiscal impact of new measures being introduced in the budget is identified, in others the fiscal

[12] The authorities advised the FMIP 2003–08 Implementation Plan includes development of two year forward estimates.

[13] The authorities commented that medium-term economic forecasts and underlying assumptions are produced, (based on the MRMSX module developed by the World Bank), for the consideration of Cabinet as part of the budget process. The appropriate disclosure in the Budget Papers will be considered as part of FMIP.

impact of budget announcements in comparison to the ongoing cost of existing policy is not identified.

30. **The PFMA requires fiscal forecasts to disclose details of fiscal risks, but this has not yet been implemented.** The PFMA requires fiscal forecasts under the Act to include details of fiscal risks and, where they cannot be quantified, a statement of possible impacts. As yet there is no information in the budget on fiscal risks (such as government guarantees), or on the impact on government revenues and expenditures of variations in key parameters underpinning the economic forecasts. The 2003–04 Budget estimates do disclose the projected amount of guarantee fees to be charged to the recipients of government guarantees (3 percent of the amount guaranteed at time of granting, 1 percent of the outstanding amount each year the guarantee is in effect).

31. **There is a clear line of accountability for budget appropriations to individual government departments, and transactions are disclosed on a gross basis.** The budget estimates provide a very clear line of accountability to individual departments for expenditure appropriations. Expenditures are appropriated either for the delivery of outputs and sub-outputs by departments and ministries, for the delivery of outputs by third parties (such as funding CSOs delivered by public utilities), and for payments on behalf of the state (such as membership subscriptions to international organizations). There is no information in the Budget or the Public Accounts on government spending by function, to facilitate international comparisons of the sectoral allocation of spending in Samoa, though this information is prepared for internal MoF use. Nor is there information disclosed on expenditure classified by GFS economic type, to assist in assessment of the macroeconomic impact of the budget, although this information, consistent with GFS 1986, is similarly available within government.[14]

32. **The move to output budgeting has seen an increasing focus on specifying expected performance, but to date there has been less that full compliance with reporting of achievements against these performance measures.** In the last few years considerable efforts have been made by line ministries and MoF to clearly specify the outputs and sub-outputs being funded in the budget. There has also been considerable development of the measures of the quantity, quality, and timeliness indicators presented in the estimates for each output and sub-output. In at least some instances departments are starting to consider how to build in outcome-related performance measures. However, the performance management system is still in the relatively early stages, and in many instances information systems are not yet in place to capture and report actual performance against the measures in the budget estimates.

33. **Reporting formats and methodology to measure and monitor outputs costs, and outputs and outcomes needs further development.** Most departments are behind in submitting their Annual Reports to Parliament, while in other cases reporting actual performance against budget targets is not complete, so that it is not possible yet to systematically track performance against targets. The PSC is developing a pro forma departmental annual report that, inter alia, is intended to bring about an improvement in

[14] This information is however not provided to the IMF's Statistics Department for inclusion in the GFS Yearbook.

the quality of performance reporting. The SDS does systematically report progress in the achievement of outcome target set for the previous SDS period. With respect to information on broader social outcomes, the government released in November 2003 a report on hardship and poverty that contains key poverty indicators and a summary of Samoa's progress toward achieving the Millennium Development Goals and Targets.[15]

34. **The two main indicators of the fiscal position in the budget are the budget balance on a cash accounting/appropriation basis and on a GFS (1986) basis.** GFS measures of the fiscal position are a part of budget presentation and fiscal reporting, and the PFMA requires all financial statements to include a statement of government transactions prepared under the GFS format. In the 2003–2004 Budget Speech reference is made to the need to constrain the budget deficit to no more than 3.5 percent of GDP on a GFS basis. Both the GFS-based budget deficit, and the alternative measure based on the form in which the estimates are appropriated by the legislature, are presented in the budget documents, though, at times, without a clear specification of which measure is being used. Moreover, there is no reconciliation between the two alternative deficit measures, which makes it difficult to determine whether the budget is consistent with the fiscal rules as explained above (paragraph 27). There is no presentation of the budget balance net of foreign grants, or of the balance of the non-financial public sector.

35. **Internal control procedures, while comprehensive, are not fully effective.** The coverage of the accounting system is reasonably comprehensive in terms of payments for both domestic and donor financed transactions. However, costs are sometimes coded to the wrong output. The centralized payments system records transactions at both the purchase order and cheque payment stage, and outstanding purchase orders which have reached a specified age are reviewed by the MoF to ascertain whether they are still necessary. By an analysis of purchase orders and cheques issued, it is possible for the MoF to make some assessment of the outstanding liabilities in relation to expenditure incurred. With minor exceptions for remote location transactions operating through advance accounts, all government transactions are undertaken through a single treasury account with acquitted advance accounts used for certain overseas operations or remote locality transactions.

36. **The MoF has a financial inspectorate that undertakes ex post reviews of expenditure transactions of the various ministries**. The focus of the financial inspectorate, and of the controller and chief auditor, who also carries out ex post reviews, is mainly on the transactional level. Both would, in future, need to undertake more testing and validation of systems and procedures. At present, both audit processes do not provide the sort of system/procedural checks that could give management confidence that an appropriate system of checks and balances is in place. The PFMA 2001 requires that the controller and chief auditor undertake a pre-audit of all ministry expenditures.[16] However, these pre-audits potentially compromise his ability to undertake the ex post reviews which constitute his primary mandate. A separation of these functions should be considered in any future amendments to the Act. An internal audit function is being established within an increasing number of ministries. The controller and chief auditor has reported

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[15] See *Samoa: Hardship and Poverty Status Discussion Paper*, Asian Development Bank, September 2003.
[16] This provision was inserted in the PFMA 2001 to secure its passage through the Parliament.

improvements in adherence to systems and procedures for the year ending June 30, 1999, his most recently available annual report.[17] The MoF statement and certification of the 2001–2002 Public Accounts indicated that deficiencies in internal controls, accounting procedures and records in a few departments were reported during the year.

37. **Contracting and procurement rules are clear and generally well implemented.** The PFMA explicitly provides for adherence with procedures and processes in managing the procurement and contract process and for the establishment of a Government Tenders Board with a clearly defined role in contracting for the acquisition, disposal or management of goods, services and construction works over 50,000 tala. As yet the two private sector members required under the PFMA have not been appointed to the Board.[18] The legal framework has been complemented by the issue in 2003 of guidelines covering the procurement process.

38. **Employment and pay regulations are well defined.** Cabinet has full discretion over engagement of Chief Executives, including for special posts such as the Public Service Commissioner, the controller and chief auditor, and Heads of Departments. These appointments are not made on the basis of any advice from the bureauracracy. For non chief executive positions, there are clear procedures for centralised oversight and control of public service employment through the Public Service Commission. In essence, Cabinet has a primary role in the appointment of ministry CEOs and CEOs take a primary role in the appointment of subordinate staff in their agency. Delegation of some powers in relation to employment has occurred in recent years to line departments, with centralised oversight. The Public Service Act contains a Code of Conduct for Public Officials, including provisions relating to disclosure of interests and the proper use of government resources. The Act also specifies principles of employment, including appointment on merit, advertising of vacancies, and access to a fair grievance system, in order to manage any risks to the integrity of employment decisions in the course of delegation. Pay rates and position classifications are tightly controlled by the Public Service Commission. A Remuneration Tribunal is being established to independently review the relative remuneration of differing categories of public employees and constitutional office bearers.

39. **The accounting system is capable of producing complete and accurate in-year reports on the central government budget outturn.** The coverage of the accounting system is reasonably comprehensive in terms of payments for both domestic and donor financed cash transactions processed through the Treasury Account. Aid-in-kind transactions and cash transactions financed directly by the donors are not captured or recorded in the accounting system, although information is presented on estimated development assistance in the budget. The centralized payments system records transactions of both the purchase order and cheque payment stages, and a commitments

[17] While there is currently a three year backlog in the annual reports of the controller and chief auditor that contain the detailed management reports on transactions of the Public Account, the Public Account Report for the year ended 30 June 2002 prepared by the ministry of finance, together with its formal certification from the controller and chief auditor that the financial statement was free from material misstatement was tabled in the Legislative Assembly in January 2003.

[18] The authorities commented that whilst there is a commitment to such appointments, the limited size of the private sector has associated independence and confidentiality issues for potential candidates,

registration system ensures that sufficient unexpended budget authority exists beofre a purchase order can be issued. Expenditure arrears in general are not a problem in Samoa, although multiple checking of invoices can sometimes result in some delay in paying suppliers. The accounting system does not capture the extent of any arrears in tax collection, or of arrears in the payment of tax refunds or the deferrals and payments of customs duty. Notwithstanding the above, the current accounting software in place in Samoa is no longer supported by the developer, and early replacement will be required to accommodate increasing informational requirements.[19]

40. **There is regular quarterly reporting of the fiscal outturn during the year.** Quarterly reports of budget outturn are publicly released and published on the MoF website within four months of the end of each quarter. However, this reporting is undertaken only on a GFS basis and not on an appropriation/accounting basis that would facilitate a ready comparison with the primary presentation of the budget estimates.

41. **The legislature does not undertake a mid-year review of the budget.** There is limited information on the budget outturn in the first four months which is provided with the first round of supplementary estimates, typically tabled in the legislative assembly in December of each year. The mid-year review of the budget outturn prepared by the MoF for Cabinet is not published.

42. **Adherence to the legal requirements in the preparation and dissemination of the formal accountability statements is uneven.** By law the final accounts together with the certification of the controller and chief auditor must be presented to the legislature within six months of year-end and this provision has been largely adhered to. However, the controller and chief auditor is also required to table his annual report that covers his management report of the public account transactions but the most recent publicly available auditor's annual report is for the year ended June 30, 1999. Ministries are required to table annual reports on their activities, including the provision to the legislative assembly of non-financial performance outturn information that would facilitate assessments of budget delivery, and the quality and timeliness of those reports, though improving, is patchy.

D. Assurances of Integrity

43. **Aggregate Budget estimates have been reasonably close to outturn in recent years.** Total revenue outturns have generally been close to forecast, while the main discrepancy on the expenditure side has been with respect to under-expenditure on external loan funded projects due to implementation delays. There has also been a tendency to under-spend on current expenditures, due to the incorporation in the budget estimates of the cost of filling vacant staff positions. This practice provided the government with flexibility to manage unforeseen spending pressures during the year. The introduction of a specific and cash limited appropriation for Unforeseen Expenditure in the PFMA represents a more transparent means of providing such within-year

[19] The authorities advised that they are in the process of finalizing a tender process for the purchase of a new financial management information system (funded by AusAid). The intention is that the system be operational for the commencement of the 2005–06 fiscal year. It is expected that the system will facilitate improved reporting, including on a GFS basis.

flexibility. At present there is no reporting within-year of actual expenditure under the Unforeseen Expenditure appropriation.

44. **The accounting basis is a cash system, which is supplemented by reporting of a number of non-cash elements.** The Statement of Significant Accounting Policies in the Notes to the Public Accounts indicates that income and expenses are recognized solely at the time of flows into or out of the government bank account. Non-cash items contained in the Public Accounts 2002 were a Statement of Assets and Liabilities of the Treasury Fund (including detailed supporting Statements), a Statement of Receivables, a Statement of Investments, and a Statement of Contingent Liabilities. The Statement of Investments shows investments at historical cost, resulting in significant discrepancies between the value of investments and the government's shareholder equity, particularly for Polynesian Airlines.[20] Government departments maintain registers of physical assets, although these lack consistent information on the date and cost of acquisition. The quality of physical asset information has improved recently, however, in the context of rationalization of the number of departments. The PFMA stipulates that all financial reports and statements required under the Act are to be in accordance with generally accepted accounting principles and practice, as approved by the International Federation of Accountants.

45. **The processes of accounts reconciliation are sound.** Automated reconciliation between the bank accounts and the Treasury general ledger are undertaken by the Accounts Division, with a daily reconciliation of revenue collections, while the centralized payment system expenditure transactions are reconciled on a monthly basis. The procedures adopted by the Planning Division of the MoF for the preparation of GFS outturn statistics provide for a comprehensive reconciliation between the above-the-line fiscal accounts and the below-the-line monetary data.

46. **External audit appears to be functioning independently of the executive branch, but the legal framework does not provide an assurance that this will remain the case.** The Constitution was amended in [1996] to shorten the term and remove the protection from dismissal previously afforded the controller and chief auditor. He is now on a three-year contract similar to chief executives of departments, and can be removed from office by Cabinet. In his 1999 report on the Public Accounts, the controller and chief auditor recommended that his term be extended so that it exceeds the life of a Parliament (which in Samoa is five years). The Constitution requires the controller and chief auditor to report annually to Parliament (Section 99), and to certify warrants for payments out of public funds—the controller function. The controller and chief auditor submits his reports directly to the speaker of Parliament. In practice, the Office focuses on financial compliance auditing, both of the quarterly financial statements and the annual financial statements (an audit of only the latter is required by law). The Office also conducts a pre-audit of every government payment, and is involved on various

[20] For Polynesian Airlines Holdings Ltd, there is a very large discrepancy between the value of the government's investment, as shown in the Public Accounts, and the value of shareholder equity in the Company's financial statements for 2000–01 (the latest publicly available financial statements). This discrepancy is increasing over time, as the annual payments to the airline from the budget are treated in the budget and the Public Accounts as capital injections rather than as operating subsidies.

committees during budget preparation. The Office has trialed the audit of output performance measures in one department in 2003.

47. **The PFMA provides the controller and chief auditor with a mandate to initiate a performance audit of any public trading or beneficial body**, The controller and chief auditor can contract this out if he wishes. He has also the right to audit the privatization of any government assets. A shareholding minister or the financial secretary may require the controller and chief auditor to conduct a performance audit of a public body under the Public Bodies Act. The budget of the Audit Office is established in the same manner as for government departments, through scrutiny by MoF and Cabinet decision. The Office is also subject to the standard staffing and salary regulations administered by the Public Service Commission, and is having difficulty attracting suitably qualified accounting staff.

48. **The reports of the controller and chief auditor are considered by the Public Accounts Committee, but a long lag in producing the reports means this process has been ineffective.** The Standing Orders of the Legislative Assembly establish a Public Accounts Committee (PAC) to oversee and review the public finances. The PAC comprises seven members of Parliament, including one opposition member. It is chaired by a government member, and one of its members is also the Undersecretary of Finance. The PAC considers the budget and the Public Accounts, and reports its findings to the Assembly. However, the most recent annual report of the controller and chief auditor on the operations of the Public Accounts available to the PAC is for the year ended 30 June 1999. The long delay means the accountability chain has been ineffective, a matter of concern to the PAC. The controller and chief auditor intends to submit his annual report on the operations of the Public Accounts for the years 1999–2000, 2000–01, and 2001–02 to the Speaker in December 2003.[21] When the current controller and chief auditor took office he inherited a very long backlog in the presentation of audited Public Accounts. The backlog was substantially eliminated by 1999. He has delayed his reports on the last three Public Accounts in order to try to resolve a number of issues with departments that reoccurred in each of the three years. The controller and chief auditor is having difficulty attracting and retaining sufficiently qualified staff given the higher salaries available elsewhere in the public sector, and in the private sector.

49. **The official macroeconomic forecasts are not subject to external scrutiny.** The MoF and the central bank prepare independent economic forecasts, and after comparison and discussion a set of consensus forecasts is reached which is presented to the NRB and then to Cabinet. There is no external review of the macroeconomic forecasts or the methodolgy used to produce them. The tax and customs revenue estimates are similarly produced independently by MoF and MoR, and are then discussed by the NRB. The budget revenue estimates are based on the revised MoF numbers. The central bank and the MoF produce forecasts on the basis of different formal macroeconomic models.

[21] The authorities advised that these reports have subsequently been tabled in Parliament, and that the 2002/03 report is scheduled to be tabled in the December 2004 sitting of Parliament.

50. **Responsibility for national accounts and government finance statistics rests with the MoF.** For some time, MoF has produced and disseminated national accounts and GFS statistics. In 2003 the Statistics Department was disestablished and its responsibilities and staff transferred to MoF as part of the rationalization of the number of departments. The head of the Statistics Office, and the chief statistician, is a deputy secretary in MoF. The Statistics Act 1971 does not give the government statistician independence in the production and dissemination of official statistics, although in practice there has been no external interference in technical issues. Samoa formally adopted the IMF's GDDS in November 2003. This entails a commitment to adopting an internationally-recognized framework for official statsitics, and to publish an Action Plan for improving the quality of official statistics.

III. IMF Staff Commentary

51. **Samoa meets the standards in the Fiscal Transparency Code in a substantial number of areas.** As a result of reforms to the legal framework, and sustained, but still not completed, implementation efforts over a number of years, Samoa has made substantial progress and has now achieved a fairly high degree of fiscal transparency. The government has adopted a broad consultative approach to the preparation of its Development Strategy. There is a comprehensive and, in many ways, modern legal framework for fiscal management, with clearly assigned accountabilities within government, and detailed requirements for disclosure in budget documents and fiscal reports. The central bank has effective independence in the conduct of monetary policy, and does not play a fiscal role. The budget is comprehensive, and the main budget aggregates are a reasonably reliable indication of the likely outturn. The output budgeting system is imparting more of a focus on performance and results, rather than inputs. The accounting system records all the cash transactions of government, and there is quite extensive reporting of non-cash items. There are reasonably effective centralized controls over expenditure and procurement, and accounting, banking, and monetary sector data are reconciled. The Public Accounts are timely and comprehensive.

52. **In recent years considerable efforts have gone into modernizing the legal framework—in some respects consistent with international best practice—and in strengthening fiscal management.** The PFMA 2001 modernized the legal framework for fiscal management by setting in motion improvements to budget presentation, budget execution, and fiscal reporting. The requirements for end of year financial statements cover a wide range of cash and non-cash information, in line with international best practice. The Public Bodies Act 2001 signaled a clear intention to place public enterprises and other public bodies on a more arms-length relationship with government, through removing ministers and officials from Boards, and funding CSOs from the budget. The legal provisions relating to the transparency and accountability of CSOs are also in line with international best practice. The quality of output specification in the budget has improved, and some departments are beginning to report on delivery against performance standards. In November 2003, Samoa committed itself to participating in the IMF's General Data Dissemination System.

53. **However, there are considerable lags in the implementation of recent legislation and annual reporting is overdue in many areas.** The macroeconomic framework for budget preparation is still qualitative in nature and does not include medium-term budgetary projections. The arms-length relationship with state-owned enterprise still needs further concrete steps. There is overlap between the executive and legislative functions. A sizable number of CSOs still need to be reported in the budget. Treasury instructions have yet to be revised, and are still based on the repealed Public Monies Act 1964. Not all of the enhanced budget information required under the PFMA has been presented to Parliament. Contingent liabilities are not reported on in the budget. Fiscal reports do not contain all the non-cash information required under the Act. Most departments and public bodies are yet to meet legal requirements for the timeliness of their annual reports. The latest publicly available report of the controller and chief auditor on the Public Accounts is for the year ended June 30, 1999, which is a serious breakdown of the accountability framework.

54. **There are a number of areas where Samoa needs to further strengthen current practices to more fully meet international standards of fiscal transparency.** The recommended actions that follow are grouped into short-term (one to two years) and medium-term elements, in recognition both of their relative importance and the implementation requirements.[22]

<u>For short-term implementation:</u>

i. **Complete and promulgate the new Treasury Regulations and Instructions to make them consistent with the new PFMA**.

ii. **Improve the quality of information presented to Parliament with the annual budget**, by including: a reconciliation table showing the derivation of the GFS balance from the appropriations balance; the fiscal balance net of foreign aid grants; a table of expenditures by function, and by GFS-consistent economic type; a summary table of all new revenue and expenditure measures being introduced in the budget, together with the estimated fiscal impact of each measure; aid in kind for each department; macroeconomic forecasts for the budget year and two years beyond the budget year, and medium-term forecasts of the main fiscal aggregates; longer-term debt servicing projections; a list of tax expenditures; and a statement of fiscal risks. For the first year the statement of fiscal risks should include a list of all government guarantees, showing their nominal value, the value in the previous period, and the value of calls on guarantees in the previous period; and disclosure of all key assumptions underpinning the macroeconomic and fiscal forecasts.

iii. **Improve the understanding of fiscal policy and administration by the non-government sectors,** by initiating a briefing by officials of the Parliament, Public Accounts Committee, the media and civil society on the financial management

[22] The authorities acknowledged general support for the identified actions and commented that the majority are associated with the full operationalisation of the PFMA 2001 and Public Bodies Act 2001, together with the implementation of a new financial management system and supporting processes. These initiatives will be progressed through the FMIP 2003–08.

reforms, and disseminating a plain language guide to the budget and the Public Accounts.

iv. **Reestablish the parliamentary accountability process**, through ensuring that the annual reports of the controller and chief auditor on the Public Accounts are submitted within six months of the end of the year; and by introducing the practice of a formal response by the government to the findings of the Chief Auditor, in the form of a report to the Public Accounts Committee.

v. **Improve the quality and timeliness of reporting**, including meeting GDDS standards for in-year fiscal and public debt reporting (quarterly reports within one quarter of the end of the period); reporting spending and revenue during the year in the same format used in the budget presentation; submitting a formal mid-year review to Parliament on implementation of the budget (including the use of the Unforeseen Expenditure Appropriation); ensuring all departments and public bodies submit their Annual Reports to Parliament within the deadlines set by legislation; and ensuring the Annual Reports of departments contain a systematic reporting of actual performance against targets, and a simple list of significant physical assets (which should be progressively expanded in subsequent Annual Reports to show acquisition date and cost).

vi. **Strengthen the capacity and perceived independence of the Office of Controller and Chief Auditor.** Consideration should be given to refocusing the role of the Office on the timely ex-post auditing of the Public Accounts, to strengthening the institutional capacity of the Office, and to introducing some mechanism for parliamentary involvement in the process of establishing the annual budget and staffing for the Office.

vii. **Expand the appointment of private sector members to the Boards of key Public Bodies.** This will require establishing the Independent Committee on Appointments to Public Bodies. As provided in the Public Bodies Act, public servants who sit on Boards should cease to be paid attendance allowances.

viii. **Expand the identification, costing, coverage and reporting of CSOs in the budget and outturn documents**. Review the income tax exemption currently enjoyed by most public trading bodies.

ix. **Consider some changes to parliamentary practice with respect to fiscal management**: a legislative provision for out of session tabling of fiscal reports in Parliament; and reconsider the membership of undersecretaries on the Parliamentary Select Committees responsible for oversight of their own department.

x. **Improve the transparency of the tax system**, through publishing details on the stock of arrears of tax refunds owed by MoR, and on the stock of customs duty deferrals and arrears of tax owed to MoR; modernizing the Income Tax Act of 1974 and the Income Tax Administration Act 1974; providing the Commissioner of Revenue and the Comptroller of Customs with explicit legal independence in the assessment of tax and duty liabilities of individual taxpayers;

publishing a service charter for MoR; and introducing a low cost independent mechanism for resolving disputes between individual taxpayers and MoR. An institutional strengthening project should be considered for MoR.

For implementation in the medium-term:

i. **Further enhance the information presented to Parliament and the public at large with the annual budget** through presenting a medium-term revenue strategy; including in the Estimates the cost of delivering individual outputs for the budget year and two years beyond the budget year; presenting the Public Sector balance; enhancing the statement of fiscal risks through incorporation of information on the sensitivity of the main fiscal aggregates to variations in key forecasting parameters; and progressively enhancing the reporting of tax expenditures by including the estimated fiscal impact of each tax expenditure.

ii. **Strengthen the capability of the accounting system** by introducing a new FMIS; and progressively expanding the quality of reporting on non-cash items.

iii. **Progressively replace remaining cabinet ministers and officials from the Boards of Public Bodies over the five year transition period envisaged in the Public Bodies Act**.

iv. **Incorporate all remaining CSOs in the budget as required by the Public Bodies Act.**

v. **Enhance the accountability of departmental performance**, by subjecting the planned performance against actual results by individual output to audit by the controller and chief auditor; and attributing costs more accurately to individual outputs.

vi. **Consider strengthening the perceptions of the legal independence of the controller and chief auditor** by extending the term of office beyond the life of a single Parliament, and extending to the office the same protection from removal as applies to the Chief Justice.